

Estimated New York State Medicaid Savings Under the Patient Protection and Affordable Care Act (ACA)

Results from The Urban Institute's Health Insurance Policy Simulation Model, New York Version (HIPSM-NY)

One Year Savings Estimate Assumes Full Implementation of the ACA in 2011

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This memo summarizes the effects of the Patient Protection and Affordable Care Act of 2010 (ACA) on state Medicaid spending in New York. The estimates in this memo are based upon results from a complete simulation using the Urban Institute's Health Insurance Policy Simulation Model, New York Version (HIPSM-NY) and are intended to provide analytic support to the state's policymakers. HIPSM simulates the decisions of businesses and individuals in response to policy changes, such as Medicaid and Children's Health Insurance Program (CHIP) expansions, new health insurance options, subsidies for the purchase of health insurance, and insurance market reforms. A comprehensive analysis of the coverage and cost implications of various reform options in addition to a detailed methodological description of HIPSM-NY will be released in the near future. The model only includes New York residents below age 65. Pre-reform estimates of the number of non-elderly individuals enrolled in each eligibility category and their associated expenditures are consistent with of the New York Medicaid program's administrative data.

In 2011, there were approximately 4.1 million non-elderly Medicaid and CHIP enrollees in New York, accounting for \$35.14 billion in total federal and state health expenditures. We estimate that if the ACA had been fully implemented in New York in the year 2011 the state would have saved approximately \$2.30 billion that year due to the reform. We produce single-year estimates assuming the main coverage provisions of the ACA were fully implemented in 2011 in order to ease comparability across our simulations of multiple exchange design options that will appear in the forthcoming full report. This approach differs from that of the Congressional Budget Office (CBO) or the Centers for Medicare and Medicaid Services (CMS) actuaries who by necessity provide 10-year estimates.

The savings accruing to the state is the result of a number of changes. First, New York's Medicaid and Family Health Plus (FHP) eligibility rules combined provide coverage for approximately 810,000 non-disabled adult non-parents up to 100 percent of the federal poverty level (FPL), which is associated with over \$6.6 billion in federal and state expenditures. Today, the state receives a federal matching rate of 50 percent for this population, just as it does for Medicaid spending on the state's other eligible populations. Once the ACA is fully implemented, the federal matching rate on the vast majority of adult non-parents will increase to 90 percent, significantly reducing the share that the state is required to pay on their behalf. Second, under this implementation scenario, we assume the state does not maintain eligibility for FHP parents with incomes between 138 and 150 percent of the FPL since those individuals will be income-eligible for federally subsidized exchange-based coverage under full implementation. Because the state would no longer contribute towards the cost of coverage for this group, this also leads to state savings. It is important to note, however, that this is an Urban Institute modeling assumption and does not reflect any policy decisions from New York State.

¹ Some of these higher income FHP parents will not actually be eligible for subsidies in the non-group exchange due to having an affordable employer-sponsored insurance offer.