

LEGISLATIVE BUDGET BOARD STAFF ESTIMATE
AFFORDABLE CARE ACT (ACA) OPTIONAL MEDICAID EXPANSION: FISCAL IMPACT ESTIMATE FOR TEXAS, STATE FISCAL YEARS (SFYs) 2014 – 2023

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Net Add'l Cost (\$ in millions)	SFYs 2014-2015	SFYs 2016-2017	SFYs 2018-2019	SFYs 2020-2021	SFYs 2022-2023	SFYs 2014-2018	SFYs 2014-2023
All Funds (AF)	\$4,049	\$10,831	\$11,188	\$11,439	\$11,695	\$20,443	\$49,202
Federal Funds (FF)	\$3,998	\$10,399	\$10,296	\$10,142	\$10,355	\$19,544	\$45,190
General Revenue (GR)	\$50	\$432	\$892	\$1,297	\$1,341	\$899	\$4,012
Add'l Average Monthly Caseload	522,000 (SFY 2015)	873,000 (SFY 2017)	892,000 (SFY 2019)	912,000 (SFY 2021)	932,000 (SFY 2023)	883,000 (SFY 2018)	932,000 (SFY 2023)

Eligibility:

- Optional Medicaid Expansion would extend Medicaid to adults living at or below 133% of the Federal Poverty Level (FPL). This FPL eligibility threshold will effectively increase an additional five percentage points due to conversion of income standards to Modified Adjusted Gross Income (MAGI), elimination of the Medicaid assets test, and the establishment of a five percent income disregard.
- The estimate assumes an expansion in Texas would include: childless adults ages 19-64 (0-138% FPL) and parents ages 19-64 above TANF eligibility level (17-138% FPL). Also included in the cost estimate are a group of non-citizens expected to become covered under Emergency Medicaid.
- The estimate does not include clients eligible but not enrolled in the current Medicaid program since the fiscal impact of this group of clients is not expected to be significant.

Caseload:

- Expansion adult caseload numbers are based on the U.S. Census Bureau's Current Population Survey (CPS) Annual Social and Economic Supplement (March 2012), which includes 2011 data for Texas.
- The Emergency Medicaid caseload projection is calculated from CPS data and Emergency Medicaid claims data for 2011.
- Caseload growth is based on Texas State Data Center population projections.
- An uptake rate of 65% is assumed, based on a literature review and analysis of current household public benefit participation (SNAP or household member receiving Medicaid) among newly eligible clients.
- The estimate assumes that Optional Medicaid Expansion would experience a phase-in period during the first 24 months of implementation, reaching full caseload in December 2015 (SFY 2016).

Cost:

- The estimate assumes the Enhanced Federal Medical Assistance Percentage (FMAP) for clients newly eligible under Optional Medicaid Expansion, beginning with 100% federal funds for 2014-2016 and gradually decreasing to 90% by 2020. The estimate assumes that Optional Medicaid Expansion will continue to be covered by 90% federal funding through 2023.
- Per member per month (PMPM) costs are based on comparable existing Medicaid populations.
- The estimate only assumes cost growth through 2015. With cost growth included through 2018, the estimate is \$21,597 million (AF), \$974 million (GR). Cost growth has not been calculated beyond 2018.
- Administrative costs are estimated based on HHSC Legislative Appropriations Request (LAR) Medicaid items related to administrative functions.

Time Frame:

- The estimate assumes a January 1, 2014 start date, continuing through SFY 2023. However, states are permitted to begin or terminate Optional Medicaid Expansion anytime after January 1, 2014.

Potential Offsets/Larger Fiscal Impact:

- The estimate includes an offsetting savings due to a portion of Medicaid Breast and Cervical Cancer Program clients who would likely be eligible for a higher FMAP under Optional Medicaid Expansion.
- Disproportionate Share Hospital (DSH) funds are expected to diminish under ACA whether or not Texas participates in Optional Medicaid Expansion, potentially leaving a funding gap for uncompensated care if the state does not participate. The estimate does not model resulting cost to local hospitals and other entities.
- Potential savings to the Department of State Health Services (DSHS) as a result of fewer uninsured Texans are not included in the model.
- The estimate does not consider Optional Medicaid Expansion's potential impact on state revenue or the broader state economy, including increased rebate and other revenue from the newly insured.