

Health and Human Services Committee

LB 577

March 1, 2013

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Good afternoon, Senator Campbell and members of the Health and Human Services Committee. My name is Vivianne Chaumont (V-I-V-I-A-N-N-E C-H-A-U-M-O-N-T), Director of the Division of Medicaid and Long-Term Care with the Nebraska Department of Health and Human Services. I am here to testify in opposition of LB 577.

Before I get started on my testimony, I want to take the opportunity to point out one important area where the fiscal notes of the Department and the Legislative Fiscal Office (LFO) are starkly different. One of the requirements of the ACA is a health insurer fee. The Nebraska Medicaid program contracts with insurers through its managed care program and costs will, therefore, increase as a result of that fee. The Legislative Fiscal Office calculates the cost of the fee at \$7.9 Million for FY 14 and FY 15 in total funds and assumes the entire \$7.9 Million is federal funds. The Department estimated the health insurer fee at \$9.45 Million but allocated \$3.75 Million to the General Fund. A comparable allocation of the Legislative Fiscal Office's numbers to General Funds amounts to \$3.5 Million. The federal government has yet to issue guidance on the health insurer fee. However, recent actions related to the setting of capitation rates indicate that the federal government is not accepting the premise that because reimbursement is at 100% for a service, the insurer fee on that service should also be at 100%. That \$3.5 to \$3.75 Million means that, even under the fiscal note prepared by the Legislative Fiscal Office, LB 577 will have a cost to the General Fund in FY 14 and FY 15. That cost only increases in the following fiscal years.

The Nebraska Medicaid program currently provides coverage for low-income individuals in specified categories: children up to age of 19, their qualifying caretaker relatives, pregnant women, the aged and the disabled. The program provides a wide variety of medical services as well as non-medical services designed to help the aged and disabled live in the community. In Fiscal Year 2012, the Nebraska Medicaid covered, on a monthly average, 237,543 individuals at a total cost of more than \$1.6 billion. The most recent data, January 2013, shows an increase in enrollment of approximately 5,000 individuals above that average with 242,206 individuals covered.

In 2010, President Obama signed the Patient Protection and Accountable Care Act (hereinafter the ACA) creating both an individual mandate to have health insurance as well as establishment of health insurance exchanges. Effective January 1, 2014, as a result of the changes required by the ACA in the insurance market, states are expecting a significant increase in the number of individuals who will seek assistance from Medicaid. This increase will come from individuals who are currently eligible but have not applied previously and from individuals switching from

private insurance to Medicaid because of changes in the private health insurance market. The Medicaid benefit package is richer than most private insurance plans and has no premiums or deductibles, and minimal cost sharing. For the mandatory provisions of the ACA alone, the Department estimates that there will be 48,469 Nebraskans who enroll in Medicaid through Fiscal Year 2020 requiring more than \$770 Million additional funds for the Medicaid program.

This impact to the Medicaid program is a direct result of the ACA. It is a mandatory expansion of the Nebraska Medicaid program even if Nebraska does not choose to add a new category of individuals as proposed in LB 577. For this required Medicaid expansion, the federal government will provide funding at the same match rate that is in effect pursuant to existing federal requirements except for the match rate for the Children's Health Insurance Program (CHIP).

The requirement of the ACA that mandated states to expand their Medicaid programs to cover non-pregnant individuals between 19 and 64 years old was struck down by the United States Supreme Court after being challenged by States. Under LB 577, Nebraska Medicaid would be required to cover this optional category of adults up to 138% of the Federal Poverty Level. The Department estimates that the expansion under LB 577 will result in 95,059 new Medicaid eligibles through Fiscal Year 2020 at a cost of \$2.7 Billion to Nebraska taxpayers. Additionally, LB 577 requires coverage for the expansion population of at least two benefits not currently offered to the adult population. Nebraska Medicaid does not currently cover early and periodic screening, diagnostic and treatment (EPSDT) services for the 19 to 21 population. Habilitative services are currently covered by Medicaid through the Home and Community Based Services Developmental Disabilities waiver but are not a State Plan service. LB 577 does not identify what constitutes habilitation services. Instead, it identifies the outcomes desired from delivery of the unidentified services. It is impossible for the Department to estimate what additional costs this would incur as a result of mandating coverage of EPSDT and habilitative services.

Between the additional population resulting from the mandatory provisions of the ACA and the new expansion population required by LB 577, the Medicaid program will increase by more than 143,528 individuals. All told, one in five Nebraskans would be enrolled in Medicaid. Setting aside the impact this would have on the state budget, this large increase in Medicaid enrollment raises serious questions about access to care. Many health care providers either limit the number of Medicaid clients they will see or refuse to see any Medicaid patients. Expanding enrollment in Medicaid will exacerbate this problem. Access to care issues always increases pressure to increase rates which would further increase the cost to the state budget.

Even with initial federal support under the ACA, federal funds will decline by 10 percent over the next 6 years shifting a staggering burden onto the state – I would recommend you review the Department's fiscal note to see the impact of both the required and optional expansion of ACA on the state budget. Nebraska is going to experience a large increase in its Medicaid population without expanding Medicaid. This increase will put pressure on Nebraska's budget as well as on the health care delivery system. LB 577 will only aggravate that pressure.

For all the reasons stated, the Department opposes LB577.