Many estimates are preliminary projections as of November 2012 and not considered final. These estimates may change as more state and federal data and guidance becomes available.
Express Lane Eligible Children

45,000 children have been enrolled in the past 6 weeks through Express Lane Eligibility

Last year 140,000 kids became ineligible for at least one day

150,000 ELE redeterminations have essentially eliminated this problem

Some of the biggest gains are in hot spots of poor health
SC Medicaid: A Growing Investment

- FY 2013: $1.882 billion State and Other Funds; $4.063 billion Federal Funds; $5.946 Total Funds
- FY 2013: The Medicaid budget represents about 18% of SC’s State Funds and 25% of Total Funds
- FY 2013: June 30th projected enrollment of 1,034,304
- FY 2014: 5.1% growth in member months without ACA’s Medicaid expansion

Source: Projected Enrollment from Milliman Spring 2012 Forecast

22.4% of South Carolinians are currently enrolled in Medicaid

Pays for more than half of South Carolina births

Covers 40% of the state's children

Contracts with 82% of the state's nursing homes, and pays for 70% of the people in those facilities

Supplements Medicare for 130,000+ dual eligibles
The largest percent of total population covered is in the more rural counties:

- Dillon
- Marlboro
- Marion
- Allendale
- Colleton
- Bamberg
Increases in overall health care spending are outpacing increases in population and US economic growth.

A large portion of our economy is devoted to health care spending year after year.

Notes: Health spending refers to National Health Expenditures. Projections (P) include the impact of the Affordable Care Act. 2010 figure reflects a 4.2% increase in GDP and a 3.9% increase in national health spending. CMS projects national health spending will also have accounted for 17.6% of GDP in 2011 and 2012.


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US is Falling Behind in Life Expectancy

In 1950 US life expectancy ranked 12th at 68.9 years

In 2009 the US ranked 28th at 79.2 years

In 2007 South Carolina ranked 42nd in the US at 76.6 years

Disturbing disparities exist and for certain groups life expectancy has actually fallen in the past 2 decades.
ACA expansion sends much more money into counties that are relatively healthy than it does to counties that are relatively unhealthy.
Disparities in Life Expectancy Persist

![Graph showing life expectancy by years of education and gender groups.]

- Hispanic females
- White females
- Hispanic males
- White males
- Black females
- Black males

Years of education:
- <12
- 12
- 13-15
- 16 or more

Life expectancy at birth (years):
- 60
- 70
- 80
- 90
The county percentage of the total uninsured population ranges from a low of 14.8% to a high of 31.4%.

Counties with Highest % of Total Uninsured: Horry County (31.4%); Jasper County (29.7%); Saluda (25.0%)

Counties with Lowest % of Total Uninsured: Richland (14.8%); Dorchester (15.4%); Aiken (15.8%)

### ACA’s optional Medicaid expansion would cover up to 138% FPL

<table>
<thead>
<tr>
<th>FPL</th>
<th>&lt;100% FPL</th>
<th>100% FPL to 138% FPL</th>
<th>139% FPL to 200% FPL</th>
<th>201% FPL to 399% FPL</th>
<th>&gt;400% FPL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 Annual Income -</td>
<td>&lt;$23,050</td>
<td>$23,051 to $31,809</td>
<td>$31,810 to $46,100</td>
<td>$46,101 to $69,150</td>
<td>&gt;$69,150</td>
</tr>
<tr>
<td>Family of 4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uninsured</td>
<td>284,000</td>
<td>106,000</td>
<td>131,000</td>
<td>127,000</td>
<td>83,000</td>
</tr>
<tr>
<td>% of Uninsured</td>
<td>39%</td>
<td>15%</td>
<td>18%</td>
<td>17%</td>
<td>11%</td>
</tr>
</tbody>
</table>

* Source: 2011 American Communities Survey, projected to 2014
• Individual mandate remains standing under Congress’ taxing authority

• Exchanges, premium tax credits, insurance rules, Co-ops and other programs still stand

• Medicaid expansion is now optional for each state

• Subsidies are available to individuals from 100% FPL and above
By 2015

Significant growth will occur in the number of insured adults in both the Medicaid and private market

The system will have a difficult time absorbing this growth – it may require between 250-300 full-time physician equivalents
ACA’s Medicaid Expansion: A New Eligibility Floor

The red areas represent the population that would be covered by ACA’s optional Medicaid expansion.

SC Medicaid Program Federal Poverty Levels (FPL)

- 300% Federal Benefit Rate
- 200% FPL
- 185% FPL
- 150% FPL
- 138% FPL
- 100% FPL
- 50% FPL

- Childless Adults (Not Currently Covered)
- Low Income Families
- Aged, Blind or Disabled
- Pregnant Women and Infants
- Children Including CHIP
- Long Term Care & Disabilities

ACA Expansion (138% FPL)
Medicaid Expansion in SC: 1.7 Million Enrollees by 2020

If SC Chooses to Expand Medicaid:

193,000 could drop private insurance to go on Medicaid

Over 50% increase in SC Medicaid program if the state expands Medicaid

One-third of the state could be on Medicaid in the coming years

* Estimates indicate that 162,000 people currently eligible but unenrolled will enroll in Medicaid even without the Medicaid expansion

Source: Milliman ACA Impact Analysis

12/13/12
New FMAP Rates for Optional Expansion

**States pay for half the administrative costs for a Medicaid Expansion**

**States continue with regular match rate for those eligible but not enrolled**

**President’s budget has suggested changes to these matching rates to obtain savings**

<table>
<thead>
<tr>
<th>Year</th>
<th>Federal Medicaid Match for “Newly Eligible”</th>
<th>State Share for “Newly Eligible”</th>
<th>Administrative Match</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-2016</td>
<td>100%</td>
<td>0%</td>
<td>50%</td>
</tr>
<tr>
<td>2017</td>
<td>95%</td>
<td>5%</td>
<td>50%</td>
</tr>
<tr>
<td>2018</td>
<td>94%</td>
<td>6%</td>
<td>50%</td>
</tr>
<tr>
<td>2019</td>
<td>93%</td>
<td>7%</td>
<td>50%</td>
</tr>
<tr>
<td>2020 on</td>
<td>90%</td>
<td>10%</td>
<td>50%</td>
</tr>
</tbody>
</table>
Current Medicaid needs $2.4B more 2014-2020
Expanding costs an additional $613M to $1.9B

<table>
<thead>
<tr>
<th>Category</th>
<th>Without Expansion - Woodwork Effect (Best Estimate Participation)</th>
<th>Partial Expansion to 100% FPL (Best Estimate Participation)</th>
<th>Full Expansion to 138% FPL (Best Estimate Participation)</th>
<th>Full Expansion to 138% FPL (100% Participation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-ACA : Expected Program Growth</td>
<td>$2,071.3</td>
<td>$2,071.3</td>
<td>$2,071.3</td>
<td>$2,071.3</td>
</tr>
<tr>
<td>ACA Impact to Current Program</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pharmacy Rebate Savings – MCO</td>
<td>($477.3)</td>
<td>($477.3)</td>
<td>($477.3)</td>
<td>($477.3)</td>
</tr>
<tr>
<td>DSH Payment Reduction</td>
<td>($166.6)</td>
<td>($166.6)</td>
<td>($166.6)</td>
<td>($166.6)</td>
</tr>
<tr>
<td>CHIP Program – Enhanced FMAP</td>
<td>($128.6)</td>
<td>($128.6)</td>
<td>($128.6)</td>
<td>($189.9)</td>
</tr>
<tr>
<td>ACA Impact - Currently Eligible</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eligible but Not Enrolled - Uninsured</td>
<td>$520.5</td>
<td>$520.5</td>
<td>$520.5</td>
<td>$746.6</td>
</tr>
<tr>
<td>Eligible but Not Enrolled - Currently Insured</td>
<td>$476.4</td>
<td>$476.4</td>
<td>$476.4</td>
<td>$790.3</td>
</tr>
<tr>
<td>CHIP Program – Enhanced FMAP</td>
<td>($66.3)</td>
<td>($66.3)</td>
<td>($66.3)</td>
<td>($97.9)</td>
</tr>
<tr>
<td>ACA Impact - Expansion Population</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expansion Population - Uninsured</td>
<td>$0.0</td>
<td>$220.4</td>
<td>$330.3</td>
<td>$407.9</td>
</tr>
<tr>
<td>Expansion Population - Currently Insured</td>
<td>$0.0</td>
<td>$55.0</td>
<td>$120.6</td>
<td>$215.2</td>
</tr>
<tr>
<td>SSI Eligible</td>
<td>$0.0</td>
<td>$14.8</td>
<td>$14.8</td>
<td>$14.8</td>
</tr>
<tr>
<td>Health Insurer Assessment Fee</td>
<td>$138.0</td>
<td>$145.5</td>
<td>$149.7</td>
<td>$164.4</td>
</tr>
<tr>
<td>Physician Fee Schedule Change</td>
<td>$3.5</td>
<td>$3.5</td>
<td>$3.5</td>
<td>$3.6</td>
</tr>
<tr>
<td>Expenditure Shift from Other State Agencies</td>
<td>$0.0</td>
<td>$2.1</td>
<td>$3.5</td>
<td>$4.8</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>$61.1</td>
<td>$142.9</td>
<td>$193.4</td>
<td>$285.5</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>$360.7</strong></td>
<td><strong>$742.3</strong></td>
<td><strong>$973.9</strong></td>
<td><strong>$1,701.4</strong></td>
</tr>
<tr>
<td>Non-Medicaid Other State Agency Offsets</td>
<td>$0.0</td>
<td>($26.8)</td>
<td>($43.7)</td>
<td>($61.4)</td>
</tr>
<tr>
<td>Sensitivity - Increase Physician Reimbursement to 100% Medicare</td>
<td>$0.0</td>
<td>$610.5</td>
<td>$620.8</td>
<td>$665.1</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>$360.7</strong></td>
<td><strong>$1,326.0</strong></td>
<td><strong>$1,551.0</strong></td>
<td><strong>$2,305.1</strong></td>
</tr>
<tr>
<td>Post-ACA : Expected Program Growth</td>
<td>$2,432.0</td>
<td>$3,397.3</td>
<td>$3,622.3</td>
<td>$4,376.4</td>
</tr>
</tbody>
</table>
FY 2014: 513,000 new enrollees would come onto Medicaid under the best estimate scenario of full expansion.

The largest increase in numbers (and money) flow into the metropolitan counties.
Improve value by lowering costs and improving outcomes:

- Increased investment in education, infrastructure and economic growth
- Shift of health care spending to more productive health and health care services
- Increased coverage/treatment of vulnerable populations

**SC Strategic Pillars:**

- Payment reform
- Clinical integration
- Focus on hot-spots and disparities
South Carolina Strategic Pillars

Payment Reform
- MCO Incentives & Withholds
- Payor-Provider Partnerships
- Catalyst for Payment Reform
- Value Based Insurance Design

Clinical Integration
- Dual Eligible Project
- Patient Centered Medical Homes
- Telemedicine/Monitoring

Hotspots & Disparities
- Birth Outcomes Initiative
- Express Lane Eligibility
- Foster Care Coordination
- Health Access/Right Time (HeART)

Purchasing Quality
Health Outcomes
(Social Determinants of Health)

Pushing Out Excess
Costs (IOM: Health Care
Inefficiencies)

Providing Value to
the Taxpayer
A Path Forward

• Continue working on the three strategic pillars
• Manage mandated enrollment growth under ACA
• Set performance expectations for health system to improve value
• Look for flexible means of increasing high need coverage using future savings

The amount of implementation risk is significant

Just expanding coverage does not mean meaningful connection will be made between providers and patients

Projection risk is very high

A conservative approach is imperative
## How Will the Market Change with ACA’s Optional Medicaid Expansion

<table>
<thead>
<tr>
<th>Category</th>
<th>Current Market</th>
<th>2014 No Expansion</th>
<th>2014 100% FPL Expansion</th>
<th>2014 133% FPL Expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uninsured</td>
<td>731,000</td>
<td>210,000</td>
<td>42,000</td>
<td>42,000</td>
</tr>
<tr>
<td>Medicaid</td>
<td>1,059,000</td>
<td>1,228,000</td>
<td>1,438,000</td>
<td>1,572,000</td>
</tr>
<tr>
<td>Private Market</td>
<td>2,439,000</td>
<td>2,358,000</td>
<td>2,316,000</td>
<td>2,266,000</td>
</tr>
<tr>
<td>Exchange</td>
<td>0</td>
<td>433,000</td>
<td>433,000</td>
<td>349,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,229,000</strong></td>
<td><strong>4,229,000</strong></td>
<td><strong>4,229,000</strong></td>
<td><strong>4,229,000</strong></td>
</tr>
</tbody>
</table>

Significant growth will occur in the number of insured adults in both the Medicaid and private market. The number of uninsured in South Carolina will decrease by 71 percent (521,000) even without Medicaid expansion.

Source: 2011 American Communities Survey, projected to 2014
Uninsured South Carolinians Ages 0–64 by Age

- 0 to 17 years: 11.9% (90,938)
- 18 to 24 years: 16.5% (126,090)
- 25 to 34 years: 23.1% (176,526)
- 35 to 54 years: 36.9% (281,9894)
- 55 to 64 years: 11.6% (88,645)

60% of the uninsured population is between the ages 25 and 54 years.

Children birth to 17 years accounted for 11.9% of the uninsured population.

Adults ages 55 to 64 years comprised 11.6% of the population.

Young adults 18 to 24 years make-up 16.5% of the population.

Source: ACS 2011 1-Year Estimates (B27001)
Over half (53.4%) of the uninsured are currently employed.

46.6% of the uninsured were unemployed (20.4%) or not in the labor force (26.2%)

Source: ACS 2011 1-Year Estimates (B27011)
Approximately, 50% of the total uninsured population is classified as White-Non-Hispanic.

African Americans make up roughly 32% of the population.

Source: ACS 2011 1-Year Estimates (B27001)
Uninsured South Carolinians Ages 25 to 64 by Education

Approximately 4 of 10 (39%) uninsured South Carolinians has a high school diploma.

1 of 4 has not completed high school.

Source: ACS 2011 1-Year Estimates (B27019)
FY 2014 doesn’t reduce DSH payments though the uninsured decrease by 71%

This results in extra payments to hospitals

This provides transition funds the hospitals requested

The SCHA wants expansion and wants to keep all the money previously used for the uninsured. *It can’t have both*

**DSH**

- No regulations have been published – there is no knowledge of how DSH will be cut by state and SCHA uses average estimates.

- DSH primarily funds uncompensated care at hospitals. *Even without Medicaid expansion the number of uninsured will drop by 71% in SC.* Not as much DSH will be needed.

- DSH is just one type of hospital payment. If a cap is placed on how much federal money can be spent on DSH, the state can simply shift its match to other non-capped payment types.
SCHA Jobs Report

• Harvard economist Katherine Baicker – who has conducted studies showing Medicaid improves health – also writes in an article *The Health Care Jobs Fallacy*:
  – “…this focus on health care jobs is misguided.”
  – “Salaries for health care jobs are not manufactured out of thin air – they are produced by someone paying higher taxes, a patient paying more for health care, or an employee taking home lower wages…”
  – “Additional health care jobs leave Americans with less money to devote to college tuition and mortgage payments, and the US government with less money to perform all other governmental functions.”

The same USC professor performed a similar analysis in 2011. SCHA argued Medicaid cuts would cost several thousand jobs

After the cuts health-care jobs in South Carolina increased several thousand from 153,400 in April/12 to 160,600 in Oct./12 (DEW)

DHHS has identified several potential errors and has submitted questions to USC
The Taxes Leaving South Carolina Argument is Overstated

- Several hundred billion dollars of new taxes were passed to fund the ACA
- Advocates argue that none of this will return if we don’t expand. This is untrue:
  - An additional 0.9 percent Medicare tax on high income earners ($200k single/$250k married) will go to the Medicare trust fund and **will return** since there are no changes to Medicare enrollment
  - An additional 3.8 percent investment income tax on high income earners ($200k single/$250k married) goes into the federal treasury where it is not allocated to health care spending. It will be used to reduce federal deficits or come down through military spending, education, infrastructure, etc., not exclusively health care
  - 71% (521,000) of SC’s uninsured are projected to become insured under federal exchanges and through growth in the current Medicaid program. These populations will be generously subsidized through federal tax credits or our current FMAP **so the revenue will return**

Even with these taxes, federal spending will still run a deficit. The CBO only projects a shrinking of the deficit due to ACA – not an elimination

The CMS actuary believes it is unlikely that the Medicare reimbursement reductions will happen as planned requiring cuts elsewhere (like Medicaid)

The federal government looks ready to raise taxes even further in next few months to help pay for deficits – not spending