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ISSUE BRIEF

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MEDICAID EXPANSION IN KANSAS

Updated Estimates of Enrollment and Costs

Introduction

Fourteen states — including Kansas — have not expanded Medicaid under the terms of the Affordable Care Act (ACA). In 2017, the Kansas Legislature passed a Medicaid expansion bill that was vetoed by then-Governor Sam Brownback. In early 2019, Senate Bill 54 and House Bill 2102 were introduced with the backing of Governor Laura Kelly. These companion bills, which are similar to the 2017 legislation, propose expanding Medicaid eligibility for adults age 19-64 with household incomes up to 138 percent of the federal poverty level ($35,535 for a family of four in 2019). The bills do not include work requirements, beneficiary cost-sharing or other program components some alternative expansion states have implemented.

This issue brief provides estimates of the number of new enrollees and the related cost to the state if Medicaid were expanded. It uses methodology consistent with previous Kansas Health Institute (KHI) estimates. However, unlike those earlier estimates, this version includes an assessment of new revenues and additional administrative costs, as well as offsetting savings related to current enrollees who could be eligible for the new adult expansion group and its higher federal match rate.

Assuming a Jan. 1, 2020, implementation date if Medicaid were expanded, the estimate indicates that 129,334 Kansans, including 90,176 adults and 39,158 children, would newly enroll in KanCare, the state managed care program that combines Medicaid and the Children's Health Insurance Program (CHIP). The total gross cost of care for new enrollees over 10 calendar years is similar to previous KHI estimates — $1.2 billion in state funds from 2020 to 2029. However, considering new revenues, costs and savings reduces the estimated net cost to the state to less than half of that, or approximately $520.8 million over 10 years. The cost in the first full year is estimated to be $47.4 million.

Expansion Estimates

Assuming a Jan. 1, 2020, implementation date if Medicaid is expanded, the estimate indicates that 129,334 Kansans would newly enroll in KanCare, the state managed care program that combines Medicaid and the Children's Health Insurance Program (CHIP).

Details of each assumption are provided in a technical supplement available at bit.ly/KSMedicaidEstimate

KEY POINTS

- ✓ Nearly 130,000 Kansans (including 90,000 adults and 40,000 children) are estimated to newly enroll in KanCare if Medicaid is expanded, an increase of 31 percent in the number of program enrollees.
- ✓ Of the projected new enrollees, about 75,000 were previously uninsured, while about 55,000 were already insured and expected to switch to KanCare.
- ✓ The total gross cost of new enrollees over 10 years would be $1.2 billion to the state, but accounting for new revenues, offsetting program savings and additional administrative costs would reduce that by more than half, to $520.8 million net cost over 10 years.
- ✓ Adopting alternative approaches to Medicaid expansion, such as work requirements for adults, might affect enrollment estimates.

Enrollment

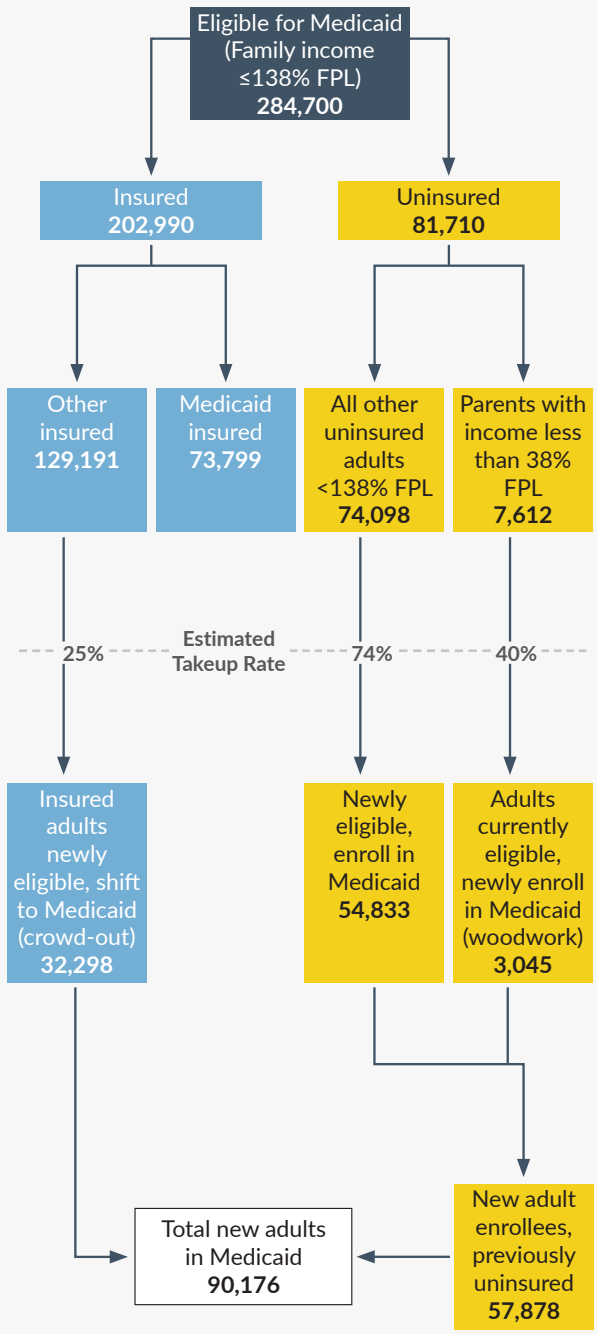
This estimate uses U.S. Census Bureau data from the 2017 American Community Survey, the most recent available, to assess the number and insurance status of the population that would be eligible for Medicaid if expanded. Because the number of uninsured adults age 19-64 under 138 percent of federal poverty level (FPL) declined by nearly 28,000 between 2014 and 2017, there are fewer likely new adult enrollees than in previous years.

The estimate of 90,176 new adult enrollees assumes that 74 percent of 74,098 potentially newly eligible uninsured adults in Kansas would enroll in KanCare if expanded, contributing 54,833 new enrollees (*Figure 1*). The estimate also assumes that 40 percent of 7,612 currently eligible but uninsured adult parents would enroll, for another 3,045 new enrollees (this is sometimes referred to as the "woodwork" or "welcome mat" effect, and for adults in Kansas it includes parents with household incomes under 38 percent of FPL). Finally, the estimate assumes that 25 percent of 129,191 potentially newly eligible adults already insured through another source would choose to move to KanCare, for another 32,298 new enrollees through what is known as "crowd-out."

Expansion would not change eligibility levels for children, but the estimate assumes more currently eligible children likely would be enrolled in KanCare as well, particularly if their parents were to newly enroll in the program, or as expanded enrollment efforts reach more people. The 39,158 newly enrolled children in the estimate includes 16,657 currently uninsured children and 22,501 children whose coverage would shift to KanCare (*Figure 2*, page 3).

This estimate also considers some adult enrollment in KanCare that could shift to the expansion group, primarily for the purpose of calculating whether the higher federal match rate that comes with the expansion group would reduce state costs. While cost considerations are discussed in the next section, it should be noted that an estimated 8,100 members who might otherwise have enrolled in eligibility categories for pregnant women, medically needy adults, MediKan and Supplemental Security Income (SSI) recipients could become eligible for the new expansion group, which would increase the expansion group but not total enrollment.

Figure 1. **Projected Kansas Adults (Age 19-64) in Medicaid Expansion Population under Affordable Care Act (ACA)**

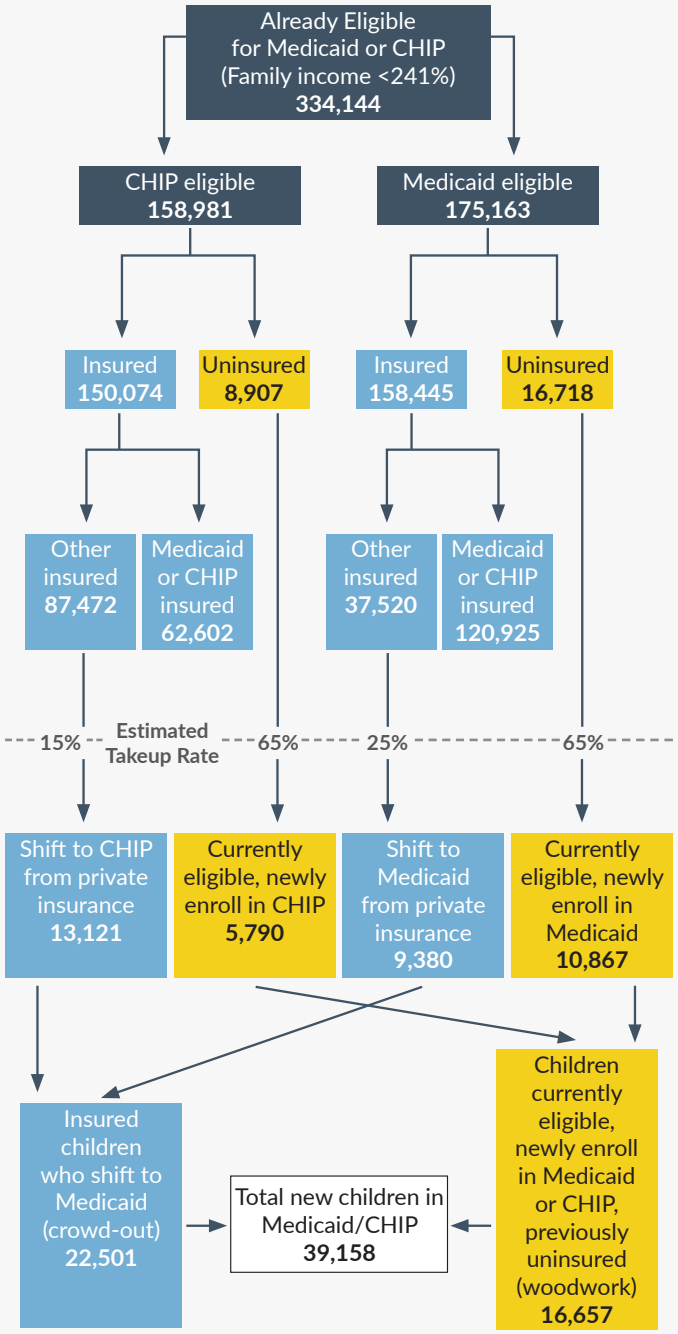


Source: KHI analysis of 2017 American Community Survey data.

Costs

The estimate assumes that the enhanced ACA federal match rate of 90 percent will apply to the new expansion group from 2020 on. Federal match rates for those already eligible for Medicaid and CHIP, however, change each year based on the relative economic positions of the states. This estimate uses the Fiscal Year 2020 Federal Medical Assistance Program standard match of 59.16 percent over the full 10 years of the projection for those Medicaid

Figure 2. **Projected Kansas Children Affected by Potential Medicaid Expansion to Adults**



Source: KHI analysis of 2017 American Community Survey data.

enrollees, even though that percentage may increase or decrease each year.

The estimate also assumes the CHIP enhanced FY 2020 match rate will be 82.91 percent, which includes the last year of phaseout of the enhanced CHIP match rate extended by Congress in 2018. In 2021 and thereafter, the estimate assumes a regular CHIP match rate of 71.41 percent will apply, even though that match rate too may change from year to year.

Per-enrollee annual costs are based on current costs in the KanCare program and are estimated to increase 2.5 percent each year, a factor intended to account for both cost and enrollment growth. The annual per-person costs for new enrollees in 2020 are estimated at $6,677 for non-pregnant adults, $10,853 for pregnant women, $3,411 for Medicaid children and $2,318 for children who would enroll in CHIP.

This estimate of net cost also includes assumptions of new revenues, savings from enrollees who would join the new expansion adult group rather than another eligibility group at a less favorable federal match rate, and additional administrative costs associated with a 31-percent increase in total program enrollment (from 416,000 to 546,000).

Figure 3 (page 4) illustrates the total estimated net cost to the state of expansion over 10 years and summarizes the effects of new revenues, offsets and administrative costs. Details of each assumption are provided in a technical supplement available at bit.ly/KSMedicaidEstimate. Highlights include:

Revenues and Offsets

- $41.7 million-$52.1 million each year in managed care privilege fees. Assuming the state will use managed care organizations for all new enrollees through 2029, the 5.77-percent privilege fee would provide the largest offset to the state share of the total cost of expansion.
- $8.2 million-$10.2 million each year in net savings from some enrollees who previously may have qualified in the Medically Needy group (those who pay a "spend down," akin to a deductible that allows them to qualify at incomes above current eligibility levels) but who now could qualify for the higher match rate for the expansion group.
- $2.5 million-$3.1 million each year in net savings from a reduction of 2 percent of SSI recipients age 19-64 who might seek medical coverage through the expansion group rather than seeking or maintaining SSI eligibility, qualifying for the higher match rate.
- $5.1 million-$12.9 million each year in savings from the state receiving a higher match rate for women who become pregnant while already enrolled in KanCare.
- $3.8 million-$4.8 million each year from increased drug rebates collected by the state.

Figure 3. **Estimated Cost of Medicaid Expansion Over 10 Years, by Calendar Year (in Millions)**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Combined Federal and State Spending on New Enrollees	$722.6	$740.6	$759.2	$778.1	$797.6	$817.5	$838.0	$858.9	$880.4	$902.4	$8,095.3
State Gross Cost of New Enrollees	$105.0	$112.0	$114.8	$117.6	$120.6	$123.6	$126.7	$129.8	$133.1	$136.4	$1,219.5
New State Revenues, Offsetting Savings, Administrative Costs	($57.6)	($64.5)	($66.1)	($67.7)	($69.4)	($71.1)	($72.8)	($74.6)	($76.5)	($78.4)	($698.7)
State Net Cost	$47.4	$47.5	$48.7	$49.9	$51.2	$52.5	$53.8	$55.2	$56.6	$58.0	$520.8

Note: State Fiscal Years run from July to June; this analysis presents results by Calendar Year, assuming a January 1, 2020, implementation. Numbers may not sum due to rounding. New State Revenues do not include taxes related to increased economic activity. Detailed assumptions are available at bit.ly/KSMedicaidEstimate.

Source: KHI analysis of data from the 2017 American Community Survey, the Fiscal Year 2018 Kansas Medical Assistance Report, the Kansas Department of Health and Environment and the Kansas Department of Corrections.

- $5.0 million-$6.2 million each year in net savings from moving enrollees from the entirely state-funded MediKan program to the new expansion group match rate, as well as its more complete benefits.
- $2.2 million-$2.8 million in savings to the state correctional system for inmates who could be eligible for Medicaid in the case of a hospital admission of at least 24 hours.
- $750,000-$1 million each year in additional premiums collected for children who enroll in CHIP as a result of the woodwork effect or crowd-out.

Administrative Costs

- Additional administrative costs ranging from $11.7 million-$14.6 million a year.

Considerations Not in the Estimate

Some estimates of the net cost of Medicaid expansion include projections of its effect on the health care workforce and the state economy and the resulting estimated increase in tax revenues. The Kansas Hospital Association estimates expanding KanCare would generate tax revenue equaling 2.5 percent of the combined federal and state cost of new enrollees. If applied to the KHI estimate, that would produce annual revenues of $18.1 million-$22.6 million over the 10-year period.

In addition, while the KHI estimate includes savings from inpatient hospital stays for inmates in the state correctional system, it does not include estimated savings that might be expected over time in reduced recidivism and interaction with law enforcement. It also does not assume the state would reduce funding for other programs that currently provide behavioral health treatment and other medical care to uninsured Kansans, including community mental health centers and safety net clinics. Neither does it assume changes related to population trends.

Factors That Could Affect Experience

As with other estimates, this projection is based on assumptions that could change depending on policy choices, implementation processes, economic factors or even the status of the private insurance market. For example, if Kansas were to adopt work requirements as a component of Medicaid expansion, enrollment over the time studied might be lower than projected as members lose eligibility, gain income or do not enroll in the first place.

Conversely, a bad turn in the economy or destabilization of the private insurance market could drive more newly eligible people to enroll in KanCare as they either lose employment or can no longer afford coverage. Yearly changes in the regular match rate also could increase or decrease state costs.

ABOUT THE ISSUE BRIEF

This issue brief is based on work done by Kari M. Bruffett and Cheng-Chung Huang, M.P.H. It is available online at khi.org/policy/article/19-12.

KANSAS HEALTH INSTITUTE

The Kansas Health Institute supports effective policymaking through nonpartisan research, education and engagement. KHI believes evidence-based information, objective analysis and civil dialogue enable policy leaders to be champions for a healthier Kansas. Established in 1995 with a multiyear grant from the Kansas Health Foundation, KHI is a nonprofit, nonpartisan educational organization based in Topeka.

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