

Sandoval weighing Medicaid expansion in Nevada

By Sean Whaley, Nevada News Bureau

CARSON CITY – Nevada officials are busy preparing cost and enrollment estimates so Gov. Brian Sandoval will have reliable information before deciding whether to expand Medicaid following the U.S. Supreme Court ruling last month upholding much of the Affordable Care Act.

But even if Sandoval does not expand Medicaid to 138 percent of the federal poverty level as provided for in the law, the program is expected to grow significantly as Nevadans who are now eligible but not enrolled decide to sign up when the health insurance mandate takes effect on Jan 1, 2014.

The effective date is in the middle of the first year of the upcoming two-year budget now being prepared by the Sandoval administration. The Legislature will take up the budget, and the Medicaid issue, when the 2013 session starts in February.

State officials are readying data for Sandoval to make a Medicaid decision

Mike Willden, director of the Department of Health and Human Services, and state Budget Director Jeff Mohlenkamp, are gathering the data to show the anticipated effects on the state budget of these two distinct Medicaid groups.

“Our goal is to have the numbers over to the governor by the end of next week,” Willden said. “We’re just not ready to give out numbers yet and I don’t want to give out bad numbers. There are 10 moving parts.”

Mohlenkamp said the court threw everybody “a bit of a curve,” when it decided states do not have to opt into an expanded

Medicaid program.

“So we’re now in the process of analyzing what that looks like, the pros and cons of that, the financial impact on the state of the options, and, is it absolutely straightforward; you either opt in or opt out,” he said. “Or are there other options within the Supreme Court ruling that we can consider.”

When the Supreme Court said the federal government could not penalize states if they do not choose to opt into the Medicaid expansion, Sandoval’s initial comment was that the state could not afford to do so. But he is awaiting the information before deciding how to proceed.

“This is going to be a governor’s office decision,” Mohlenkamp said. “The governor will make the decision as to the policy of the state going forward. He has not yet made that decision. He’s looking for a very critical analysis of what the options are and the pros and cons for the state.”

The bigger cost to the state general fund will likely come from those eligible but not enrolled in Medicaid, because the state share of adding those individuals is projected to be 38 percent in 2014, compared to a 62 percent share from the federal government.

This cost to the strapped state budget will occur whether or not an expansion is approved by the Nevada Legislature.

All of the analysis is dependent on the implementation of the federal health care law. Republican members of Congress and GOP presumptive presidential nominee Mitt Romney want to repeal the law.

Federal funding will pay for 100 percent of any Medicaid expansion for the first three calendar years beginning in 2014, with the state required to pick up a percentage of the cost beginning in 2017. The first year state cost is 5 percent, in 2018 the state cost is 6 percent, in 2019 the

state cost is 7 percent, and in 2020, the state cost is 10 percent.

But Willden said there are also administrative costs to the state that are not fully covered by the expansion but instead are shared between the federal government and the state at a 50-50 match. They include information technology costs and the cost to hire new eligibility workers, for example, he said.

“And so we’re trying to again cost out for the governor, clear through 2020, because there are state costs involved in those out years even though everybody says it’s 100 percent federal the first three,” Willden said. “There are state costs in the out years, there are also state costs associated with the administrative costs for the new eligibles.”

There will be some savings because mentally ill people now being treated by the state at full cost to the state general fund will be Medicaid eligible, and there will be some savings to the counties because they now use county general fund money to pay for medical care for individuals who would become Medicaid eligible, he said.

The counties are analyzing that potential impact, Willden said.

Another question that is being researched with federal officials is whether the opt-in option would require a full commitment to the 138 percent of poverty level, or if some lesser level could be pursued, he said.

“The goal is to try to get all of this to come together in the next couple of weeks,” Willden said. “That way the governor would have enough information to at least review on the opt in, opt out opportunity.”

If Medicaid is expanded in Nevada, new participants will be childless adults, who are not covered by the state program now, Willden said. The other expansion will come from parent

caretakers of children who are covered at 75 percent of poverty now.

Medicaid now covers primarily low-income children, the disabled, pregnant women and seniors. These groups are now covered at different poverty rates ranging from 100 percent to 138 percent.

State Sen. Ben Kieckhefer, R-Reno, who will be involved in the Medicaid issues in 2013 as a member of the Senate Finance Committee, said Sandoval is taking a prudent course because there are so many unanswered questions given the Supreme Court's surprise decision allowing states to opt out of the expansion.

A critical question is what happens with the generous federal funding after 2020 and as Congress and the President grapple with unsustainable spending on federal programs, he said.

"It is a very good deal in the first couple of years," Kieckhefer said. "I mean the feds pay 100 percent of the medical costs for the first three years. That's a great deal. It then goes down to 90 percent after the fifth year. And there is nothing that mandates that that goes on forever.

"So I think the stronger concern is, how does the federal government continue to justify paying 90 percent of those costs as it's trying to deal with the massive federal deficit and reducing that deficit," he said. "And I think that there is a strong likelihood that eventually the feds start shifting that cost burden back to the states and that's a risk that the state needs to weigh."

Assembly Ways and Means Chairwoman Debbie Smith, D-Sparks, said her plan is to have an overview of the court ruling from staff at the Legislature's Interim Finance Committee on Aug. 23.

"I want to just make sure that we have a really good

understanding of what all the possibilities and ramifications are," she said. "I want that to be the first informational piece and then we can go from there."

Another variable in the assessment is the Silver State Health Insurance Exchange now being readied in Nevada where residents will be able to shop for health insurance beginning Oct. 1, 2013. Nevadans between 100 percent and 400 percent of the federal poverty level will be eligible for subsidies when they purchase insurance.

The ACA rules appear to indicate that if Medicaid is not expanded, Nevadans who would have been covered in an expansion could go to the Exchange and receive a tax credit as long as all other requirements are met.

The Exchange is gearing up now with federal funds, but the state will have to pick up the cost of its operation when federal grants run out in 2015, Willden said.

Another issue is whether there are enough doctors and other medical providers to offer services to an expanded population, he said.

Willden said in May that as many as 150,000 additional Nevadans would be eligible for Medicaid if the law was upheld by the court, but that estimate was two years old and was made before the court said states could opt out of the expansion.

He estimated that bringing new residents onto the rolls would cost the state general fund an estimated \$574 million between now and 2020.

But Kieckhefer said only \$63 million of that cost estimate was due to the Medicaid expansion. The rest was due to those already eligible who were expected to enroll as a result of the mandate to obtain insurance.