

Economic and Fiscal Impacts of New Mexico's Medicaid Expansion: A Preliminary Analysis

NM Legislative Finance Committee

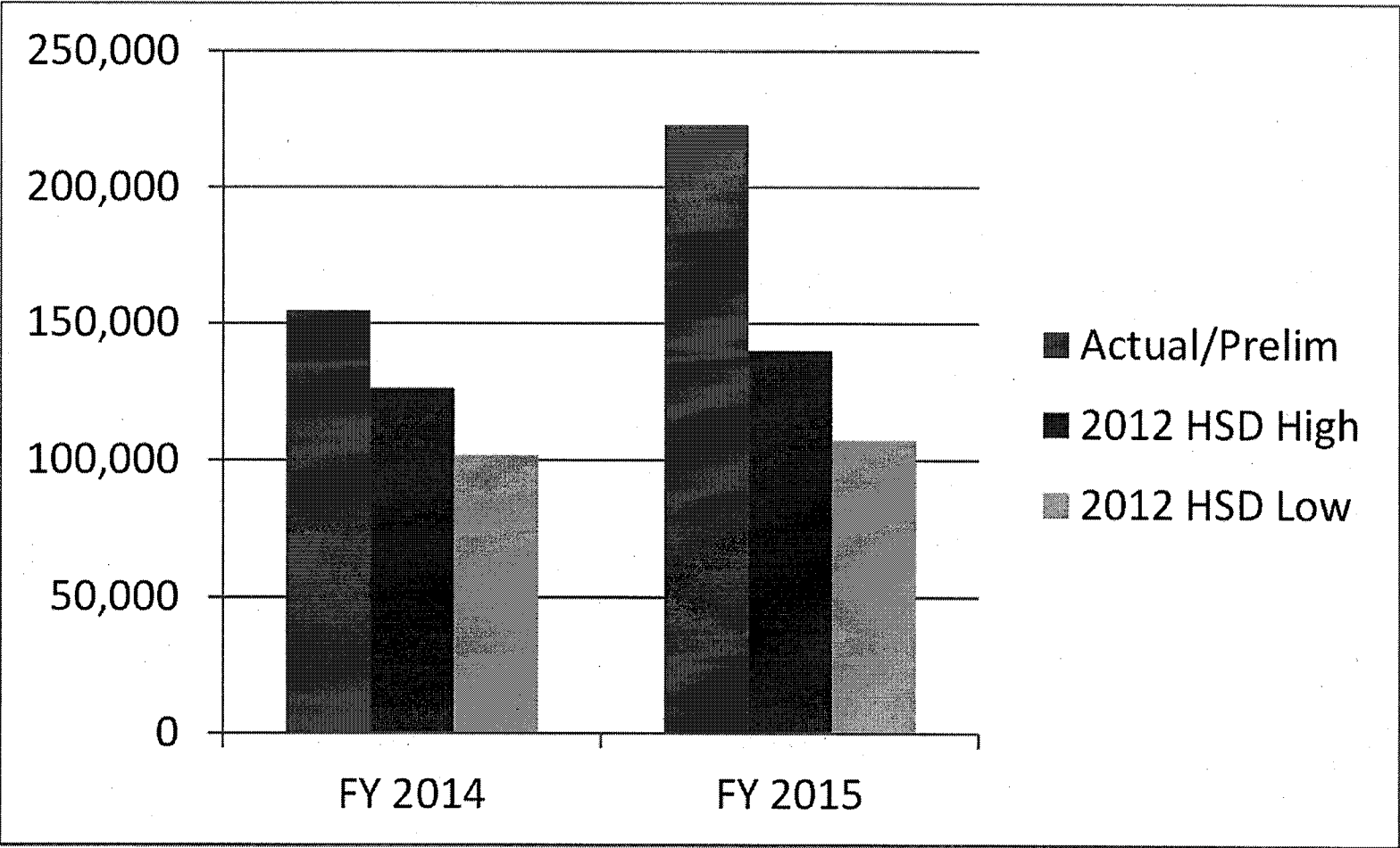
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Economic and Fiscal Impacts of New Mexico's Medicaid Expansion: A Preliminary Analysis

- Enrollments considerably exceed original expectations
- Looking at the numbers: actual and projected enrollments, costs, net flow of federal dollars
- Medicaid Expansion is changing the landscape in NM
- Impacts
 - On the overall economy, income and employment
 - On investment
 - On the State's General Fund

New Mexico Uptake on Medicaid Expansion Considerably Exceeds Expectations



New Mexico Medicaid Expansion, Actual and Projected Federal Dollars (In \$Millions)

| Fiscal Years | 2014 (6 m) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2014-21 |
|------------------------------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Enrollment ¹ | 154,671 | 222,705 | 249,437 | 260,000 | 270,400 | 275,808 | 280,000 | 280,000 | 280,000 |
| | | 44% | 12% | 4% | 4% | 2% | 2% | 0% | |
| Cost per person ² | \$2,675 | \$5,592 | \$5,707 | \$6,233 | \$6,473 | \$6,600 | \$6,696 | \$6,696 | |
| | | 5% | 2% | 9% | 4% | 2% | 1% | 0% | |
| Total Costs ³ | \$413.8 | \$1,245.3 | \$1,423.6 | \$1,620.6 | \$1,750.3 | \$1,820.3 | \$1,874.9 | \$1,874.9 | \$12,023.7 |
| | | 201% | 14% | 14% | 8% | 4% | 3% | 0% | |
| Federal Share ³ | \$413.8 | \$1,245.3 | \$1,423.6 | \$1,580.1 | \$1,654.0 | \$1,702.0 | \$1,715.5 | \$1,687.4 | \$11,421.7 |
| Percent of Total | 100% | 100% | 100% | 98% | 95% | 94% | 92% | 90% | |
| Minus: 1.9% Insur Fee ⁴ | (\$7.9) | (\$23.7) | (\$27.0) | (\$30.8) | (\$33.3) | (\$34.6) | (\$35.6) | (\$35.6) | (\$228.5) |
| Minus: Fed Share SCI ⁵ | (\$74.3) | (\$141.2) | (\$127.0) | (\$114.3) | (\$102.9) | (\$92.6) | (\$83.4) | (\$75.0) | (\$810.7) |
| Minus: Fed DSH Lost ⁶ | \$0.0 | \$0.0 | \$0.0 | (\$0.2) | (\$0.3) | (\$0.3) | (\$0.3) | (\$0.3) | (\$1.3) |
| NEW NET FEDERAL SHARE | \$331.6 | \$1,080.4 | \$1,269.5 | \$1,434.8 | \$1,517.6 | \$1,574.5 | \$1,596.3 | \$1,576.5 | \$10,381.3 |

1. Enrollment is actual or estimated at the end of the Fiscal Year (June). Figures through FY 17 are from NM Human Services Department (HSD).

2. Cost per person is an average as calculated. Amount depends on number of new enrollees, also gender and age composition, also on when people sign-up, since enrollment is as of June.

3. As laid out in Affordable Care Act (ACA), although actual share slightly higher since Native Americans using Indian Health Service are covered 100%.

4. As mandated under Affordable Care Act.

5. The Medicaid Expansion picks up the care of some of those previously covered under a state plan run by HSD, State Coverage Insurance (SCI), with federal funding from Medicaid. This latter flow disappears with the Medicaid Expansion.

6. Federal Funding from Disproportionate Share Hospital program was reduced in ACA, since the Medicaid Expansion will pick up care previously uncompensated.

Changing the Landscape in NM

- Dramatically reducing the percent of adults who are uninsured
- Reducing uncompensated care
- Helping to make NM more attractive for health care providers
- Providing one bright spot in an otherwise gloomy economy...

Percentage of Population Uninsured

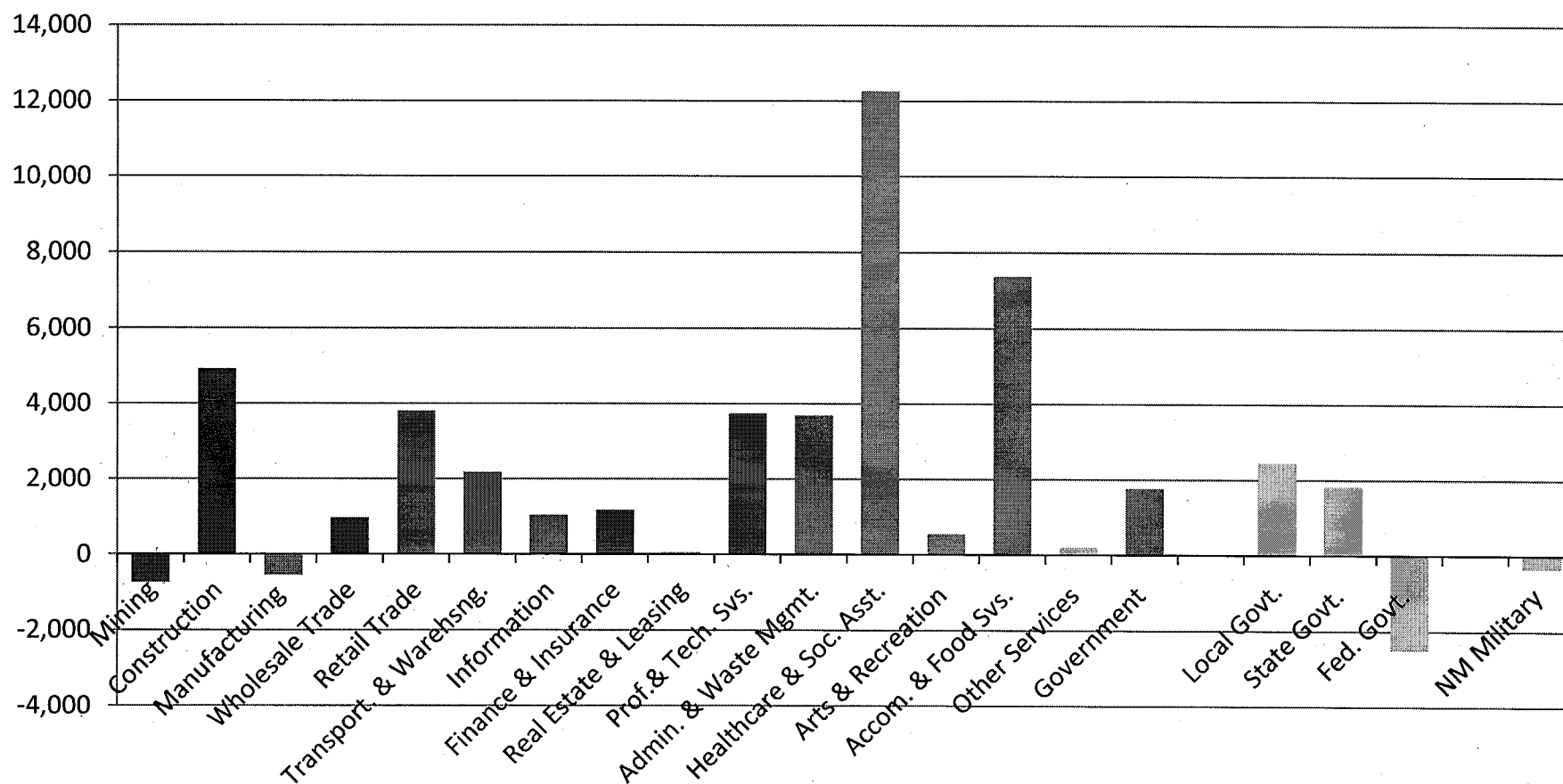
| | 2013 | 2014 | Difference |
|-------------------------------|--------------|--------------|-------------|
| New Mexico | | | |
| Total Population ^a | 19.2% | 14.5% | 4.7% |
| 18-64 Years | 27.2% | 19.2% | 8.0% |
| United States | | | |
| Total Population | 14.5% | 11.7% | 2.8% |
| 18-64 Years | 20.3% | 16.3% | 4.0% |

a. Total civilian noninstitutionalized population

Source: American Community Survey, Annual, 2013 and 2014

UNM BBER July 2015 Forecast: NM Employment by Sector

Total Employment Change by Sector - 2014 to 2018



Growth in Health Care Employment Versus Modeled Direct Employment Gains

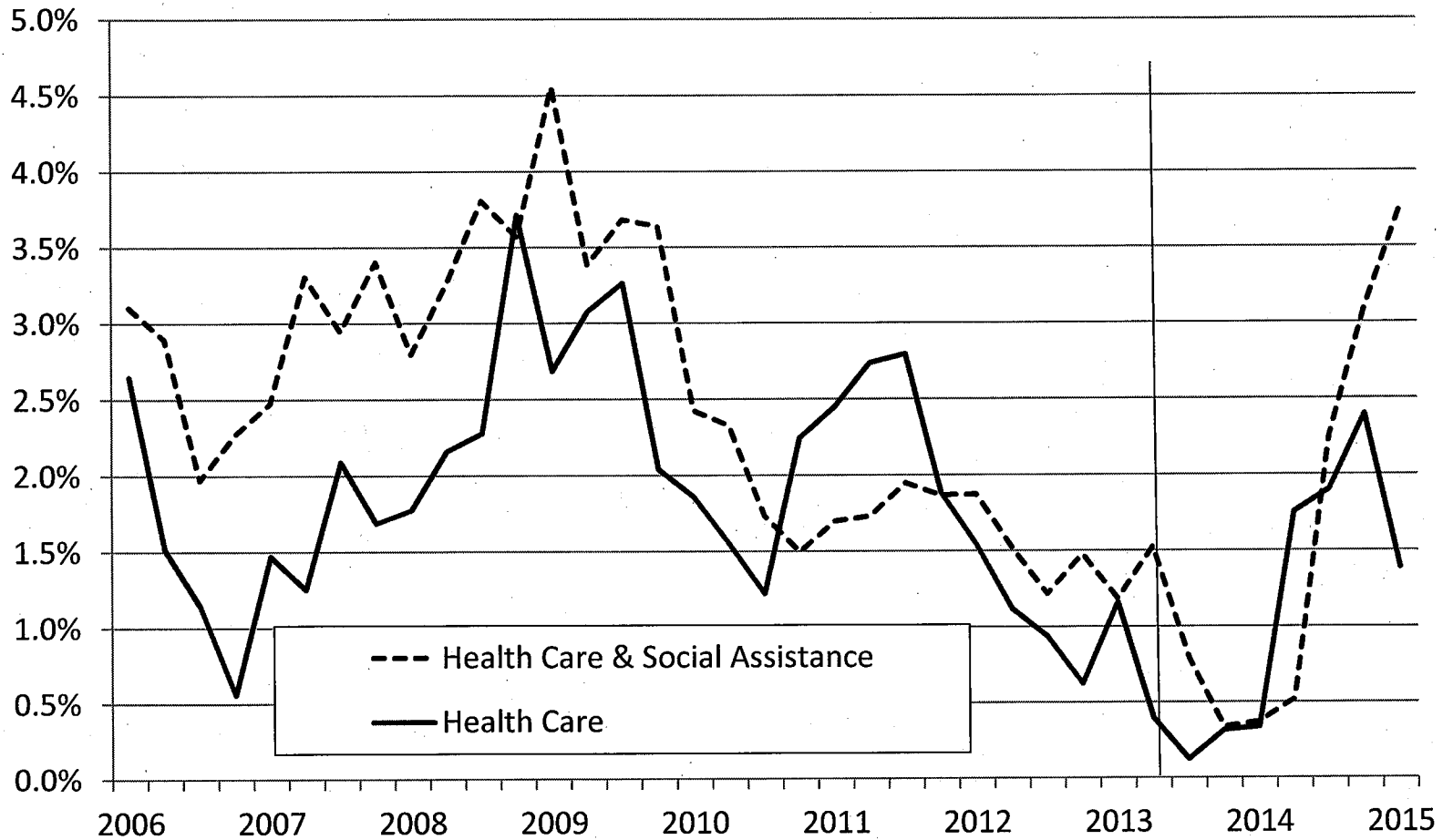
| | Health Care W&S Employment | Change Over Year Earlier | Additional Expected Direct Employment (IMPLAN) |
|---------------------|-------------------------------|-----------------------------|--|
| 2014 Q1 | 99,247 | 333 | |
| 2014 Q2 | 100,289 | 1,729 | |
| FY14 Average | 99,768 | 1,031 | 1,494 |
| 2014 Q3 | 100,880 | 1,883 | |
| 2014 Q4 | 100,880 | 2,362 | |
| 2015 Q1 | 100,625 | 1,378 | |
| FY15 Average | 100,795 | 1,874 | 2,893 |

Source of Data: NM DWS, QCEW, BBER Estimates based on Implan Model

Actual Employment and Labor Income for Medicaid Expansion Has Not Reached Modeled Expectations

- **This is not unique to NM and is true elsewhere across the US.**
- Many uninsured people in NM who needed care received attention but the care was uncompensated. Many NM residents may have gone out-of-state, perhaps to Mexico, to get care.
- Virtually all areas on the map of NM have been designated Health Professional Shortage Areas – for primary care, dental care, and mental health providers... There are serious capacity constraints that are not quickly overcome.
- Shortages have been mitigated by primary care and specialist programs, including clinics in rural areas, Project ECHO and other tele-medicine programs. These efforts are often not reflected in the employment statistics.

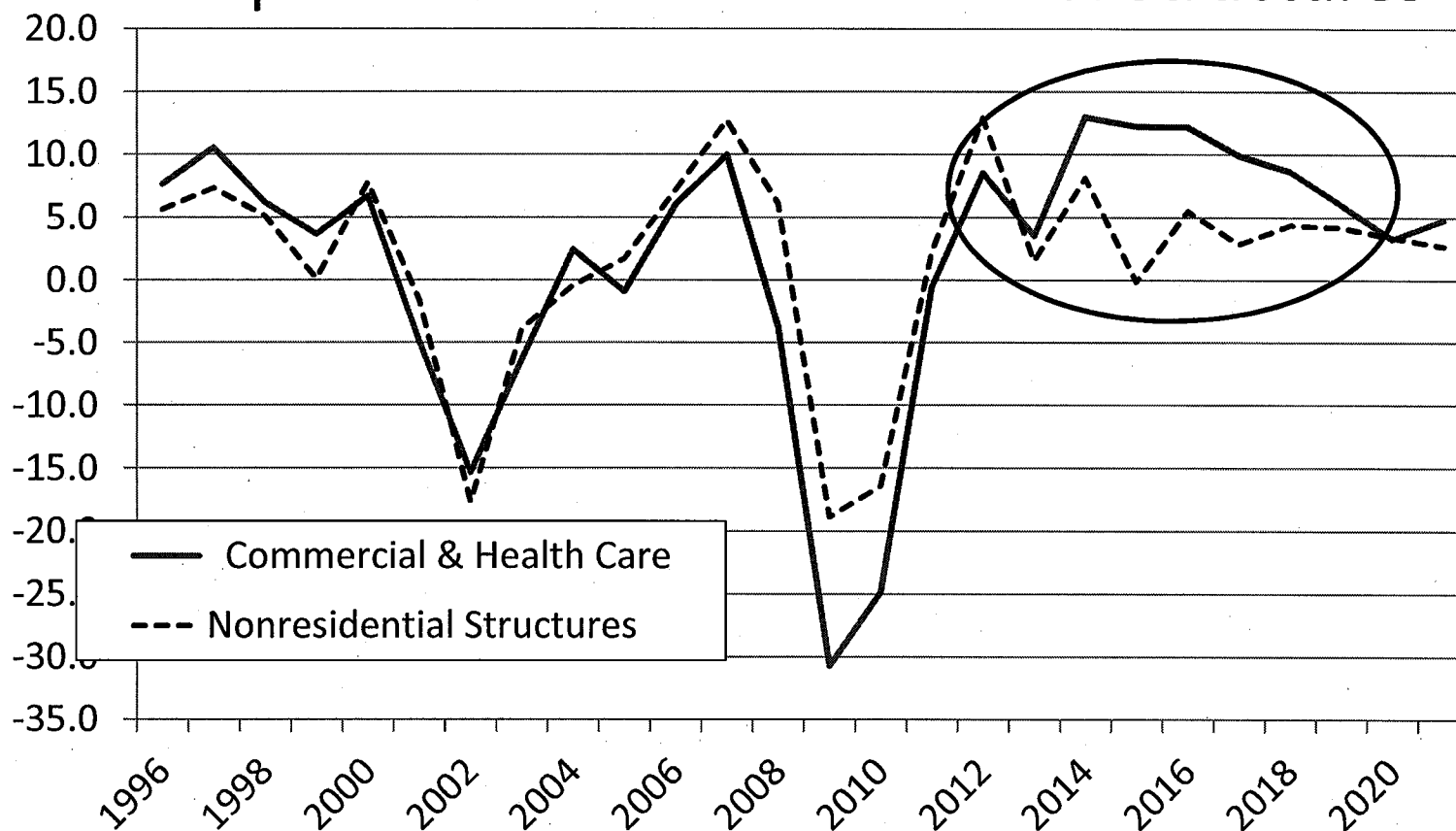
% Growth in Health Care and Social Assistance Employment, Quarterly Year over Year



Source of Data: NM Dept. of Workforce Solutions, *Quarterly Census of Employment and Wages*

Are also seeing considerable expansion in health treatment facilities...

% Growth in US Commercial and Health Structures Compared with All Nonresidential Structures



Source: HIS Global Insight. Baseline Forecast. September 2015

So far for 2015 in NM, have identified \$10.5 million in unique completed projects, \$230 million under construction, over \$200 million with a ground breaking, and \$740 million that are otherwise in the planning stages. Projects include the range: acute care hospitals, medical offices, urgent care facilities, long-term treatment and rehab facilities, community and specialty clinics, dialysis centers... -- Build Central online database.

Medicaid Expansion: Estimated Impacts on New Mexico General Fund

PRELIMINARY ESTIMATES, In \$ Millions

| | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2014-21 |
|----------------------------------|---------------|----------------|----------------|---------------|---------------|---------------|----------------|-----------------|----------------|
| New Revenues | | | | | | | | | |
| Premium Tax -- 4% a | \$12.3 | \$43.0 | \$50.7 | \$59.0 | \$64.7 | \$67.9 | \$70.5 | \$71.7 | \$439.7 |
| NMMIP Reduction b | \$0.0 | \$0.0 | \$0.0 | \$7.4 | \$15.4 | \$23.4 | \$23.4 | \$23.4 | \$93.0 |
| Gross Receipts Tax | | | | | | | | | |
| Direct Only c | \$3.6 | \$13.2 | \$14.8 | \$16.1 | \$16.5 | \$17.3 | \$18.0 | \$17.8 | \$117.2 |
| Supported | ? | ? | ? | ? | ? | ? | ? | ? | ? |
| Pers Income Tax d | \$2.8 | \$7.6 | \$8.5 | \$9.2 | \$9.5 | \$9.9 | \$10.3 | \$10.3 | \$68.1 |
| | \$18.6 | \$63.7 | \$73.9 | \$91.7 | \$106.1 | \$118.6 | \$122.1 | \$123.2 | \$718.0 |
| Cost Savings | | | | | | | | | |
| State Savings SCI e | \$30.1 | \$57.2 | \$51.5 | \$46.3 | \$41.7 | \$37.5 | \$33.8 | \$30.4 | \$328.5 |
| State DSH f | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Additional Costs | | | | | | | | | |
| Admin Costs g | (\$2.8) | (\$3.0) | (\$3.1) | (\$3.3) | (\$3.5) | (\$3.7) | (\$3.9) | (\$4.1) | (\$27.2) |
| State Share on Newly Eligible | \$0.0 | \$0.0 | \$0.0 | (\$40.5) | (\$96.3) | (\$118.3) | (\$159.4) | (\$187.5) | (\$602.0) |
| | \$27.3 | \$54.2 | \$48.4 | \$2.5 | (\$58.0) | (\$84.5) | (\$129.5) | (\$161.2) | (\$300.7) |
| State Gain (Loss) | \$45.9 | \$117.9 | \$122.3 | \$94.3 | \$48.0 | \$34.1 | (\$7.3) | (\$38.0) | \$417.2 |

a. On newly eligible only since premium tax was paid on all current SCI.

b. Estimates based on a conversation with Jon Clark of the LFC

c. Direct only. BBER takes 90% of the increase in total sales as estimated using IMPLAN and applies a 5.125% rate less the state-shared municipal 1.225% distribution, if applicable. Many providers are not subject to the gross receipts tax, e.g., Presbyterian Hospital, Federally Qualified Health Centers, UNM.

d. FY14 and FY15 estimates are based on BEA quarterly estimates of income and an effective tax rate of 3.2%. Tax revenues grow with IMPLAN direct labor income.

e. Actual reduction projected by HSD for FY 14. Thereafter assume program would have decreased by 5% in FY15 and by 10% every there after.

f. BBER assume State continues to contribute to DSH program.

g. As estimated by HSD in 2012. No new estimate was available.

Conclusions

Medicaid Expansion is increasing health insurance coverage among low income adults (138% of poverty), reducing the number of uninsured and the amount of care that is uncompensated.

The net flow of federal dollars into the state to provide coverage is creating a demand for health care services that is seeing an increase in health care providers in a state that has long been under-served.

While the State will pick up an increasing portion of the costs up to 10% in calendar 2020, the program is basically paying for itself.