

THE FACTS ABOUT MEDICAID EXPANSION

31 states have expanded Medicaid to cover individuals up to 138% of the Federal Poverty Level. Governor Daugaard's expansion plan to provide coverage for 50,000 South Dakotans would not increase the state general fund budget and has several conservative assumptions to mitigate against potential cost overruns some expansion states have experienced.

HOW IS SOUTH DAKOTA'S ENROLLMENT PROJECTED?

Some expansion states experienced higher than projected total enrollment and a faster rate of enrollment. Our low population numbers make that unlikely and Governor Daugaard's budget proposal assumes 49,721 plus 10% contingency for a total of 54,693. Enrollment numbers are based on an independent 2015 survey and are consistent with survey findings in 2011. Governor Daugaard's proposal also assumes 90% of eligible people will enroll at the start of year 1, and 100% of eligible people will enroll by the end of year 1.

HOW WERE THE COST PROJECTIONS DEVELOPED?

Some expansion states experienced higher than projected costs per person. Governor Daugaard's proposal uses FY15 actual expenditures for low-income parents on Medicaid in South Dakota and adds a 20% adjustment to mitigate against this potential financial risk (\$6,454 plus 20%= \$7,774). Nationally, the FY15 cost per enrollee for expansion states was \$6,483.

FISCALLY CONSERVATIVE BUDGET

\$ 57.0M	Projected State Cost of Expansion in 2021
(\$ 3.0M)	Contingency Enrollment
(\$ 6.5M)	Contingency Cost Per Person
(\$ 14.5M)	American Indians in Expansion Group
<u>(\$ 6.8M)</u>	Added State Tax Revenue
\$ 26.2M	Projected State Cost With No Contingency

About one third of the expansion population is American Indian. Although the new IHS 100% reimbursement could reduce the cost of expansion by up to \$14.5 million, that savings is ignored. Furthermore, the economic benefit to tax revenue, which is conservatively estimated at \$6.8 million in 2021, is not factored into the projections.

WHAT IS THE STATE BUDGET IMPACT?

Governor Daugaard's proposal does not increase the state general fund budget. It would repurpose state general funds spent today in the Medicaid budget for expansion.

WHAT ABOUT THE FEDERAL BUDGET IMPACT?

Some will argue expansion increases the federal debt and there is no guarantee these enhanced federal funds will be available in the future. Over half of the Medicaid expansion population is eligible for federal tax subsidies through the marketplace. If SD expands, the federal costs for this group would shift from one federal budget line item to another. It is cheaper to provide comparable coverage through SD Medicaid than to provide coverage through the federal marketplace so this proposal would potentially reduce federal expenditures for that part of the expansion population.

The Governor would support statutory "trigger" language withdrawing South Dakota from the expansion if federal reimbursement drops below 90% or if the Affordable Care Act is repealed.

A SOUTH DAKOTA DECISION

Governor Daugaard's proposal makes sense for South Dakota. His plan is fiscally conservative, mitigates against cost overruns and plans for the long-term cost of expansion when the federal share drops to 10%, and results in **NO** increase to the state budget.