

# Measuring the Impact of the State Medicaid Expansion in Florida

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## Executive Summary:

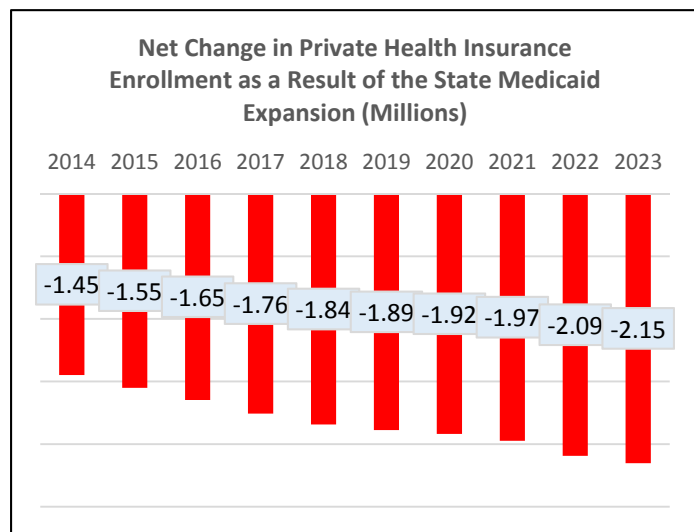
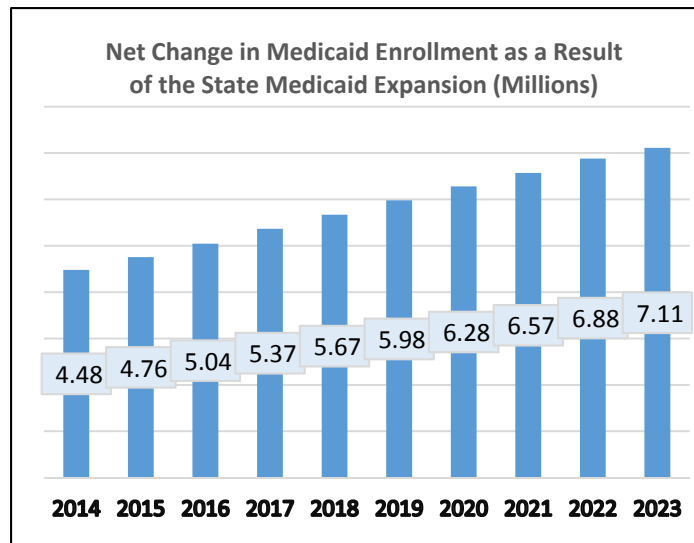
What is the impact of Medicaid expansion in the state of Florida as part of the Affordable Care Act? By expanding Medicaid there are three primary outcomes:

- First, the number of privately insured individuals will be reduced by 1.45 million in 2014 and 2.15 million by 2023.
- The net number of Medicaid participants will increase by 4.48 million in 2014 and by 7.11 million in 2023.
- Third, the total state budgetary cost of covering these new Medicaid beneficiaries will reach \$2.04 billion annually within the next decade.<sup>1</sup>

## State Description:

On June 28, 2012, the Supreme Court of the United States (SCOTUS) upheld most of the provisions of the Patient Protection and Affordable Care Act and the health care provisions of the Health Care and Education Reconciliation Act (P.L. 111-148 and P.L. 111-152; henceforth referred to as the ACA). Starting in 2014, individuals without an offer of insurance from their employer and small businesses will be able to buy insurance on state and federal exchanges, with premium subsidies depending on their incomes. Certain employers that do not offer health insurance will be penalized in 2015, and individuals will be required to have coverage or pay a penalty.

At the same time, however, the Supreme Court ruled that states could opt out of the ACA expansion of Medicaid coverage for all individuals up to age 65 with incomes less



<b>Number of New Medicaid Beneficiaries as a Result of the Expansion in 2023</b>	<b>7,100,000</b>
<b>Annual Cost Per Adult Medicaid Beneficiary</b>	<b>\$2,880</b>
<b>Annual Cost to the State Budget Within 10 Years</b>	<b>\$2.04 Billion</b>

<sup>1</sup> "Medicaid Payments per Enrollee, FY 2010," Kaiser Family Foundation. October 2013.

than 133 percent of poverty. Under the ACA as enacted, but before the Supreme Court ruling, the Medicaid expansion was mandatory for states that wanted to keep their federal matching funds for any part of the Medicaid program.

On May 3, 2013, the Florida Legislature ended its session without granting final approval to a compromise measure that would have authorized an expansion of Medicaid, which Gov. Rick Scott (R) supported earlier this year. No further action on an expansion is expected this year, unless Scott convenes a special session, which some state Democrats have asked him to do.<sup>2</sup> However, Medicaid expansion will likely be an issue during next year's legislative session.

Using a micro-simulation model funded by multiple private and government sources including the US Department of Health Human Services and published as a peer-reviewed scientific publication in 2013<sup>3</sup>, we are able to estimate the specific effect on the state of Florida. Our simulation model predicted non-trivial impacts of the recent Supreme Court decision on Federal cost and the level of uninsured, depending on whether a state decides to accept or decline the Medicaid expansion.

As seen in the figure on the previous page, the net result of expansion is an increase of Medicaid recipients in the state. Given that over two thirds of the expected national increase in the insured from ACA was to come by Medicaid expansion, this is not surprising.

However, as the ACA offers subsidies to the private insurance market, there is a significant reduction in the individual and employer-offered private insurance market compared to an ACA world with Medicaid expansion. This is illustrated in the second figure. This is because the Medicaid expansion potentially crowds out a significant portion of the population with incomes near the poverty line. Thus, we predict a sizable reduction in the privately insured resulting from the ACA.

Several interesting details for our analysis follow<sup>4</sup>. All of which are the result of ACA implementation of Medicaid expansion in Florida.

- The number of consumer-driven health plans reduces 972 thousand in 2014.
- The number of enrollees in narrow network PPOs reduces by 30 thousand in 2014.
- Generous PPOs decrease initially and then start getting more popular by 2023.
- Growth in HMOs flattens by 2023.
- Reduction in government employer health insurance by 82 thousand in 2023.

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<sup>2</sup> See: <http://www.miamiherald.com/2013/05/06/3383601/dems-ask-florida-governor-for.html>

<sup>3</sup>Parente, S.T., Feldman, R. "Micro-simulation of Private Health Insurance and Medicaid Take-up Following the U.S. Supreme Court Decision Upholding the Affordable Care Act." Health Services Research. 2013 Apr; 48:826-49.

<sup>4</sup>Detailed impact by health plan designs are described in Table 2.

## Table 1: State Premium Impact

The ACA had a significant impact on premium calculations. Under the law, premiums for a given class of insurance product in the federal exchange cannot vary by more than a 3:1 ratio. In addition, the different plan designs increase the generosity of qualified health plans (QHP) sold in the federal exchange. This leads to an increase in premiums compared to a pre-ACA design. It also leads to higher premiums for less generous plan designs, such as a high deductible health plan (HDHP) than what might have been offered without ACA market regulation.

Below are the expected premiums for the state over the course of the next 10 years starting in 2014.

### Health Systems Innovation Network LLC ACA Insurance Exchange Analysis Reports State Premium Estimation: Florida

#### Change in Expected Health Insurance Premiums as Result of the ACA (Dollars)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Single Person Coverage Average</b>										
High PPO	\$7,198	\$7,408	\$7,827	\$8,468	\$9,157	\$9,899	\$10,697	\$11,556	\$12,481	\$13,475
Medium PPO	\$6,402	\$6,552	\$6,907	\$7,479	\$8,094	\$8,756	\$9,468	\$10,235	\$11,060	\$11,948
Low PPO	\$5,538	\$5,623	\$5,909	\$6,405	\$6,940	\$7,516	\$8,135	\$8,802	\$9,520	\$10,292
Narrow Network	\$4,257	\$4,093	\$4,129	\$4,264	\$4,403	\$4,546	\$4,694	\$4,842	\$4,999	\$5,161
HSA/HDHP	\$4,010	\$3,704	\$3,520	\$3,643	\$3,769	\$3,899	\$4,034	\$4,168	\$4,312	\$4,460
<b>Family Coverage Average</b>										
High PPO	\$20,209	\$21,205	\$22,581	\$24,358	\$26,271	\$28,328	\$30,540	\$32,920	\$35,480	\$38,233
Medium PPO	\$17,859	\$18,678	\$19,865	\$21,439	\$23,132	\$24,954	\$26,913	\$29,021	\$31,288	\$33,727
Low PPO	\$15,597	\$16,247	\$17,251	\$18,629	\$20,112	\$21,707	\$23,423	\$25,269	\$27,255	\$29,391
Narrow Network	\$12,439	\$12,372	\$12,530	\$12,923	\$13,328	\$13,745	\$14,175	\$14,619	\$15,076	\$15,546
HSA/HDHP	\$11,885	\$11,526	\$11,525	\$11,898	\$12,283	\$12,680	\$13,090	\$13,512	\$13,947	\$14,395

Health Saving Account (HSA) coupled with HDHP designs will remain affordable purely on the basis of premium. However, very generous health plan such as the High and Medium option PPO will see nearly a doubling in premium over the next ten years.

**Table 2: Detailed State Impact Analysis**

Below is a detailed Florida impact analysis based on the results of a state-specific micro-simulation model developed by Parente & Feldman (2013). We used the health plan choice model to develop two sets of plan choice predictions: one set for workers with large employer insurance offers, and a second set for individuals and small businesses. Individuals who reported having employer coverage through another household member are excluded from the simulations.

Individuals who did not have health insurance offered to them at work or who were not employed faced five health plan choices regardless of income, age or gender: high-option PPO, medium-option PPO, low-option PPO, self-financed HSA, or uninsured. A self-financed HRA is not an option for this group because only employers may contribute to an HRA.

Individuals with employer offers of insurance have the following choices: low-option PPO, medium-option PPO, high-option PPO, and HMO. Add to these choices two additional options, conditional on the size of the establishment where the employee works: an employer-sponsored HRA and an employer-sponsored HSA are available to all workers in establishments with more than 500 employees, but not available to other workers. For the HSA choices, we estimated the amount of money that employers and individuals contribute to their Health Savings Accounts, letting the contributions vary by age and income of the policyholder.

**Health Systems Innovation Network LLC**  
**ACA Insurance Exchange Analysis Reports**  
 State Medicaid Expansion Scenario: Florida

**Change in Expected Health Insurance Enrollment as a Result of the ACA (Thousands of Persons)**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Individual Market</b>	<b>(1,138.0)</b>	<b>(1,164.9)</b>	<b>(1,205.7)</b>	<b>(1,285.9)</b>	<b>(1,367.9)</b>	<b>(1,429.6)</b>	<b>(1,477.8)</b>	<b>(1,541.0)</b>	<b>(1,665.9)</b>	<b>(1,716.6)</b>
High PPO	(121.5)	(114.6)	(107.9)	(117.3)	(116.0)	(114.8)	(103.4)	(99.8)	(62.9)	(28.3)
Medium PPO	(12.8)	(9.2)	(10.1)	(18.9)	(36.4)	(49.9)	(28.0)	(31.4)	(52.2)	(41.9)
Low PPO	(0.2)	(0.3)	(0.3)	(0.4)	(0.5)	(2.2)	(6.0)	(8.1)	(3.5)	(2.0)
Narrow Network	(30.8)	(37.8)	(50.1)	(68.1)	(89.4)	(112.4)	(147.9)	(192.9)	(260.4)	(312.4)
HSA/HDHP	(972.7)	(1,003.1)	(1,037.2)	(1,081.4)	(1,125.7)	(1,150.4)	(1,192.6)	(1,208.8)	(1,286.9)	(1,332.1)
Medicaid (not employed)	3,972.5	4,061.0	4,157.3	4,294.9	4,431.7	4,592.3	4,771.8	4,961.5	5,174.7	5,326.1
Uninsured	(2,834.5)	(2,896.1)	(2,951.6)	(3,009.0)	(3,063.8)	(3,162.7)	(3,294.0)	(3,420.6)	(3,508.8)	(3,609.5)
<b>Large Employer Market</b>	<b>(310.0)</b>	<b>(385.2)</b>	<b>(442.3)</b>	<b>(470.3)</b>	<b>(474.8)</b>	<b>(458.7)</b>	<b>(440.6)</b>	<b>(431.8)</b>	<b>(427.1)</b>	<b>(435.3)</b>
HMO	(7.6)	(10.5)	(13.7)	(15.1)	(14.8)	(12.8)	(9.5)	(6.2)	(3.7)	(1.9)
HRA	(18.5)	(24.2)	(28.4)	(30.5)	(30.2)	(27.4)	(22.9)	(17.8)	(13.0)	(9.0)
HSA/HDHP - Employer Pay	(3.9)	(6.2)	(9.0)	(12.3)	(15.6)	(18.5)	(20.6)	(21.7)	(21.9)	(21.1)
HSA/HDHP - Employee Pays	(18.9)	(29.6)	(42.0)	(57.9)	(73.8)	(87.8)	(98.1)	(110.7)	(116.2)	(124.7)
Narrow Network	(82.0)	(106.0)	(130.1)	(144.7)	(153.0)	(152.0)	(153.7)	(154.4)	(153.2)	(153.4)
PPO High	(18.5)	(21.3)	(23.1)	(20.6)	(16.4)	(11.5)	(7.1)	(3.8)	(2.0)	(1.0)
PPO Low	(3.1)	(4.6)	(6.6)	(8.1)	(9.0)	(8.8)	(7.5)	(5.6)	(3.9)	(2.3)
PPO Medium	(157.5)	(182.9)	(189.3)	(181.0)	(162.1)	(140.0)	(121.1)	(111.6)	(113.2)	(121.9)
Other Employer Coverage	(141.8)	(228.9)	(336.1)	(463.0)	(599.1)	(740.7)	(864.3)	(966.4)	(1,062.5)	(1,136.9)
Dropped Coverage	(43.1)	(63.4)	(84.6)	(105.1)	(122.2)	(135.7)	(141.8)	(141.8)	(139.1)	(132.7)
Other Public Employer Coverage	(10.3)	(16.6)	(24.3)	(33.5)	(43.3)	(53.6)	(62.5)	(69.9)	(76.9)	(82.3)
Medicaid (but employed)	505.2	694.1	887.3	1,071.9	1,239.5	1,388.7	1,509.3	1,610.0	1,705.6	1,787.1