An Economic Brief From the
**University Research Center**
Mississippi Institutions of Higher Learning

# The Fiscal and Economic Impacts of Medicaid Expansion in Mississippi, 2014-2025

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October 2012

This analysis was conducted solely to provide fiscal and economic projections of Medicaid expansion in Mississippi and may not be appropriate for other purposes.

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The Medicaid enrollment and expenditure projections presented in this report are based on current law and are consistent with current legislation and administrative policy regarding Medicaid as of October 4, 2012. This analysis does not attempt to forecast any future changes in policy or legislation that, if realized, would affect the Medicaid program.

The projections contained in this analysis should be regarded as a reasonable estimation of the future costs of Medicaid expansion in Mississippi. It is important to recognize that actual costs in the future could differ significantly from these projections, as a result of unanticipated developments in demographics, economics, health cost growth trends, regulatory interpretations of the Affordable Care Act that differ from our expectations, or changes in the legislation pertaining to Medicaid.

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## EXECUTIVE SUMMARY

There has been much discussion concerning Medicaid expansion in Mississippi. The University Research Center has undertaken this analysis in an effort to provide an unbiased assessment of the fiscal impacts of Medicaid expansion in Mississippi. This study addresses only Medicaid expansion. It does not address either current Medicaid programs or the Affordable Care Act.

Three factors will drive the State's costs of Medicaid expansion, should Mississippi elect to participate; (1) the number of new Medicaid enrollees, (2) the expenditures per new enrollee, and (3) the declining Federal Medical Assistances Percentages (FMAP).

To begin this analysis, we identified the target population that would be included in the expansion. We then projected changes in that population from 2014 to 2025. The population from which most newly eligible enrollees will be drawn (ages 20-64) is not likely to change significantly over the next decade. Estimates of the expansion enrollment were constructed using three participation scenarios; high (95%), moderate (85%) and low (75%). We believe the high participation scenario is the most likely to occur.

We then estimated the average Medicaid expenditures of this population along with the additional administrative costs associated with expansion. Lower participation rates will result in higher per enrollee average costs. We then estimated the State's costs of these expenditures as the Federal Medical Assistance Percentage (FMAP) changes over time.

Since new Federal dollars from Medicaid expansion will generate increased economic activity in Mississippi, we estimated the direct and indirect economic benefits to the State including additions to State General Fund revenue.

In the last step, we compared the annual costs to the State and increased State General Fund revenue from 2014-2025. Cumulative impacts are reported for each year from 2014 to 2025, which allows the reader to examine the results for any end point.

It is important to note that costs and benefits associated with Medicaid expansion will only occur if newly eligible Medicaid beneficiaries receive health care services. We are concerned that there will be insufficient health care professionals available to meet the increased demand for health care resulting from Medicaid expansion, as much of the State already suffers from a shortage of health care professionals.

**SUMMARY OF RESULTS**

In Tables E1-E3, we present Medicaid expansion enrollment, State costs of Medicaid expansion, and net fiscal State burden of Medicaid expansion from 2014 to 2025 using three participation scenarios (High, Moderate, and Low). The first scenario in this analysis projects participation will be high (85% in 2014, 90% in 2015, and 95% in 2016-2025) due to continued weakness in the Mississippi economy (high unemployment, low to nonexistent real wage growth), strong media coverage of Medicaid expansion, robust marketing of Medicaid expansion by governmental and non-governmental entities, and a streamlined enrollment process. We believe the High Participation Scenario is the most likely to occur.

From 2014 through 2016, the Federal Medical Assistance Percentage (FMAP) is 100 percent. In 2017, the FMAP declines to 95 percent. Between 2017 and 2020, the FMAP continue to decline, reaching 90 percent in 2020. Title II, Subtitle (A), section 2001 of the Affordable Care Act states that the FMAP for Medicaid expansion will be 90 percent in 2020, and each year thereafter.

The results in each scenario indicate that Medicaid expansion will generate additional State Medicaid costs in years 2017-2025. From 2014-2020, cumulative State costs of Medicaid expansion, minus additions to State General Fund revenue, (shown in Figures E1-E3) are projected to range from $109 million (95% participation) to $98 million (75% participation). From 2014-2025, total State costs of Medicaid expansion, minus additions to State General Fund revenue, are projected to range from $556 million (95% participation) to $497 million (75% participation).

Increased access to health care could enhance the overall health of Mississippi's residents. In the long-term, a healthier workforce should result in a more productive workforce, leading to a healthier, more robust economy. Estimating these possible long-term economic improvements is beyond the scope of this study. In the long run (30 to 40 years) the benefits of Medicaid expansion might outweigh the costs. Paying for it in the years ahead might be a challenge.

Table E1. High Participation Scenario (95% participation by 2016), 2014-2025

| Year | Enrollment | State Medicaid Costs | Additions to State General Fund Revenue | Net State Fiscal Burden | Cumulative State Fiscal Burden |
|---|---|---|---|---|---|
| 2014 | 280,782 | $8.5 | $8.5 | $0.0 | $0.0 |
| 2015 | 296,972 | $17.5 | $26.7 | ($9.2) | ($9.2) |
| 2016 | 313,125 | $18.9 | $39.1 | ($20.2) | ($29.4) |
| 2017 | 312,781 | $45.9 | $43.9 | $2.0 | ($27.4) |
| 2018 | 312,437 | $78.5 | $47.8 | $30.8 | $3.4 |
| 2019 | 312,093 | $92.1 | $50.6 | $41.4 | $44.8 |
| 2020 | 311,750 | $117.8 | $53.2 | $64.6 | $109.4 |
| 2021 | 311,407 | $138.9 | $55.7 | $83.3 | $192.7 |
| 2022 | 311,064 | $143.7 | $57.8 | $85.9 | $278.6 |
| 2023 | 310,722 | $148.7 | $59.6 | $89.1 | $367.7 |
| 2024 | 310,380 | $153.8 | $61.4 | $92.4 | $460.1 |
| 2025 | 310,039 | $159.1 | $63.3 | $95.8 | $555.9 |

Dollar figures are in Millions.

Table E2. Moderate Participation Scenario (85% participation by 2016), 2014-2025

| | Enrollment | State Medicaid Costs | Additions to State General Fund Revenue | Net State Fiscal Burden | Cumulative State Fiscal Burden |
|---|---|---|---|---|---|
| 2014 | 247,749 | $8.0 | $8.0 | $0.0 | $0.0 |
| 2015 | 263,975 | $16.6 | $25.2 | ($8.6) | ($8.6) |
| 2016 | 280,165 | $18.0 | $37.1 | ($19.1) | ($27.7) |
| 2017 | 279,857 | $43.8 | $41.9 | $1.9 | ($25.8) |
| 2018 | 279,549 | $75.0 | $45.6 | $29.4 | $3.6 |
| 2019 | 279,241 | $87.9 | $48.4 | $39.5 | $43.1 |
| 2020 | 278,934 | $112.5 | $50.8 | $61.6 | $104.7 |
| 2021 | 278,627 | $132.6 | $53.2 | $79.4 | $184.1 |
| 2022 | 278,321 | $137.2 | $55.3 | $81.9 | $266.0 |
| 2023 | 278,015 | $141.9 | $56.9 | $85.0 | $351.0 |
| 2024 | 277,709 | $146.8 | $58.7 | $88.1 | $439.1 |
| 2025 | 277,403 | $151.9 | $60.5 | $91.4 | $530.5 |

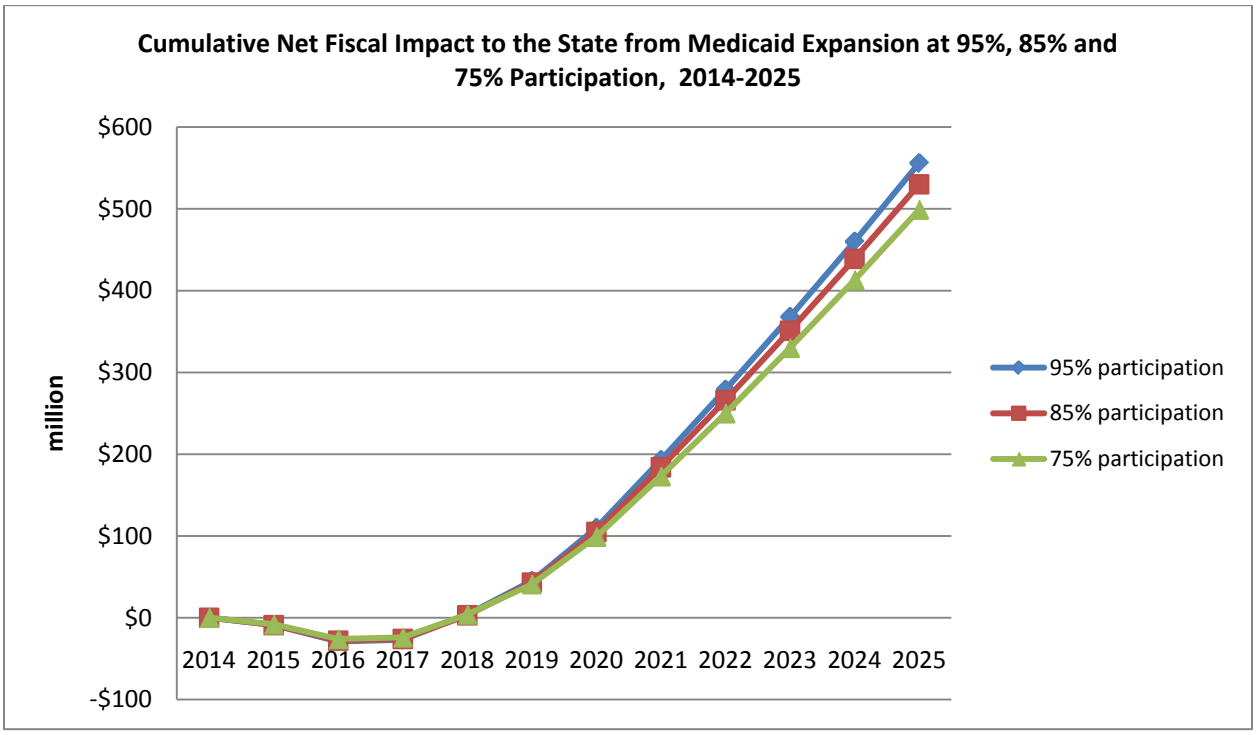
Dollar figures are in Millions.

Table E3. Low Participation Scenario (75% participation by 2016), 2014-2025

| | Enrollment | State Medicaid Costs | Additions to State General Fund Revenue | Net State Fiscal Burden | Cumulative State Fiscal Burden |
|---|---|---|---|---|---|
| 2014 | 214,716 | $7.3 | $7.4 | $0.0 | $0.0 |
| 2015 | 230,978 | $15.3 | $23.4 | ($8.1) | ($8.1) |
| 2016 | 247,204 | $16.8 | $34.6 | ($17.8) | ($25.9) |
| 2017 | 246,932 | $41.1 | $39.2 | $1.8 | ($24.1) |
| 2018 | 246,661 | $70.3 | $42.8 | $27.5 | $3.4 |
| 2019 | 246,389 | $82.4 | $45.5 | $36.9 | $40.3 |
| 2020 | 246,118 | $105.5 | $47.8 | $57.7 | $98.0 |
| 2021 | 245,848 | $124.4 | $50.0 | $74.4 | $172.4 |
| 2022 | 245,577 | $128.7 | $51.9 | $76.8 | $249.2 |
| 2023 | 245,307 | $133.1 | $53.5 | $79.6 | $328.8 |
| 2024 | 245,037 | $137.7 | $55.1 | $82.6 | $411.4 |
| 2025 | 244,768 | $142.5 | $56.8 | $85.7 | $497.1 |

Dollar figures are in Millions.

Figure E1.


Cumulative Net Fiscal Impact to the State from Medicaid Expansion at 95%, 85% and 75% Participation, 2014-2025
million
$600
$500
$400
$300
$200
$100
$0
-$100
2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
95% participation
85% participation
75% participation

**Introduction**

The Patient Protection and Affordable Care Act (ACA) as amended by H.R. 4872, the Reconciliation Act of 2010, will have an impact on Mississippi's economy and the State's budget for years to come. One component of ACA (mandatory expansion of Medicaid to all individuals under the age of 65 who are at or below 138 percent of the Federal Poverty Level) was struck down by the Supreme Court. States now have the option to extend Medicaid eligibility to these newly eligible individuals or opt out.

Title II, Subtitle (A), section 2001 of the Affordable Care Act states that Medicaid expansion applies to the population under age 65 who are below 133 percent of Federal Poverty Level (FPL). This section further states that the definition of income used to determine eligibility for Medicaid is Modified Adjusted Gross Income (MAGI), which contains a 5 percent income disregard. Thus, the actual Medicaid eligibility threshold will be 138 percent of FPL.

This study estimates the fiscal impact to Mississippi of Medicaid expansion. This analysis also estimates annual economic impacts (jobs, personal income, state revenue, and state expenditures) of Medicaid expansion over the period from 2014 through 2025. The Affordable Care Act contains programmatic and cost share changes for Medicaid expansion during the years 2014-2020, but little information concerning Medicaid expansion programs beyond 2020. From 2014 through 2016, the Federal Medical Assistance Percentage (FMAP) is 100 percent. In 2017, the FMAP declines to 95 percent. Between 2017 and 2020, the FMAP continues to decline, reaching 90 percent in 2020. Title II, Subtitle (A), section 2001 of the Affordable Care Act states that the FMAP for Medicaid expansion will be 90 percent in 2020, and each year thereafter.

**Medicaid Expansion, Increased Demand for Healthcare, and the Healthcare Workforce**

The projected Federal and State Medicaid expenditures detailed in each of the scenarios in this report assume that healthcare services are actually provided to all newly eligible Medicaid enrollees. If an insufficient number of healthcare professionals is available to meet the new demand, some healthcare will not be provided and Medicaid expenditures (Federal and State) will be lower than projected.
Expanding Medicaid to all non-elderly adults in Mississippi will increase the demand for healthcare. In the first three years of expansion (2014-2016) an estimated 313,000 new adults may be added to Mississippi's Medicaid rolls. The Federal government will cover 100 percent of these costs; $1.2 billion to $1.3 billion. Not every newly eligible Medicaid enrollee will be seeking healthcare for the first time. Some were already receiving healthcare services and paying for it out-of-pocket, while some were receiving uncompensated care. Newly eligible Medicaid enrollees who were deferring healthcare because they could not afford it will create additional demand for healthcare services. Even those individuals who were paying for healthcare out-of-pocket will likely increase their demand now that the State and Federal government are paying for it.

In 2011, more than half of the counties in Mississippi had a shortage of healthcare professionals (doctors, dentists, nurses, etc.). Currently, there are 49 counties in Mississippi, containing 1.6 million

residents, that are designated Healthcare Professional Shortage Areas (HPSA) by the U.S. Department of Health and Human Services. These counties are mostly rural and have high rates of poverty, unemployment and chronic illnesses. It is from these counties that many newly eligible Medicaid enrollees will come. In 2012, HPSA counties in Mississippi needed 430 additional primary care physicians to meet The Council on Graduate Medical Education (COGME) utilization requirements for primary care physicians; 55 counties needed an additional 300 dentists.

Over half of the physicians in Mississippi are located in four urban areas; 36% are located in the Jackson metro area alone. Nationally, an estimated 26 percent of physicians do not accept Medicaid patients; furthermore, 36 percent are not accepting new Medicaid patients. There is little excess capacity in the Mississippi healthcare sector, certainly none in the HPSA counties. Any increase in demand for healthcare will require additional healthcare providers.

It will be difficult to recruit healthcare professionals from other states since most other states are expected to adopt Medicaid expansion. Mississippi may be unable to train or recruit enough doctors, dentists, nurses, and other healthcare professionals to meet the new demand for healthcare. If Mississippi adopts Medicaid expansion, some of the increased demand for healthcare may go unmet because of a shortage of healthcare professionals.

**Research Methods and Procedures**

The most important factors in estimating State costs of Medicaid expansion are the number of new Medicaid enrollees, the expenditures per new enrollee and the declining Federal Medical Assistance Percentages (FMAP). These are the factors that will drive the vast majority of the State's costs of Medicaid expansion, should Mississippi elect to participate. Everything else in ACA merely nibbles around the edges.

Therefore, our general methodology is as follows:

(1) Identify the target population that would be included in the expansion.

– This includes the working age population that does not exceed 138 percent of the Federal Poverty Level.

(2) Estimate the average medical expenditures of this population along with the additional administrative costs associated with expansion.

(3) Estimate the direct and indirect benefits to the state of these expenditures to the State's economy in general and the General Fund in particular.

(4) Estimate the State's costs of these expenditures as the FMAP decreases through the life of the legislation.

(5) Compare the annual costs versus benefits to the State through the life of the legislation (2020) and project costs and benefits to 2025 assuming the FMAP remains constant.

In step 1 it was necessary to make an assumption concerning the participation rate, the percentage of those eligible for Medicaid under the rules of expansion that actually sign up for Medicaid. We have run the model using 95, 85 and 75 percent participation. In all three scenarios, this participation rate gradually increases over three years. We believe Medicaid expansion will be highly publicized and extensive efforts will be undertaken to enroll eligible participants. The enrollment process will be streamlined, making it easy for enrollees to sign up. Continued slow economic growth will also push participation upward. We believe the 95 percent rate is the most likely scenario, but have conducted the analysis using lower participation rates to examine the sensitivity of the analysis to changes in the participation rate.

In step 2 we have based medical expenditures on the demographics of the expansion population as opposed to just using average costs across all populations. We take into account the savings to the State of shifting existing health care costs for the prison population to the Federal government.

In step 3 we used the REMI model to estimate the economic impacts (jobs, labor income and State General Fund revenue) of new Federal spending. This dynamic economic forecasting model includes a baseline forecast for the State that can then be shocked by the infusion of medical expenditures and the changes to economic activity determined.

For step 4, the Federal government will cover 100 percent of the costs for 2014-2016, declining to 90 percent in 2020. Except for the FMAP, which remains constant at 90 percent, the legislation does not address the period after 2020 and so we do not know what rules will be in place after that.

**Projected Changes in the Mississippi Population, 2014-2025**

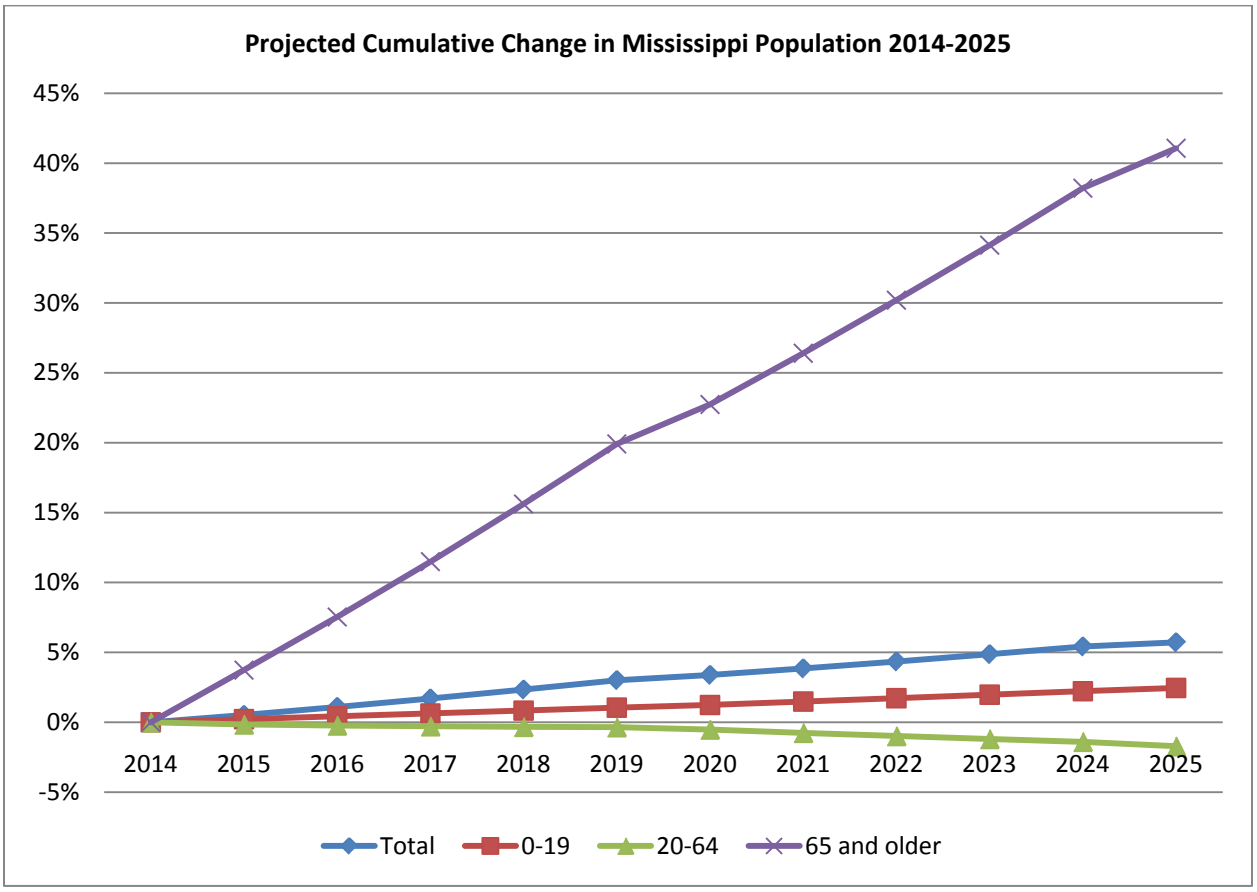
Understanding how the Mississippi population will change in the years ahead is important to understanding how the cost of Medicaid (both current programs, as well as expansion programs) will change. The population of Mississippi is projected to be 3,052,805 in 2014 and grow to 3,218,223 by 2025.[1] This represents 5.4 percent growth over eleven years or an estimated 0.5 percent average annual growth in population. There are three demographic groups in the Mississippi population that are relevant to the discussion on Medicaid; the 0-19 age group, the 20-64 age group and the 65 and older age group. From 2014 to 2025 the 0-19 age group is projected to grow from 838,092 to 856,720. This represents 2.2 percent growth over eleven years, or 0.2 percent average annual growth in this population. The 20-64 age group is projected to decline over the next eleven years. In 2014 this age group is projected to be 1,765,973 and is projected to decline to 1,741,296 by 2025. This represents a 1.4 percent decline over eleven years or approximately 0.1 percent average annual decline. The 65 and older age group is projected to grow substantially over the next eleven years. This age group is projected to grow from 448,740 in 2014 to 620,207 in 2025. This represents 38.2 percent growth over eleven years, or about 3.5 percent average annual growth in this population. The overwhelming

[1] Mississippi Population Projections 2015, 2020, and 2025, Office of Policy Research and Planning, Mississippi Institutions of Higher Learning, February 2012.

majority of the population growth in Mississippi over the next twenty years will be in the 65 and older age group. (See Figure 1)

Growth in Medicaid enrollment is dependent on both eligibility and participation. The population from which newly eligible Medicaid enrollees will be drawn, working-age adults, is not likely to change significantly over the next eleven years.

Figure 1.




Source: Mississippi Population Projections 2015, 2020, and 2025, Office of Policy Research and Planning, Mississippi Institutions of Higher Learning, February 2012.

**Medicaid Expansion – Impacts on Population, by Age**

Children (ages 0-19)

Changes resulting from implementation of Medicaid expansion (should Mississippi elect to participate) are unlikely to significantly impact enrollment of children. In Mississippi, children are currently eligible for Medicaid based on federal poverty levels (FPL) from 100 percent to 185 percent. Children below 200% percent FPL, who are not eligible for Medicaid, may be eligible for the Children's Health Insurance.

Aged Adults (ages 65 and older)

The population in this age group (65 and older) is projected to grow at an average annual rate of 3.5 percent. In Title II, Subtitle (A), section 2001 of the Affordable Care Act it states that Medicaid expansion applies to the population under age 65 who are below 134 percent of FPL. Aged adults (ages 65 and older) will not be significantly affected by Medicaid expansion.

Non-Elderly Adults (ages 20-64)

Non-elderly adults, ages 20-64, contains the population with the greatest potential for Medicaid enrollment growth due to changes in ACA. Title II, Subtitle (A), section 2001 of the Affordable Care Act states that Medicaid expansion applies to the population under age 65 who are below 134 percent of FPL. Therefore, it is the non-elderly adults (ages 20-64) that will drive the costs of Medicaid expansion.

The projected non-elderly adult population (ages 20-64) in 2014 is 1,765,973. An estimated 29.3 percent (517,430) of the population in this age group is below 138 percent of FPL. Enrollment figures from the Division of Medicaid for 2012 indicate that 187,098 individuals with incomes below 138 percent of FPL are currently enrolled. Thus, of the 517,430 that have incomes below 138 percent of FPL, 330,332 will be newly eligible in 2014 (517,430 – 187,098 = 330,332). Expansion eligibility estimates in years 2015 through 2025 are based on projected changes in population in this age group.

The estimated average costs for adults who become enrolled as a result of the expanded eligibility criteria in the Affordable Care Act are projected to be approximately 75 percent of average per enrollee costs for existing beneficiaries.[2] This difference arises from the fact that adults in poor health often suffer a loss in income, increasing their likelihood of qualifying for Medicaid under the pre-Affordable Care Act criteria. The reduced per enrollee cost for newly eligible enrollees reflects the impact of an anticipated higher participation rate among persons with relatively low or no health care costs, whose inclusion would tend to lower average enrollee costs.

**Projections for Newly Eligible Medicaid Enrollees 2014-2025**

In the following analysis, projections of Medicaid expansion in Mississippi will be based on three scenarios:

- A high participation scenario (85% participation in 2014, 90% in 2015, and 95% in 2016-2025),
- A moderate participation scenario (75% participation in 2014, 80% in 2015, and 85% in 2016-2025), and
- A low participation scenario (65% participation in 2014, 70% in 2015, and 75% in 2016-2025).

In each scenario, the maximum participation rate is realized over three years.

Many studies have included participation scenarios ranging from a low rate of 60 percent to a high rate of 100%. The Centers for Medicare and Medicaid Services (CMS) has estimated that 95 percent of newly

[2] Office of the Actuary, Centers for Medicare and Medicaid Services, U.S. Department of Health and Human Services, 2011 Actuarial Report on the Financial Outlook for Medicaid, March 20, 2012.

eligible individuals will participate. The first scenario in this analysis projects participation will be high (85% in 2014, 90% in 2015, and 95% in 2016-2020) due to continued weakness in the Mississippi economy (high unemployment, low to nonexistent real wage growth), strong media coverage of Medicaid expansion, robust marketing of Medicaid expansion by governmental and non-governmental entities, and a streamlined enrollment process. The second scenario projects participation at a reduced rate (75%, 80%, and 85%) which is still higher than the participation rate for currently eligible Medicaid enrollees. The third scenario projects participation at a low rate (65%, 70%, and 75%).

**Scenario One: Medicaid Expansion (85% participation in 2014, 90% in 2015, and 95% in 2016-2025)**

Projected Medicaid expansion enrollment will be driven predominantly by the population of non-elderly adults (ages 20-64). This population group is projected to decline at an average annual rate of 0.1 percent. Estimated enrollment for this scenario is shown in Table 1. In this scenario, 85 percent of individuals newly eligible for Medicaid will participate in 2014, rising to 90 percent in 2015, and 95 percent in 2016-2025.

Table 1. Estimated Medicaid Expansion Enrollment (high participation rate).

| | Estimated Enrollment |
|---|---|
| 2014 | 280,782 |
| 2015 | 296,972 |
| 2016 | 313,125 |
| 2017 | 312,781 |
| 2018 | 312,437 |
| 2019 | 312,093 |
| 2020 | 311,750 |
| 2021 | 311,407 |
| 2022 | 311,064 |
| 2023 | 310,722 |
| 2024 | 310,380 |
| 2025 | 310,039 |

State costs of Medicaid expansion are driven by the projected number of enrollees, estimated per enrollee costs, and the changing (declining) Federal Medical Assistance Percentage (FMAP). Average annual per enrollee costs for newly eligible enrollees are estimated to be $2,957[3] or 75 percent of average annual costs for current enrollees. [4] The average annual per enrollee cost data we used in this analysis (Kaiser Commission) accurately reflects the costs associated with the target population. Average annual costs for newly eligible Medicaid enrollees are expected to be lower than for existing enrollees because they are expected to have fewer health problems than current enrollees. Newly eligible enrollees are not disabled/blind or pregnant females and have a marginally higher income than current enrollees. Annual Medicaid cost inflations is estimated to be 3.5 percent.[5]

Cumulative State Medicaid expansion costs for years 2014-2020 (shown in Table 2) are projected to be $379 million. Cumulative State Medicaid expansion costs for years 2014-2025 are projected to be $1,123 million. These estimates do not include Disproportionate Share Hospital (DSH) payments (see Appendix B) that reimburse hospitals for a portion of the uncompensated care they provide. For greater detail see Appendix A.

[3] Kaiser Commission on Medicaid and the Uninsured and Urban Institute estimates based on data from FY 2009 MSIS and CMS-64 reports, 2012.
[4] Office of the Actuary, Centers for Medicare and Medicaid Services, U.S. Department of Health and Human Services, 2011 Actuarial Report on the Financial Outlook for Medicaid, March 20, 2012.
[5] Office of the Governor, Division of Medicaid, Fiscal Year 2012 Budget Presentation, September 22, 2010.

Table 2. Projected Costs for all Medicaid Expansion Programs, FY 2014-2025 (millions)

| | Total | Federal | State | Cumulative State Costs |
|---|---|---|---|---|
| 2014 | $435.1 | $426.6 | $8.5 | $8.5 |
| 2015 | $910.7 | $893.2 | $17.5 | $26.0 |
| 2016 | $994.5 | $975.6 | $18.9 | $44.9 |
| 2017 | $1,055.3 | $1,009.4 | $45.9 | $90.8 |
| 2018 | $1,091.0 | $1,012.5 | $78.5 | $169.3 |
| 2019 | $1,128.0 | $1,035.9 | $92.1 | $261.4 |
| 2020 | $1,166.2 | $1,048.4 | $117.8 | $379.2 |
| 2021 | $1,205.7 | $1,066.8 | $138.9 | $518.1 |
| 2022 | $1,246.5 | $1,102.8 | $143.7 | $661.8 |
| 2023 | $1,288.7 | $1,140.0 | $148.7 | $810.5 |
| 2024 | $1,332.4 | $1,178.6 | $153.8 | $964.3 |
| 2025 | $1,377.5 | $1,218.4 | $159.1 | $1,123.4 |

Costs in 2014 are for second half of FY 2014.

Additions to employment, labor income and State General Fund revenue (shown in Table 3) were estimated using the REMI Tax-PI model. REMI Tax-PI is a dynamic fiscal and economic impact model which captures the direct, indirect and induced fiscal and economic effects of policy changes over multiple years. From 2014-2020, cumulative additions to State General Fund revenue from Medicaid expansion are projected to be $270 million. From 2014-2025, cumulative additions to State General Fund revenue from Medicaid expansion are projected to be $568 million.

Table 3. Additions to Employment, Personal Income and General Fund Revenue from Federal Medicaid Funding, FY 2014-2025.

| | Employment | Personal Income | State General Fund Revenue | Cumulative Additions to State General Fund Revenue |
|---|---|---|---|---|
| 2014 | 4,178 | $190.8 | $8.5 | $8.5 |
| 2015 | 8,401 | $417.0 | $26.7 | $35.2 |
| 2016 | 8,776 | $484.8 | $39.1 | $74.3 |
| 2017 | 9,059 | $545.4 | $43.9 | $118.2 |
| 2018 | 9,120 | $594.0 | $47.8 | $166.0 |
| 2019 | 9,065 | $633.0 | $50.6 | $216.6 |
| 2020 | 9,154 | $673.8 | $53.2 | $269.8 |
| 2021 | 9,200 | $712.8 | $55.7 | $325.5 |
| 2022 | 9,092 | $744.6 | $57.8 | $383.3 |
| 2023 | 8,999 | $775.8 | $59.6 | $442.9 |
| 2024 | 8,924 | $808.2 | $61.4 | $504.3 |
| 2025 | 8,860 | $841.2 | $63.3 | $567.6 |

Employment, Personal Income, and State General Fund Revenue were derived using only Federal Share. Dollars are in Millions

Net fiscal impacts, shown in Table 4, equal the costs of Medicaid expansion minus the additions to State General Fund revenue from new Federal Medicaid dollars. From 2014-2020, the cumulative net State fiscal impact from Medicaid expansion is estimated to be $109 million. From 2014-2025, the cumulative net State fiscal impact from Medicaid expansion is estimated to be $556 million.

Table 4. Net Fiscal Impact of Medicaid Expansion (Participation Rate 85% in 2014, 90% in 2015, 95% in 2016-2025), FY 2014-2025. (millions)

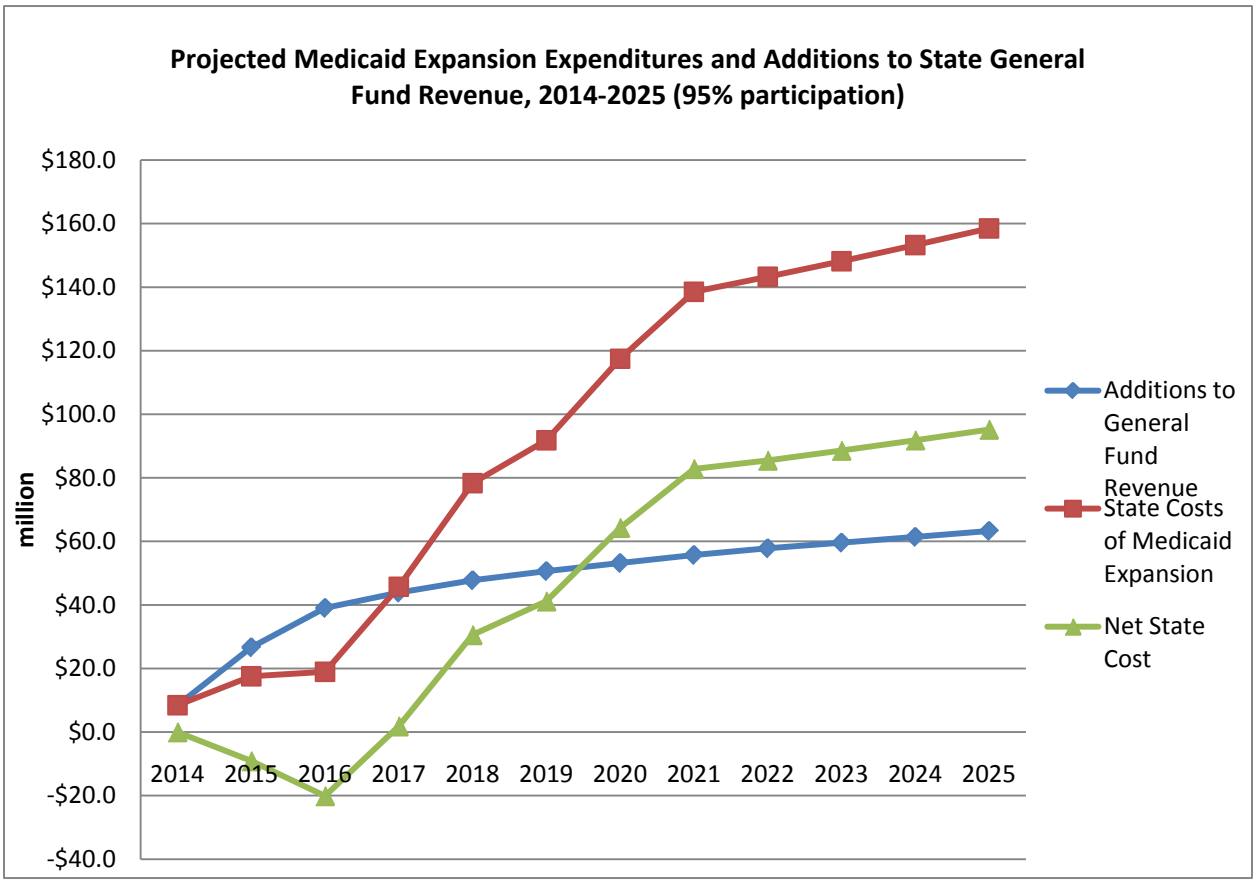
| | State Costs | State General Fund Revenue | Net Fiscal Impact | Cumulative Net Fiscal Impact |
|---|---|---|---|---|
| 2014 | $8.5 | $8.5 | $0.0 | $0.0 |
| 2015 | $17.5 | $26.7 | ($9.2) | ($9.2) |
| 2016 | $18.9 | $39.1 | ($20.2) | ($29.4) |
| 2017 | $45.9 | $43.9 | $2.0 | ($27.4) |
| 2018 | $78.5 | $47.8 | $30.8 | $3.4 |
| 2019 | $92.1 | $50.6 | $41.4 | $44.8 |
| 2020 | $117.8 | $53.2 | $64.6 | $109.4 |
| 2021 | $138.9 | $55.7 | $83.3 | $192.7 |
| 2022 | $143.7 | $57.8 | $85.9 | $278.6 |
| 2023 | $148.7 | $59.6 | $89.1 | $367.7 |
| 2024 | $153.8 | $61.4 | $92.4 | $460.1 |
| 2025 | $159.1 | $63.3 | $95.8 | $555.9 |

Conclusions (Scenario One)

State Medicaid expansion expenditures (95 percent participation) are lower than additions to State General Fund revenue (generated by Federal Medicaid funding) in 2014, 2015, and 2016. They are approximately equal to additions to State General Fund revenue in 2017. In 2018-2025, State Medicaid expansion costs are greater than additions to State General Fund revenue. In 2020, annual net State Medicaid expansion costs are estimated to be $65 million (shown in Figure 2). By 2025, they are projected to grow to $96 million.

During the period from 2014 through 2020, the cumulative net State fiscal impact of Medicaid expansion is projected to be approximately $109 million. From 2014-2025, they are projected to total $556 million.

Figure 2.


Projected Medicaid Expansion Expenditures and Additions to State General Fund Revenue, 2014-2025 (95% participation)
million
$180.0
$160.0
$140.0
$120.0
$100.0
$80.0
$60.0
$40.0
$20.0
$0.0
-$20.0
-$40.0
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
Additions to General Fund Revenue
State Costs of Medicaid Expansion
Net State Cost

**Scenario Two: Medicaid Expansion (75% participation in 2014, 80% in 2015, and 85% in 2016-2025)**

In this scenario, the number of newly eligible enrollees is projected to start at 75 percent of the eligible population in 2014. Enrollment is projected to increase 5 percentage points in 2015 (80 percent) and 2016 (85 percent). Participation is projected to remain at 85 percent through 2025. Projected Medicaid expansion enrollment for this scenario is shown in Table 5.

Table 5. Estimated Medicaid Expansion Enrollment (moderate participation rate).

| | Estimated Enrollment |
|---|---|
| 2014 | 247,749 |
| 2015 | 263,975 |
| 2016 | 280,165 |
| 2017 | 279,857 |
| 2018 | 279,549 |
| 2019 | 279,241 |
| 2020 | 278,934 |
| 2021 | 278,627 |
| 2022 | 278,321 |
| 2023 | 278,015 |
| 2024 | 277,709 |
| 2025 | 277,403 |

Average annual per enrollee costs for newly eligible enrollees are estimated to be $3,154 or 80 percent of average annual costs for current enrollees.[6] The average annual per enrollee costs for newly eligible enrollees in the 85 percent participation scenario is 5 percentage points greater than in the 95 percent scenario. This increase in average enrollee cost arises from the fact that newly eligible adults in good health will be less likely to participate, thus raising the average per enrollee cost of those in relatively poorer health who do participate.

Cumulative annual State Medicaid expansion costs for years 2014-2020, shown in Table 6, are projected to be $362 million. Cumulative annual State Medicaid expansion costs for years 2014-2025 are projected to be $1,072 million. For greater detail see Appendix A.

Table 6. Projected Costs for all Medicaid Expansion Programs, FY 2014-2025 (millions)

| | Total | Federal | State | Cumulative State Costs |
|---|---|---|---|---|
| 2014 | $409.6 | $401.6 | $8.0 | $8.0 |
| 2015 | $860.8 | $844.2 | $16.6 | $24.6 |
| 2016 | $946.4 | $928.4 | $18.0 | $42.6 |
| 2017 | $1,007.4 | $963.6 | $43.8 | $86.4 |
| 2018 | $1,041.5 | $966.5 | $75.0 | $161.4 |
| 2019 | $1,076.8 | $988.9 | $87.9 | $249.3 |
| 2020 | $1,113.3 | $1,000.8 | $112.5 | $361.8 |
| 2021 | $1,151.0 | $1,018.4 | $132.6 | $494.4 |
| 2022 | $1,190.0 | $1,052.8 | $137.2 | $631.6 |
| 2023 | $1,230.3 | $1,088.4 | $141.9 | $773.5 |
| 2024 | $1,272.0 | $1,125.2 | $146.8 | $920.3 |
| 2025 | $1,315.0 | $1,163.1 | $151.9 | $1,072.2 |

[6] Kaiser Commission on Medicaid and the Uninsured and Urban Institute estimates based on data from FY 2009 MSIS and CMS-64 reports, 2012.

During the period from 2014-2020, cumulative additions to State General Fund revenue from Medicaid expansion, shown in Table 7, are projected to be $257 million. From 2014-2025, they are projected to be $542 million.

Table 7. Additions to Employment, Personal Income and General Fund Revenue from Federal Medicaid Funding, FY 2014-2025.

| | Employment | Personal Income | State General Fund Revenue | Cumulative Additions to State General Fund Revenue |
|---|---|---|---|---|
| 2014 | 3,941 | $180.0 | $8.0 | $8.0 |
| 2015 | 7,955 | $394.8 | $25.2 | $33.2 |
| 2016 | 8,365 | $461.4 | $37.1 | $70.3 |
| 2017 | 8,659 | $520.8 | $41.9 | $112.2 |
| 2018 | 8,719 | $567.0 | $45.6 | $157.8 |
| 2019 | 8,666 | $604.8 | $48.4 | $206.2 |
| 2020 | 8,750 | $643.8 | $50.8 | $257.0 |
| 2021 | 8,794 | $681.0 | $53.2 | $310.2 |
| 2022 | 8,689 | $711.0 | $55.3 | $365.5 |
| 2023 | 8,599 | $741.0 | $56.9 | $422.4 |
| 2024 | 8,527 | $771.6 | $58.7 | $481.1 |
| 2025 | 8,466 | $803.4 | $60.5 | $541.6 |

Employment, Personal Income, and State General Fund Revenue were derived using only Federal Share. Dollars are in Millions

From 2014-2020, the cumulative net State fiscal impact from Medicaid expansion, shown in Table 8, is estimated to be $105 million. From 2014-2025, the cumulative net State fiscal impact from Medicaid expansion, shown in Table 8, is estimated to be $530 million.

Table 8. Net Fiscal Impact of Medicaid Expansion (Participation Rate 75% in 2014, 80% in 2015, 85% in 2016-2025), FY 2014-2025. (millions)

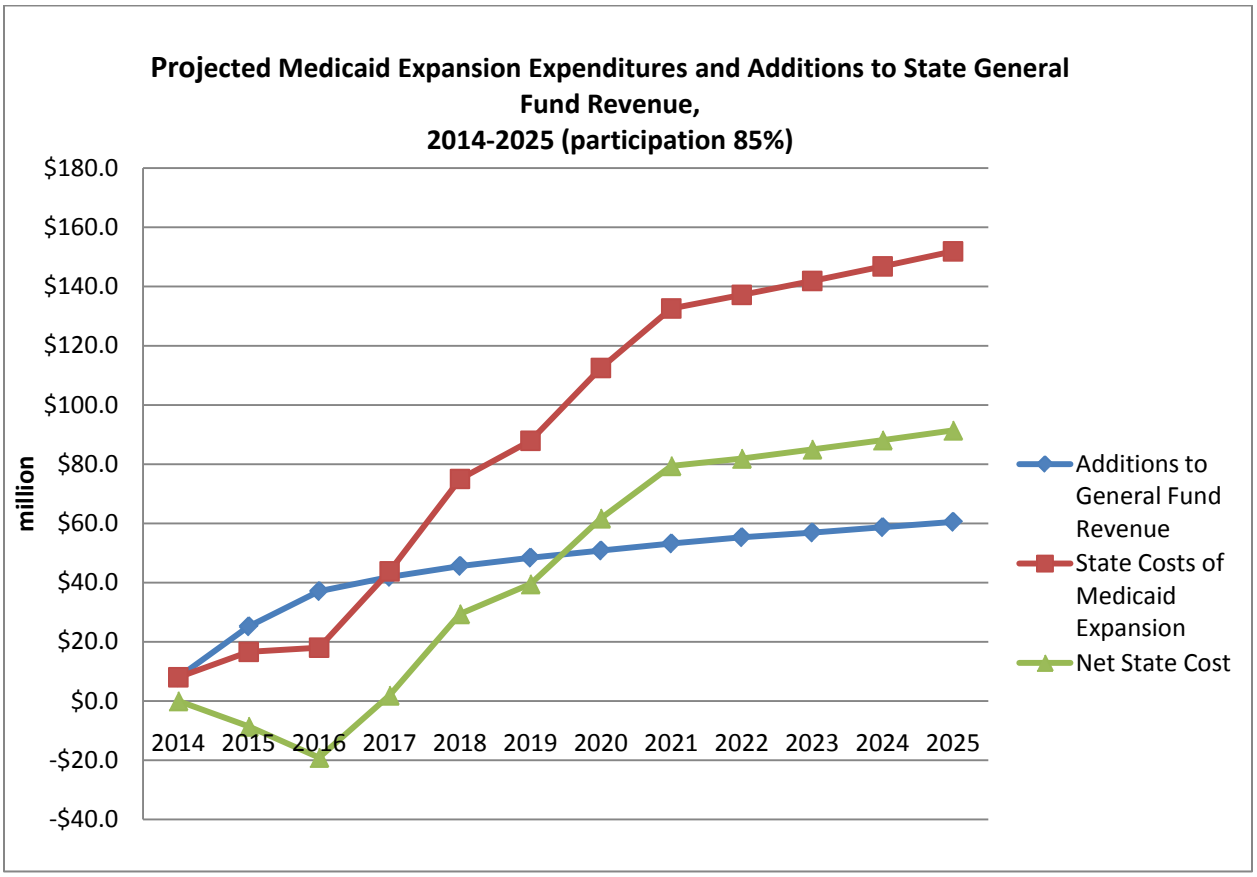
| | State Costs | State General Fund Revenue | Net Fiscal Impact | Cumulative Net Fiscal Impact |
|---|---|---|---|---|
| 2014 | $8.0 | $8.0 | $0.0 | $0.0 |
| 2015 | $16.6 | $25.2 | ($8.6) | ($8.6) |
| 2016 | $18.0 | $37.1 | ($19.1) | ($27.7) |
| 2017 | $43.8 | $41.9 | $1.9 | ($25.8) |
| 2018 | $75.0 | $45.6 | $29.4 | $3.6 |
| 2019 | $87.9 | $48.4 | $39.5 | $43.1 |
| 2020 | $112.5 | $50.8 | $61.6 | $104.7 |
| 2021 | $132.6 | $53.2 | $79.4 | $184.1 |
| 2022 | $137.2 | $55.3 | $81.9 | $266.0 |
| 2023 | $141.9 | $56.9 | $85.0 | $351.0 |
| 2024 | $146.8 | $58.7 | $88.1 | $439.1 |
| 2025 | $151.9 | $60.5 | $91.4 | $530.5 |

Conclusions (Scenario Two)

State Medicaid expansion expenditures (85 percent participation) are lower than additions to State General Fund revenue (generated by Federal Medicaid funding) in 2014, 2015, and 2016. They are approximately equal to additions to State General Fund revenue in 2017. In 2018-2020, State Medicaid expansion costs are greater than additions to State General Fund revenue. In 2020, annual net State Medicaid expansion costs are estimated to be $62 million (shown in Figure 3). By 2025, they are projected to grow to $91 million.

During the period from 2014 through 2020, the Cumulative net State fiscal impact of Medicaid expansion is projected to be approximately $105 million. From 2014-2025, they are projected to total $530 million.

Figure 3.



**Scenario Three: Medicaid Expansion (65% participation in 2014, 70% in 2015, and 75% in 2016-2025)**

In this scenario, the number of newly eligible enrollees is projected to start at 65 percent of the eligible population in 2014. Enrollment is projected to increase 5 percentage points in 2015 (70 percent) and 2016 (75 percent). Participation is projected to remain at 75 percent through 2025.

Average annual per enrollee costs for newly eligible enrollees are estimated to be $3,351 or 85 percent of average annual costs for current enrollees.[7] The average annual per enrollee costs for newly eligible enrollees in the 75 percent participation scenario is 10 percentage points greater than in the 95 percent scenario because they are, on average, assumed to be less healthy. The 20 percent of Medicaid-eligible individuals who choose not to participate are assumed to be the healthiest, with the least incentive to enroll.

Cumulative annual State Medicaid expansion costs for years 2014-2020, shown in Table 10, are projected to be $339 million. Cumulative annual State Medicaid expansion costs for years 2014-2025 are projected to be $1,005 million. For greater detail see Appendix A.

Table 9. Estimated Medicaid Expansion Enrollment (low participation rate).

| | Estimated Enrollment |
|---|---|
| 2014 | 214,716 |
| 2015 | 230,978 |
| 2016 | 247,204 |
| 2017 | 246,932 |
| 2018 | 246,661 |
| 2019 | 246,389 |
| 2020 | 246,118 |
| 2021 | 246,118 |
| 2022 | 245,848 |
| 2023 | 245,577 |
| 2024 | 245,307 |
| 2025 | 245,037 |

Table 10. Projected Costs for all Medicaid Expansion Programs, FY 2014-2025 (millions)

| | Total | Federal | State | Cumulative State Costs |
|---|---|---|---|---|
| 2014 | $377.4 | $370.1 | $7.3 | $7.3 |
| 2015 | $797.1 | $781.8 | $15.3 | $22.6 |
| 2016 | $884.2 | $867.4 | $16.8 | $39.4 |
| 2017 | $944.9 | $903.8 | $41.1 | $80.5 |
| 2018 | $976.9 | $906.6 | $70.3 | $150.8 |
| 2019 | $1,009.9 | $927.5 | $82.4 | $233.2 |
| 2020 | $1,044.1 | $938.6 | $105.5 | $338.7 |
| 2021 | $1,079.5 | $955.1 | $124.4 | $463.1 |
| 2022 | $1,116.1 | $987.4 | $128.7 | $591.8 |
| 2023 | $1,153.9 | $1,020.8 | $133.1 | $724.9 |
| 2024 | $1,193.0 | $1,055.3 | $137.7 | $862.6 |
| 2025 | $1,233.4 | $1,090.9 | $142.5 | $1,005.1 |

[7] Kaiser Commission on Medicaid and the Uninsured and Urban Institute estimates based on data from FY 2009 MSIS and CMS-64 reports, 2012.

During the period from 2014-2020, cumulative additions to State General Fund revenue from Medicaid expansion, shown in Table 11, are projected to be $241 million. From 2014-2025, cumulative additions to State General Fund revenue from Medicaid expansion are projected to be $508 million.

Table 11. Additions to Employment, Personal Income and General Fund Revenue from Federal Medicaid Funding, FY 2014-2025.

| | Employment | Personal Income | State General Fund Revenue | Cumulative Additions to State General Fund Revenue |
|---|---|---|---|---|
| 2014 | 3,641 | $166.8 | $7.4 | $7.4 |
| 2015 | 7,384 | $366.6 | $23.4 | $30.8 |
| 2016 | 7,828 | $431.4 | $34.6 | $65.4 |
| 2017 | 8,135 | $489.0 | $39.2 | $104.6 |
| 2018 | 8,193 | $532.8 | $42.8 | $147.4 |
| 2019 | 8,143 | $567.6 | $45.5 | $192.9 |
| 2020 | 8,220 | $604.8 | $47.8 | $240.7 |
| 2021 | 8,263 | $639.6 | $50.0 | $290.7 |
| 2022 | 8,162 | $667.8 | $51.9 | $342.6 |
| 2023 | 8,077 | $696.0 | $53.5 | $396.1 |
| 2024 | 8,008 | $724.8 | $55.1 | $451.2 |
| 2025 | 7,950 | $754.2 | $56.8 | $508.0 |

Employment, Personal Income, and State General Fund Revenue were derived using only Federal Share. Dollars are in Millions

From 2014-2020, the cumulative net State fiscal impact from Medicaid expansion, shown in Table 12, is estimated to be $98 million. From 2014-2025, the cumulative net State fiscal impact from Medicaid expansion is estimated to be $497 million.

Table 12. Net Fiscal Impact of Medicaid Expansion (Participation Rate 65% in 2014, 70% in 2015, 75% in 2016-2025), FY 2014-2025. (millions)

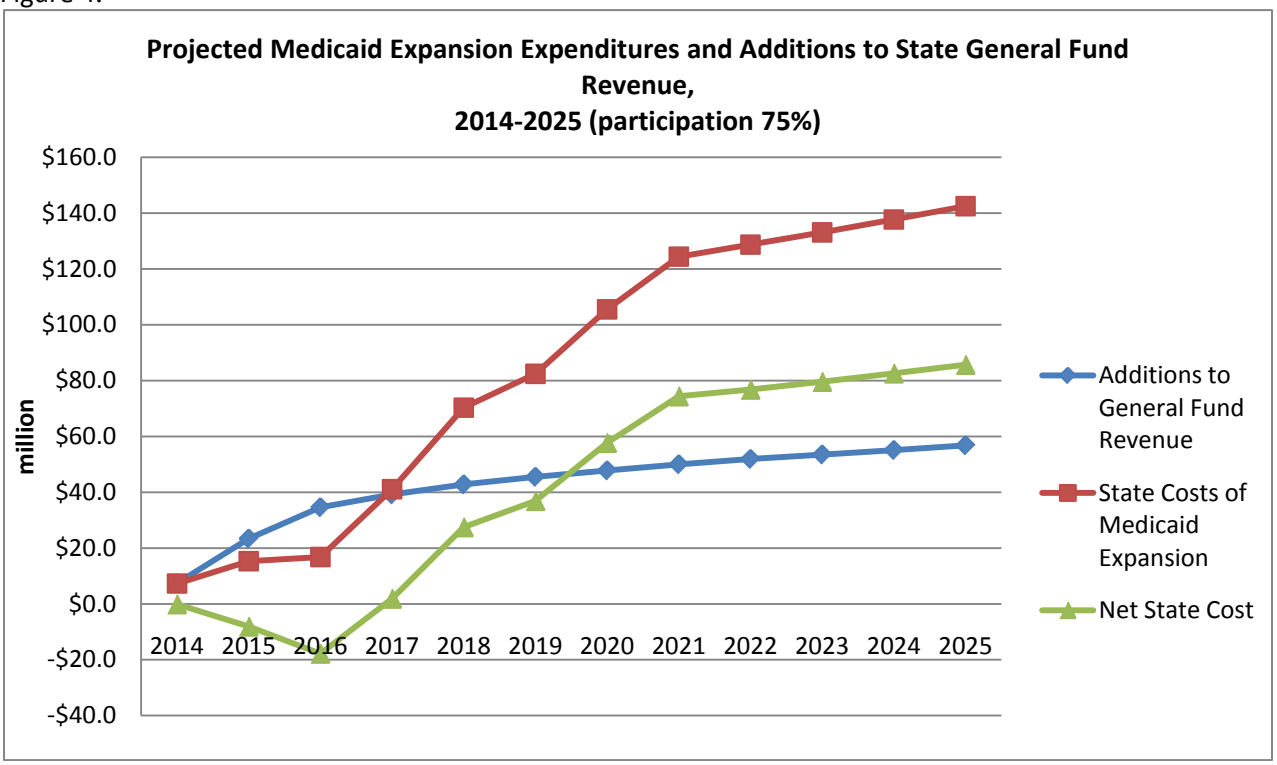
| | State Costs | State General Fund Revenue | Net Fiscal Impact | Cumulative Net Fiscal Impact |
|---|---|---|---|---|
| 2014 | $7.3 | $7.4 | $0.0 | $0.0 |
| 2015 | $15.3 | $23.4 | ($8.1) | ($8.1) |
| 2016 | $16.8 | $34.6 | ($17.8) | ($25.9) |
| 2017 | $41.1 | $39.2 | $1.8 | ($24.1) |
| 2018 | $70.3 | $42.8 | $27.5 | $3.4 |
| 2019 | $82.4 | $45.5 | $36.9 | $40.3 |
| 2020 | $105.5 | $47.8 | $57.7 | $98.0 |
| 2021 | $124.4 | $50.0 | $74.4 | $172.4 |
| 2022 | $128.7 | $51.9 | $76.8 | $249.2 |
| 2023 | $133.1 | $53.5 | $79.6 | $328.8 |
| 2024 | $137.7 | $55.1 | $82.6 | $411.4 |
| 2025 | $142.5 | $56.8 | $85.7 | $497.1 |

Conclusions (Scenario Three)

State Medicaid expansion expenditures (75 percent participation) are lower than additions to State General Fund revenue (generated by Federal Medicaid funding) in 2014, 2015, and 2016. They are approximately equal to additions to State General Fund revenue in 2017. In 2018-2020, State Medicaid expansion costs are greater than additions to State General Fund revenue. In 2020, annual net State Medicaid expansion costs are estimated to be $58 million (shown in Figure 4). By 2025, they are projected to grow to $86 million.

During the period from 2014 through 2020, the cumulative net State fiscal impact of Medicaid expansion is projected to be approximately $98 million. From 2014-2025, they are projected to total $497 million.

Figure 4.




**General Conclusions**

Medicaid expansion will pay for itself in 2014 through 2016. In years 2017 through 2020, Medicaid expansion creates an additional fiscal burden on the State. Net annual fiscal impacts to the State, shown in Table 13, range from $2 million in 2017 to $96 million in 2025.

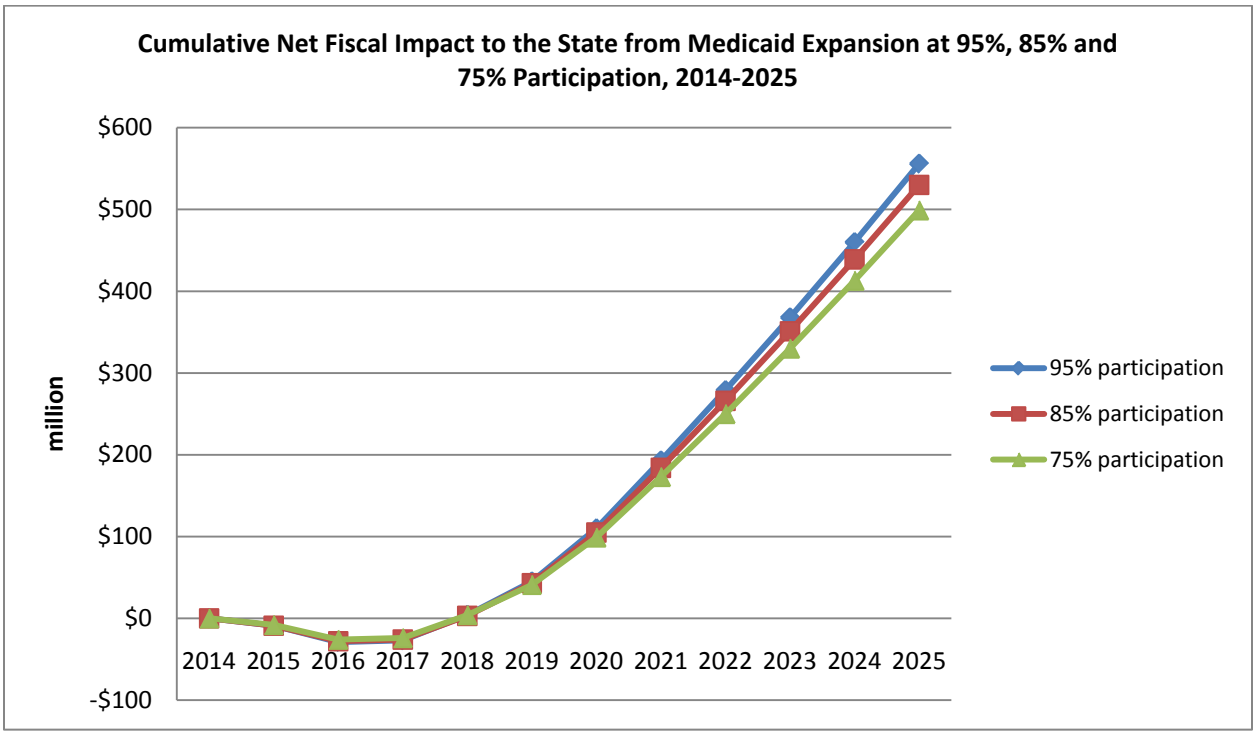
Table 13. Net Fiscal Impact to the State from Medicaid Expansion, 2014-2025.

| Participation Rate | 95% | 85% | 75% |
|---|---|---|---|
| 2014 | $0.0 | $0.0 | $0.0 |
| 2015 | ($9.0) | ($9.0) | ($8.0) |
| 2016 | ($20.0) | ($19.0) | ($18.0) |
| 2017 | $2.0 | $2.0 | $2.0 |
| 2018 | $31.0 | $29.0 | $28.0 |
| 2019 | $41.0 | $40.0 | $37.0 |
| 2020 | $65.0 | $62.0 | $58.0 |
| 2021 | $83.0 | $79.0 | $74.0 |
| 2022 | $86.0 | $82.0 | $77.0 |
| 2023 | $89.0 | $85.0 | $80.0 |
| 2024 | $92.0 | $88.0 | $83.0 |
| 2025 | $96.0 | $91.0 | $86.0 |

Millions.

The results in each scenario indicate that Medicaid expansion will generate additional State Medicaid costs in years 2017-2025. Cumulative State costs of Medicaid expansion from 2014-2020 (shown in Figure 8) are projected to range from $109 million (95% participation) to $98 million (75% participation). Cumulative State costs of Medicaid expansion from 2014-2025 are projected to range from $556 million (95% participation) to $497 million (75% participation).

Figure 8.



Some State agencies (Mississippi Department of Mental Health, Mississippi State Department of Health, etc.) may realize additional costs or savings associated with Medicaid expansion. Currently, there is insufficient data to estimate these costs or savings.

Federal funds for Medicaid expansion will generate additions to State General Fund revenue which could offset some of the State costs of Medicaid expansion. In addition, some taxes and fees collected by the Department of Revenue (DOR) do not accrue to the General Fund, but are diverted to Special Funds. State agencies (Department of Agriculture, Department of Transportation, Department of Environmental Quality, etc.) may experience an increase in appropriations from Special Funds due to the economic activity generated by new Federal Medicaid dollars. Although most Special Funds are earmarked for specific uses and may be unavailable to offset the costs associated with Medicaid expansion, they do represent a source of additional revenue to the State.

Increased access to health care could enhance the overall health of Mississippi's residents. In the long-term, a healthier workforce should result in a more productive workforce, leading to a healthier, more robust economy. In the long run (30 to 40 years) the benefits of increased access to health care might outweigh the costs. Paying for it in the years ahead might be a challenge.

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Mr. Ed LeGrand, Department of Mental Health
Mr. Ed Sivak, Mississippi Economic Policy Center.

## Appendix A

**Scenario One: Medicaid Expansion (85% participation in 2014, 90% in 2015, and 95% in 2016-2025)**

Total annual State Medicaid expenditures for newly eligible enrollees in 2014-2016 are $0 (see Table A1). In 2017, when the FMAP declines to 95 percent, annual State Medicaid expenditures are approximately $25.6 million. As the FMAP declines in years 2018-2020, the State's costs of Medicaid expansion increase. In 2020, total annual State Medicaid expenditures for newly eligible enrollees are an estimated $95.0 million. Total State costs for Medicaid expansion in this scenario are $131.7 million over the period from 2014-2025.

Table A1. Projected Medicaid Expansion Expenditures, FY 2014-2025.

| | Total | FMAP | Federal | State |
|---|---|---|---|---|
| 2014 | $415.1 | 100% | $415.1 | $0.0 |
| 2015 | $869.6 | 100% | $869.6 | $0.0 |
| 2016 | $950.4 | 100% | $950.4 | $0.0 |
| 2017 | $1,008.7 | 95% | $983.0 | $25.6 |
| 2018 | $1,042.8 | 94% | $985.4 | $57.4 |
| 2019 | $1,078.1 | 93% | $1,008.0 | $70.2 |
| 2020 | $1,114.6 | 90% | $1,019.6 | $95.0 |
| 2021 | $1,152.4 | 90% | $1,037.1 | $115.2 |
| 2022 | $1,191.4 | 90% | $1,072.2 | $119.1 |
| 2023 | $1,231.7 | 90% | $1,108.6 | $123.2 |
| 2024 | $1,273.4 | 90% | $1,146.1 | $127.3 |
| 2025 | $1,316.6 | 90% | $1,184.9 | $131.7 |

Dollar figures are in Millions

Medicaid expansion mandates coverage for all legally qualified individuals under age 65 and below 134 percent of the Federal Poverty Level. The vast majority of prison inmates fall into this category. However, Social Security and Medicaid statutes have consistently ruled that incarcerated individuals are not eligible for benefits. In 1997, HHS determined that inmates who leave state or local prison facilities for treatment in local hospitals are eligible for Medicaid, if they are otherwise eligible. Mississippi was among the first states to implement this approach for inmates who were eligible for Medicaid under existing (2009) eligibility standards. Medicaid expansion would provide Medicaid eligibility to all inmates under age 65 and below 134 percent FPL and who are sent off-site to a hospital for treatment.

As of September 4, 2012, the Mississippi Department of Corrections (DOC) reported an inmate population of 25,827.[8] Between 2009 and 2012, approximately 115 inmates per year were reported Off-Grounds (Medical). Medicaid expansion is projected to triple the number of inmates eligible for Medicaid in 2014. The average annual Medicaid expenditure of the inmate population is estimated to be $16,500. Projected costs of Medicaid expansion for State inmates (shown in Table A2) must be considered rough estimates since DOC did not respond to requests for information on this issue.

[8] Mississippi Department of Corrections, Research and Statistics, Monthly Fact Sheets, 2009-2012.

Table A2. Projected Costs of Medicaid Eligibility for State Inmates, FY 2014-2025.

| | Total | FMAP | Federal | State |
|---|---|---|---|---|
| 2014 | $3.0 | 100% | $3.0 | $0.0 |
| 2015 | $6.1 | 100% | $6.1 | $0.0 |
| 2016 | $6.3 | 100% | $6.3 | $0.0 |
| 2017 | $6.5 | 95% | $6.4 | $0.2 |
| 2018 | $6.8 | 94% | $6.4 | $0.4 |
| 2019 | $7.0 | 93% | $6.5 | $0.5 |
| 2020 | $7.3 | 90% | $6.6 | $0.6 |
| 2021 | $7.5 | 90% | $6.7 | $0.8 |
| 2022 | $7.8 | 90% | $6.9 | $0.9 |
| 2023 | $8.0 | 90% | $7.0 | $1.0 |
| 2024 | $8.3 | 90% | $7.2 | $1.1 |
| 2025 | $8.6 | 90% | $7.4 | $1.2 |

Dollar figures are in Millions

Cumulative State costs for Medicaid administration in this scenario are estimated to be $129.3 million over the period from 2014 to 2020. From 2014-2025 they are estimated to be $251.9 million over the period from 2014 to 2025. See Table A3.

Table A3. Projected Medicaid Expansion Administrative Costs, FY 2014-2025.

| | Total | FMAP | Federal | State | Cumulative State Cost |
|---|---|---|---|---|---|
| 2014 | $16.9 | 50% | $8.5 | $8.5 | $8.5 |
| 2015 | $35.0 | 50% | $17.5 | $17.5 | $26.0 |
| 2016 | $37.8 | 50% | $18.9 | $18.9 | $44.9 |
| 2017 | $40.1 | 50% | $20.1 | $20.1 | $65.0 |
| 2018 | $41.5 | 50% | $20.7 | $20.7 | $85.7 |
| 2019 | $42.9 | 50% | $21.4 | $21.4 | $107.1 |
| 2020 | $44.3 | 50% | $22.2 | $22.2 | $129.3 |
| 2021 | $45.8 | 50% | $22.9 | $22.9 | $152.2 |
| 2022 | $47.4 | 50% | $23.7 | $23.7 | $175.9 |
| 2023 | $49.0 | 50% | $24.5 | $24.5 | $200.4 |
| 2024 | $50.6 | 50% | $25.3 | $25.3 | $225.7 |
| 2025 | $52.3 | 50% | $26.2 | $26.2 | $251.9 |

Dollar figures are in Millions

The Mississippi Department of Corrections is currently paying healthcare costs for inmates, some of whom will become eligible for Medicaid if Mississippi adopts Medicaid expansion. Under Medicaid expansion, much of the cost of their Medicaid-eligible healthcare expenses will be paid by the Federal government. This represents a savings to the State. (Shown in Table A4)

Table A4. Projected Savings to the State from Medicaid Eligibility and Participation of State Inmates, FY 2014-2025.

| | Savings to State |
|---|---|
| 2014 | $3.0 |
| 2015 | $6.1 |
| 2016 | $6.3 |
| 2017 | $6.4 |
| 2018 | $6.4 |
| 2019 | $6.5 |
| 2020 | $6.6 |
| 2021 | $6.7 |
| 2022 | $6.9 |
| 2023 | $7.0 |
| 2024 | $7.2 |
| 2025 | $7.4 |

**Scenario Two: Medicaid Expansion (75% participation in 2014, 80% in 2015, and 85% in 2016-2025)**

Table A5. Projected Medicaid Expansion Expenditures, FY 2014-2025.

| | Total | FMAP | Federal | State |
|---|---|---|---|---|
| 2014 | $390.7 | 100% | $390.7 | $0.0 |
| 2015 | $821.6 | 100% | $821.6 | $0.0 |
| 2016 | $904.1 | 100% | $904.1 | $0.0 |
| 2017 | $962.6 | 95% | $938.1 | $24.5 |
| 2018 | $995.2 | 94% | $940.4 | $54.8 |
| 2019 | $1,028.9 | 93% | $961.9 | $67.0 |
| 2020 | $1,063.7 | 90% | $973.1 | $90.7 |
| 2021 | $1,099.8 | 90% | $989.8 | $110.0 |
| 2022 | $1,137.0 | 90% | $1,023.3 | $113.7 |
| 2023 | $1,175.5 | 90% | $1,057.9 | $117.5 |
| 2024 | $1,215.3 | 90% | $1,093.8 | $121.5 |
| 2025 | $1,256.5 | 90% | $1,130.8 | $125.6 |

Dollar figures are in Millions

Table A6. Projected Costs of Medicaid Eligibility for State Inmates, FY 2014-2025.

| | Total | FMAP | Federal | State |
|---|---|---|---|---|
| 2014 | $3.0 | 100% | $3.0 | $0.0 |
| 2015 | $6.1 | 100% | $6.1 | $0.0 |
| 2016 | $6.3 | 100% | $6.3 | $0.0 |
| 2017 | $6.5 | 95% | $6.4 | $0.2 |
| 2018 | $6.8 | 94% | $6.4 | $0.4 |
| 2019 | $7.0 | 93% | $6.5 | $0.5 |
| 2020 | $7.3 | 90% | $6.6 | $0.6 |
| 2021 | $7.5 | 90% | $6.7 | $0.8 |
| 2022 | $7.8 | 90% | $6.9 | $0.9 |
| 2023 | $8.0 | 90% | $7.0 | $1.0 |
| 2024 | $8.3 | 90% | $7.2 | $1.1 |
| 2025 | $8.6 | 90% | $7.4 | $1.2 |

Millions

Table A7. Projected Medicaid Expansion Administrative Costs, FY 2014-2025.

| | Total | FMAP | Federal | State |
|---|---|---|---|---|
| 2014 | $15.9 | 50% | $8.0 | $8.0 |
| 2015 | $33.1 | 50% | $16.6 | $16.6 |
| 2016 | $36.0 | 50% | $18.0 | $18.0 |
| 2017 | $38.3 | 50% | $19.1 | $19.1 |
| 2018 | $39.6 | 50% | $19.8 | $19.8 |
| 2019 | $40.9 | 50% | $20.5 | $20.5 |
| 2020 | $42.3 | 50% | $21.2 | $21.2 |
| 2021 | $43.7 | 50% | $21.9 | $21.9 |
| 2022 | $45.2 | 50% | $22.6 | $22.6 |
| 2023 | $46.7 | 50% | $23.4 | $23.4 |
| 2024 | $48.3 | 50% | $24.2 | $24.2 |
| 2025 | $50.0 | 50% | $25.0 | $25.0 |

Millions

Table A8. Projected Savings to the State from Medicaid Eligibility and Participation of State Inmates, FY 2014-2025.

| | Savings to State |
|---|---|
| 2014 | $3.0 |
| 2015 | $6.1 |
| 2016 | $6.3 |
| 2017 | $6.4 |
| 2018 | $6.4 |
| 2019 | $6.5 |
| 2020 | $6.6 |
| 2021 | $6.7 |
| 2022 | $6.9 |
| 2023 | $7.0 |
| 2024 | $7.2 |
| 2025 | $7.4 |

Millions

**Scenario Three: Medicaid Expansion (65% participation in 2014, 70% in 2015, and 75% in 2016-2025)**

Table A9. Projected Medicaid Expansion Expenditures, FY 2014-2025.

| | Total | FMAP | Federal | State |
|---|---|---|---|---|
| 2014 | $359.8 | 100% | $359.8 | $0.0 |
| 2015 | $760.3 | 100% | $760.3 | $0.0 |
| 2016 | $844.2 | 100% | $844.2 | $0.0 |
| 2017 | $902.4 | 95% | $879.5 | $22.9 |
| 2018 | $933.0 | 94% | $881.6 | $51.4 |
| 2019 | $964.6 | 93% | $901.8 | $62.8 |
| 2020 | $997.2 | 90% | $912.2 | $85.0 |
| 2021 | $1,031.0 | 90% | $927.9 | $103.1 |
| 2022 | $1,065.9 | 90% | $959.3 | $106.6 |
| 2023 | $1,102.0 | 90% | $991.8 | $110.2 |
| 2024 | $1,139.3 | 90% | $1,025.4 | $113.9 |
| 2025 | $1,177.9 | 90% | $1,060.1 | $117.8 |

Dollar figures are in Millions

Table A10. Projected Costs of Medicaid Eligibility for State Inmates, FY 2014-2025.

| | Total | FMAP | Federal | State |
|---|---|---|---|---|
| 2014 | $3.0 | 100% | $3.0 | $0.0 |
| 2015 | $6.1 | 100% | $6.1 | $0.0 |
| 2016 | $6.3 | 100% | $6.3 | $0.0 |
| 2017 | $6.5 | 95% | $6.4 | $0.2 |
| 2018 | $6.8 | 94% | $6.4 | $0.4 |
| 2019 | $7.0 | 93% | $6.5 | $0.5 |
| 2020 | $7.3 | 90% | $6.6 | $0.6 |
| 2021 | $7.5 | 90% | $6.7 | $0.8 |
| 2022 | $7.8 | 90% | $6.9 | $0.9 |
| 2023 | $8.0 | 90% | $7.0 | $1.0 |
| 2024 | $8.3 | 90% | $7.2 | $1.1 |
| 2025 | $8.6 | 90% | $7.4 | $1.2 |

Dollar figures are in Millions

Table A11. Projected Medicaid Expansion Administrative Costs. FY 2014-2025.

| | Total | FMAP | Federal | State |
|---|---|---|---|---|
| 2014 | $14.7 | 50% | $7.3 | $7.3 |
| 2015 | $30.7 | 50% | $15.3 | $15.3 |
| 2016 | $33.6 | 50% | $16.8 | $16.8 |
| 2017 | $35.9 | 50% | $18.0 | $18.0 |
| 2018 | $37.1 | 50% | $18.6 | $18.6 |
| 2019 | $38.4 | 50% | $19.2 | $19.2 |
| 2020 | $39.7 | 50% | $19.8 | $19.8 |
| 2021 | $41.0 | 50% | $20.5 | $20.5 |
| 2022 | $42.4 | 50% | $21.2 | $21.2 |
| 2023 | $43.8 | 50% | $21.9 | $21.9 |
| 2024 | $45.3 | 50% | $22.7 | $22.7 |
| 2025 | $46.9 | 50% | $23.4 | $23.4 |

Dollar figures are in Millions

Table A12. Projected Savings to the State from Medicaid Eligibility and Participation of State Inmates, FY 2014-2025.

| | Savings to State |
|---|---|
| 2014 | $3.0 |
| 2015 | $6.1 |
| 2016 | $6.3 |
| 2017 | $6.4 |
| 2018 | $6.4 |
| 2019 | $6.5 |
| 2020 | $6.6 |
| 2021 | $6.7 |
| 2022 | $6.9 |
| 2023 | $7.0 |
| 2024 | $7.2 |
| 2025 | $7.4 |

Millions

## Appendix B

**Reductions in Disproportionate Share Hospital (DSH) Payments and Impacts on Mississippi Hospitals**

Title II, Subtitle (G), section 2551, of the Affordable Care Act, indicates reductions in DSH will begin in 2014 and be deemed an overpayment to the State and be disallowed against the state's regular quarterly DSH draw. Of the 116 hospitals in Mississippi, 82 received some portion of Federal DSH payments to Mississippi in 2012. In 2011, Mississippi hospitals reported about $525 million in uncompensated care. An estimated $315 million in hospital-provided uncompensated care is not reimbursed by either the state or federal government. In FY 2012, Mississippi hospitals were provided about $210 million in DSH payments to offset the costs of uncompensated care. The State's share of DSH payments is currently collected from hospitals as an assessment to provide the state match necessary to receive the maximum amount of federal DSH payments

The loss of DSH payments to hospitals will reduce the funding currently used to offset some of the costs of providing care to uninsured, low income, individuals (uncompensated care). In the original ACA legislation (when Medicaid expansion was mandatory) uncompensated care was expected to decline because a portion of uninsured individuals would obtain coverage in the insurance exchange and a portion would become eligible for Medicaid. Since the U.S. Supreme Court disallowed the Medicaid expansion requirement, the reduction in uninsured individuals that would have occurred with Medicaid expansion will not occur if Mississippi chooses not to participate. A January 2012 Urban Institute study estimated that the creation of the insurance exchange and expansion of Medicaid would reduce the number of uninsured in Mississippi from an estimated 530,000 to 225,000 or from 21 percent to 9 percent of the non-elderly population.[9] This study indicated that in Mississippi 191,000, or 85 percent, of the 225,000 newly insured would be eligible for Medicaid (but only if Mississippi elects to participate in Medicaid expansion). If Mississippi does not adopt Medicaid expansion, the reduction in uncompensated care will decline approximately 2 percentage point to 19 percent. This reduction is likely to occur in the first three years of reform (2014- 2016) when the reduction in DSH payments average about 5 percent. In years 2017-2020, when the DSH reductions range from 17 percent to 52 percent, unreimbursed uncompensated care could become a challenge for Mississippi hospital that provide a significant amount of uncompensated care.

In FY 2012, Mississippi received $156,532,157 in Disproportionate Share Hospital (DSH) funds from the Federal government. In ACA, Title II, Subtitle (G), section 2551, reductions in DSH will begin in 2014 and be deemed an overpayment to the State and be disallowed against the state's regular quarterly DSH draw.

[9] Blavin, Buettgens and Roth, State Progress Toward Health Reform Implementation: Slower Moving States Have Much to Gain, Timely Analysis of Immediate Health Policy Issues, Urban Institute, January 2012.

In this section of ACA, it states that aggregate reductions in DSH allotments for all States shall be equal to:

- $500,000,000 for fiscal year 2014,
- $600,000,000 for fiscal year 2015,
- $600,000,000 for fiscal year 2016,
- $1,800,000,000 for fiscal year 2017,
- $5,000,000,000 for fiscal year 2018,
- $5,600,000,000 for fiscal year 2019, and
- $4,000,000,000 for fiscal year 2020.

Total DSH payments to all states in 2011 equaled $10,798,414,381. Annual reductions based on this aggregate amount are estimated to reduce DSH payments to Mississippi by the following percentage;

- 4.63% in 2014,
- 5.56% in 2015,
- 5.56% in 2016,
- 16.67% in 2017,
- 46.30% in 2018,
- 51.86% in 2019, and
- 37.04% in 2020.

Subtitle G of the ACA, Medicaid Disproportionate Hospital (DSH) Payments, further states in section (B) that the Secretary (of HHS) shall carry out subparagraph (A) through use of a DSH Health Reform methodology that imposes the largest percentage reductions on the States that:

1. Have the lowest percentages of uninsured individuals during the most recent year,
2. Do not target their DSH payments on hospitals with high volumes of Medicaid inpatients and hospitals that have high levels of uncompensated care,
3. The methodology imposes a smaller percentage reduction on low DSH States described in paragraph (5)(B), and
4. The methodology takes into account the extent to which the DSH allotment for a State was included in the budget neutrality calculation for a coverage expansion approved under section 1115 as of July 31, 2009.

Since the regulations for points 1-4, shown above, have not been finalized, estimated DSH reductions in this analysis will be based solely on the national-level percentage reductions detailed in ACA Subtitle (G) section 2551.

Over the past four years (2009-2012) the federal share of DSH payments to Mississippi averaged $155 million. For the purposes of this analysis, reductions in federal DSH payments assume the four-year

average payment as the starting point in 2014 and apply the percentage reduction to that amount in each year (2014-2020).

Based on the four-year DSH average annual payment to Mississippi and the percentage annual reductions mandated in ACA, total reductions in DSH payments to Mississippi, shown in Table B1, will be an estimated $261.8 million from 2014-2020.

Table B1. Projected Reductions in Disproportionate Share Hospital Payments, 2014-2020.

| | |
|---|---|
| 2014 | $7.2 |
| 2015 | $8.7 |
| 2016 | $8.7 |
| 2017 | $26.0 |
| 2018 | $72.3 |
| 2019 | $81.0 |
| 2020 | $57.8 |
| Total | $261.8 |

Millions

The loss of DSH payments to hospitals will reduce the federal funding currently used to offset some of the costs of providing care to uninsured, low income, individuals (uncompensated care). If Mississippi adopts Medicaid expansion, uncompensated care will decline approximately 57 percent. If Mississippi does not adopt Medicaid expansion, uncompensated care will decline about 6 percent, while DSH payments decline 52 percent. Without Medicaid expansion, reductions in DSH payments to Mississippi hospitals may require them to increase prices, reduce services, or both. Reduced DSH payments to Mississippi do not represent a known increase in State Medicaid expenditures.