House Bill 1012

Medicaid Expansion Testimony

March 2021

WIPFLI

House Bill 1012 – Medicaid expansion

Information presented in this document is intended to address the value of:

- Reauthorizing the program
- Continuing with current reimbursement rates

Wipfli LLP is a national accounting & consulting firm focusing on the health care industry including hospitals, health systems, physician clinics and other providers:

- Strategic financial & capital planning
- Reimbursement
- Revenue cycle
- Audit and accounting

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Our comments address the following:

- Why the current Medicaid expansion program is important to support the stability of healthcare in North Dakota
- What type of return on investment the Medicaid expansion program provides for the state
- How the data used to conclude on the program cost is in question

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Medicaid expansion supports the stability of healthcare in North Dakota

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Why the current Medicaid expansion program and current funding level is important to support the stability of healthcare in North Dakota

- North Dakota reports health concerns and access challenges.
- Healthcare workforce challenges impede access to care and care continuity.
- Care transformation is essential to ensure the right care is provided at the right time at the right place. Stable healthcare provider funding is required to support this significant initiative.
- A strong healthcare ecosystem supports economic stability of the State
- Medicaid Expansion has reduced hospital bad debt expense, which as benefited not only hospitals, but the State as well with a reduction in spending.

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Need stable funding for care transformation

Goal: Healthy North Dakota

The hospitals in North Dakota acknowledge these workforce and demographic challenges and recognize the need to transform care to better address care access and care coordination with community health and social resources. However, the transformation process requires:

- Investment in technologies
- Well trained and stable healthcare workforce
- Access to health facilities and telemedicine capabilities

These initiatives are long term investments that hospitals and health systems around the state have been making. These investments require adequate and stable funding including Medicaid Expansion reimbursement rates that cover costs.

Source: The Robert Graham Center

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Need stable healthcare for a stable economy

Business and industry focuses on the availability of high-quality healthcare and education systems for its employees.

"Hospitals are economic anchors in their communities"

North Dakota hospital facts (2016 Health Care Economic Impact Study NDHA):

- Employ 19,942 full time equivalents directly, 33,502 considering indirect jobs.
- According to Job Service North Dakota, the healthcare and social assistance industry represents the State's largest non-governmental employers. This industry employs one out of every seven (14.2%) of all workers in North Dakota.
- $5.7B - Effect of hospital expenditures on total state economic output.
- Each hospital job supports about two additional jobs, and every dollar spent by a hospital supports roughly $2.30 of additional business activity. (American Hospital Association)

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Need Stable Healthcare for a Stable Economy

Business and industry focuses on the availability of high-quality healthcare and education systems for its employees.

- A stable source of hospital reimbursement through the Medicaid Expansion program is essential to provide for the economic stability of the hospital industry in the state, which benefits the entire state.
- **North Dakota cannot afford to lose any of its 47 hospitals including 36 critical access hospitals, providing essential healthcare to rural areas of the state.**

Source: American Hospital Association

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Medicaid expansion – Learnings to date

- Medicaid expansion enrollment in most states is higher than initial estimates with a correlating reduction in uninsured rates
- Significantly improved healthcare access to low-income individuals
- Evidence of reduced psychological stress due to challenges paying healthcare bills
- Evidence of pent-up demand for care to date – creating higher costs:
  - Significant increase in prescription drug use (diabetes drugs, contraceptives and cardiovascular drugs)
  - Higher use of emergency department services
- Reduced risk of hospital closures especially in rural areas

Source: Kaiser Health News

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Medicaid expansion program provides an excellent return on investment for North Dakota

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The Return on Investment

North Dakota Medicaid Expansion Estimates (Annual)		
Premium per member	14,107	
Number of members	21,100	
Total reported annual premium payments	297,650,200	
Funded with Federal $	267,885,180	90%
Funded with State $	29,765,020	10%

Source: North Dakota Human Services Report on House Bill 1012

North Dakota Medicaid Expansion Estimates (Annual)	
Funded with State $	29,765,020
Savings on State funding uncompensated care	(5,000,000)
Total State expenditure	24,765,020
Total General Fund budget (annual)	2,420,000,000
% of total General Budget	1.0%

Plus possible savings on:
- Behavioral Health
- Prisoner Health

- Medicaid Expansion is 90% funded with Federal Dollars.
- The State's investment is offset by other savings including savings on uncompensated care funded by the State.
- In total, Medicaid Expansion with offsets represents only 1% of the General Fund Budget.

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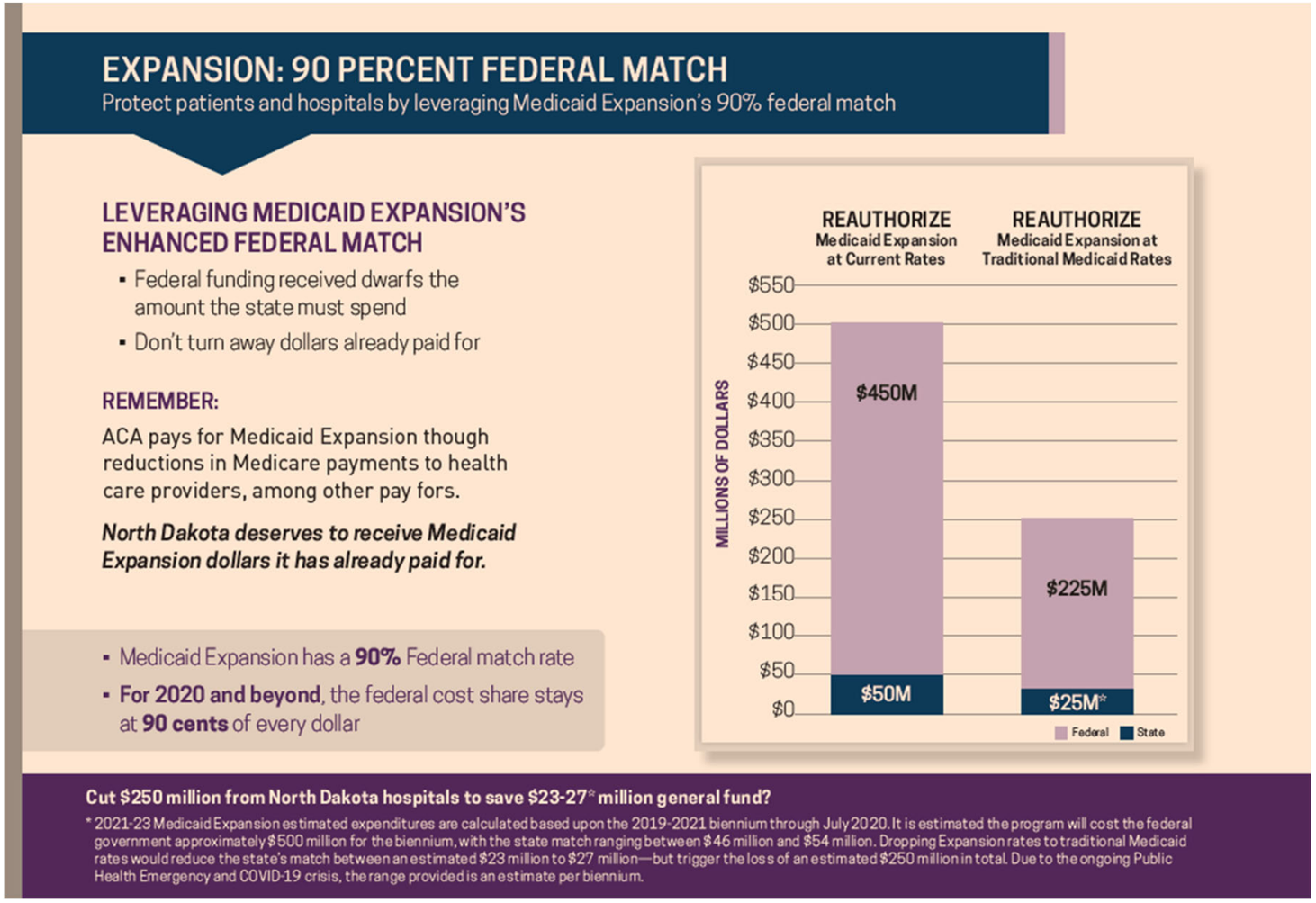

Source: North Dakota Hospital Association

Medicaid expansion funding

- Reauthorization would cost the state $50M per biennium or $25M per year.
- Reducing Medicaid expansion to traditional Medicaid rates would cost the state $25M per biennium or $12.5M per year.
- This difference represents approximately 0.5% of North Dakota's general fund budget.

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North Dakota Medicaid Expansion Budget - State Impact on Spending					
Difference in funding - current state and proposed funding	State Medicaid Expansion Obligation - Current	State Medicaid Expansion Obligation - Proposed at Medicaid Rates	Difference in State Funding Level current vs. proposed rates	Total General Fund Budget	Impact on General Fund Budget
Biennial	50,000,000	25,000,000	(25,000,000)	4,840,000,000	-0.52%
Annual	25,000,000	12,500,000	(12,500,000)	2,420,000,000	-0.52%

Source: North Dakota Hospital Association

Medicaid expansion funding at current levels

- Significant impact to healthcare providers to address current healthcare gaps in both medical and mental healthcare.
- Very small impact to the State's General Fund budget.
- Stable funding model is needed to work together on the State's future goals:
  - to create pathways that help people access the right service at the right time
  - to engage proactively with providers to expand access to services.

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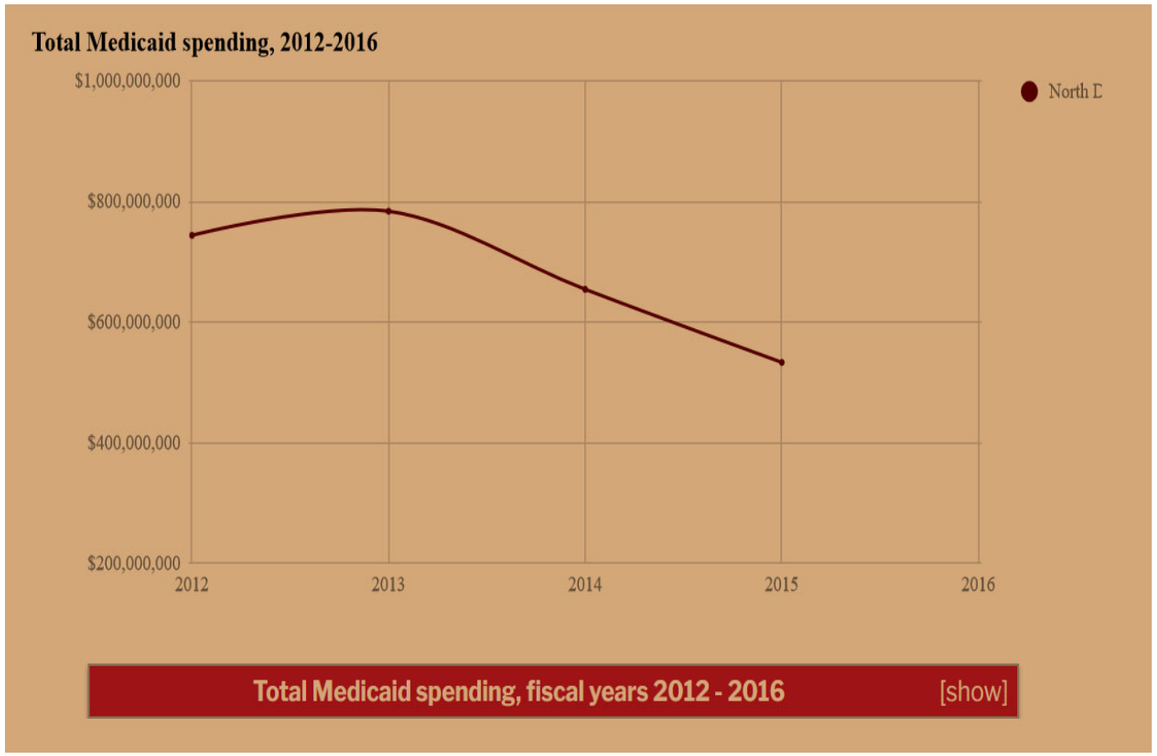

Source: Ballotpedia

Medicaid in total

- Medicaid spending on North Dakota's Medicaid program **declined** by about 28.3 percent between fiscal years 2012 and 2015.
- This is supported with recently published Commonwealth Fund research paper entitled *The Impact of Medicaid Expansion on States' Budgets* which noted that During 2014–17, Medicaid expansion was associated with a 4.4 percent to 4.7 percent reduction in state spending on traditional Medicaid.

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The Possible Alternative Scenario

- Should the Medicaid Expansion funding level decrease to traditional Medicaid rates, hospitals in North Dakota will be providing care even further below cost. Currently, the blend of Medicaid and Medicaid expansion service reimbursement combined is already less than full cost. This considers the facilities, workforce and other investments required to maintain and improve care for the residents of North Dakota.
- The likely scenario would be to shift these unfunded costs to other payors in the State – Commercial Payors that are funded by businesses and residents in the State.
- Rather than supporting 10% of costs for Medicaid Expansion beneficiaries, these State stakeholders would be essentially funding 100% of the unfunded Medicaid costs.

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The return on investment – In summary

- After initially fully funded by the federal government, the Medicaid Expansion Program is now 90% federally funded & 10% state funded.
- The cost to the State remains relatively low, compared to the high impact of maintaining a stable healthcare ecosystem with the responsibility of hospitals in the state to shape the future of healthcare in North Dakota as discussed in the previous section of this document.
- There is much to be done to improve access to healthcare for North Dakotans. Given the challenges related to COVID19 and the destabilization this has had on the healthcare industry in North Dakota, this is not the time to change a program that is functioning well, and that has helped to stabilize the health care industry in the state.

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The data used to conclude on the Medicaid program cost is in question

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How the data used to conclude on the program cost is in question

- The Medicaid program creates reports on spending on average per beneficiary. The most recent information publicly available is from 2018.
- The Medicaid program classified North Dakota as a "low data quality state" with respect to Medicaid cost and beneficiary information, meaning that some data elements were missing in reporting to enable the data to have a high level of confidence in the data.
- A summary of "low quality data state information" is presented on the following page. *Please note that some states without reported information in Medicaid Expansion have been hidden from this chart.*

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2018 Information by State for "low level of data usability states"

Table 3. Per Capita expenditure estimates for states with a low level of data usability (2018)

State	Total	Children	Adult: non-expansion, non-disabled,	Aged	People with disabilities	Adult: ACA Medicaid expansion
Illinois	$6,562	$2,532	$5,586	$17,879	$18,274	$4,027
Indiana	$8,605	$4,096	$7,268	$12,344	$12,321	$12,679
Kentucky	$6,813	$3,637	$6,597	$10,383	$11,986	$6,629
Maine	$10,673	$4,505	$4,520	$14,031	$21,439	$5,038
Michigan	$6,922	$2,787	$4,909	$19,257	$15,912	$5,797
Montana	$7,175	$4,380	$5,661	$19,223	$15,672	$6,341
New Jersey	$9,420	$3,196	$8,028	$24,595	$31,284	$6,103
North Dakota	$14,387	$6,847	$6,931	**$64,964**	**$54,325**	$828
Oregon	$10,920	$6,604	$11,921	$25,176	$23,040	$11,581
Pennsylvania	$11,654	$3,356	$5,774	$37,702	$25,852	$3,757
Rhode Island	$7,928	$3,482	$5,254	$18,272	$15,406	$6,711
Virgin Islands	$3,848	$3,000	$3,849	$3,019	$7,476	$3,823
Washington	$6,934	$2,724	$6,876	$19,748	$20,076	$5,928
Min	$3,848	$1,914	$2,110	$3,019	$7,476	$828
Median	$8,126	$3,482	$5,661	$18,272	$18,274	$5,928
Max	$14,387	$6,847	$11,921	$64,964	$54,325	$12,679

- Note: this table excludes states that did not report dollars for Medicaid expansion.

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Let's look at "high quality data states"

Table 3. Per Capita expenditure estimates for states with a high level of data usability (2018)

State	Total	Children	Adult: non-expansion, non-disabled,	Aged	People with disabilities	Adult: ACA Medicaid expansion	Expansion compared to Non Expansion
Alaska	$10,019	$6,066	$7,119	$23,047	$32,615	$8,787	123%
Arizona	$6,258	$3,171	$4,227	$9,590	$20,939	$6,165	146%
California	$6,449	$2,789	$2,812	$14,548	$23,462	$5,545	197%
Connecticut	$8,890	$3,715	$5,446	$18,012	$30,321	$6,917	127%
Delaware	$9,315	$4,603	$8,645	$21,703	$22,799	$7,476	86%
Georgia	$5,356	$2,807	$4,905	$10,333	$10,772	-	
Hawaii	$6,436	$2,997	$4,558	$13,383	$22,397	$5,630	124%
Idaho	$7,349	$2,743	$6,771	$14,468	$19,424	-	
Louisiana	$6,523	$3,531	$6,187	$10,869	$12,086	$6,326	102%
Maryland	$9,132	$3,699	$7,404	$19,733	$24,653	$8,434	114%
Mississippi	$7,556	$4,053	$5,212	$13,486	$12,859	-	
Nevada	$5,854	$2,882	$5,718	$8,472	$14,277	$6,673	117%
New Hampshire	$9,905	$4,007	$6,183	$24,451	$21,609	$9,355	151%
New Mexico	$6,381	$3,757	$3,693	$10,706	$22,184	$5,637	153%
Ohio	$8,248	$3,510	$6,025	$21,536	$16,909	$7,422	123%
South Dakota	$8,286	$3,256	$6,228	$18,188	$20,464	-	
West Virginia	$7,232	$2,869	$4,698	$23,013	$13,983	$5,080	108%
Min	$5,356	$2,743	$2,812	$8,472	$10,772	$5,080	181%
Median	$7,349	$3,510	$5,718	$14,548	$20,939	$6,673	117%
Max	$10,019	$6,066	$8,645	$24,451	$32,615	$9,355	108%

- Almost all states in the high-quality states reported Medicaid Expansion expenditures per beneficiary higher than Non-Expansion expenditures.

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State Medicaid comparison – a deeper dive
Alaska vs. North Dakota

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Alaska compared to North Dakota Medicaid data

- Information provided by the North Dakota Department of Human Services indicated that the cost per beneficiary for the Medicaid expansion program was significantly lower than that reported by North Dakota.

	Expansion Group - TOTAL Spending	Expansion TOTAL Group Enrollment	Expansion TOTAL Per Capita Amount	Rank
North Dakota	$297,650,200	21,100	$14,107	1
Alaska	$412,994,600	45,300	$9,117	2
Delaware	$569,892,300	63,100	$9,032	3
New Hampshire	$510,384,900	57,400	$8,892	4
Maryland	$2,699,785,000	313,600	$8,609	5
Minnesota	$1,808,509,000	210,300	$8,600	6
Connecticut	$2,051,390,800	256,200	$8,007	7
Indiana	$3,492,894,100	449,500	$7,771	8
Illinois	$5,434,013,700	752,000	$7,226	9
Montana	$690,420,200	98,600	$7,002	10

North Dakota is **54% higher** than **Alaska**

Source: North Dakota Human Services Report on House Bill 1012

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Alaska compared to North Dakota Medicaid data

- **Source and validation of data** - It is unclear is the values in the chart reflected on the previous page is consistently reporting payments made to providers, payments made to Managed Care Organizations for premiums, or other information for comparability purposes.
- **Demographics are key in comparisons** - Information regarding demographics of the Medicaid population would be essential for understanding and comparing level of expenditures including % of the population that are children vs. adults, % of population that have chronic conditions etc.
- **Expense by category information** - It would also be important to understand "spend" by category such as drugs, behavioral health, medical care etc. for a truly meaningful comparison.

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Alaska compared to North Dakota Medicaid data

FFS MEDICAID PHYSICIAN INDEX		
ALL MD SERVICES	PRIMARY CARE	OTHER SERVICES
1. Alaska (2.28)	1. Alaska (2.55)	1. Alaska (1.94)
2. Montana (1.56)	2. Montana (1.65)	2. Nebraska (1.45)
3. Delaware (1.40)	3. Delaware (1.55)	3. Arkansas (1.44)
4. Wyoming (1.38)	***4. North Dakota (1.52)***	4. Montana (1.36)
5. Nevada (1.37)	5. Maryland (1.51)	5. South Dakota (1.34)
6. Maryland (1.35)	6. Nevada (1.50)	6. Delaware (1.28)
6. North Dakota (1.35)	7. Idaho (1.45)	7. Wyoming (1.27)
8. Washington, DC (1.27)	8. Wyoming (1.44)	8. New Mexico (1.25)
9. Idaho (1.25)	9. Washington, DC (1.39)	9. Iowa (1.22)
10. New Mexico (1.19)	10. Colorado (1.31)	10. Nevada (1.21)
10. Utah (1.19)	11. Utah (1.30)	11. Wisconsin (1.17)
12. Mississippi (1.17)	12. Mississippi (1.29)	***12. North Dakota (1.15)***

Source: North Dakota Human Services Report on House 1012

- Question on the data: This table indicates Medicaid physician reimbursement for physician services (all categories)in Alaska is **significantly higher** than North Dakota.

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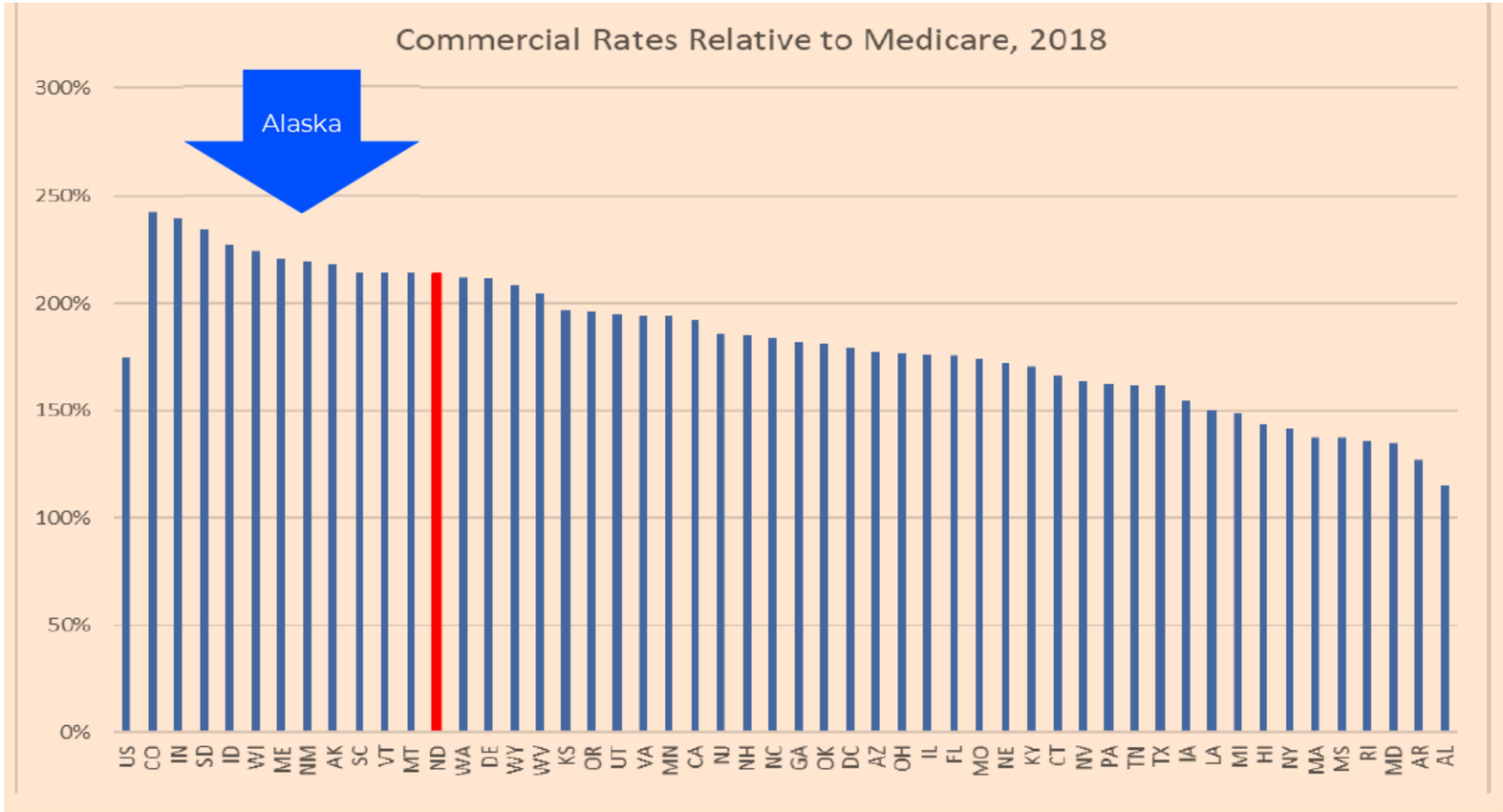
Alaska compared to North Dakota Medicaid data



Source: North Dakota Human Services Report on House Bill 1012

- This table indicates that Alaska's commercial rates for hospital services are also higher than rates in North Dakota, better supporting the healthcare delivery system in general.

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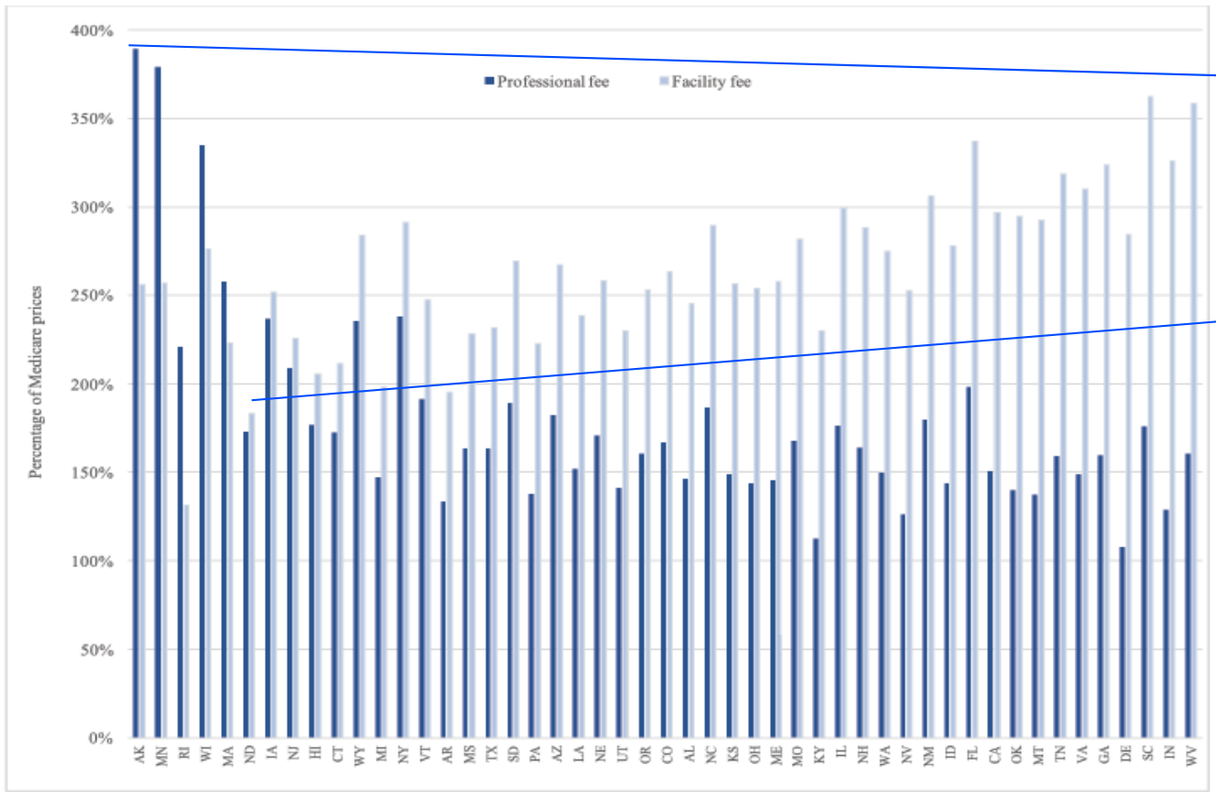
Alaska compared to North Dakota commercial reimbursement data

Figure 4.5. Relative Facility and Professional Prices, by State, 2016–2018



Alaska

North Dakota

NOTE: Relative prices equal the ratio of the amounts actually paid divided by the amounts that would have been paid—for the same services provided by the same hospitals—using Medicare's price-setting formulas. For each state, this figure denotes relative prices for facility and professional payments. States are sorted by the percentage-point difference between facility and professional relative prices.

Source: Rand Corporation

- The Rand Corporation study indicated that Alaska's commercial rates were significantly higher than North Dakota's for hospital and physician services.
- Alaska's hospitals would likely have a better chance of "cost shifting" Medicaid losses than hospitals in North Dakota.

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Alaska compared to North Dakota Medicaid data

- The demographics of Alaska Medicaid beneficiaries are significantly different than North Dakota, with children representing 57% of beneficiaries compared to 40% in North Dakota.

Medicaid Enrollees 2014		
	North Dakota	Alaska
Aged	8%	7%
Disabled	12%	13%
Adult	39%	23%
Children	40%	57%
Total	100%	100%

Source: Kaiser Health News

- Per the Congressional Budget Office information, Medicaid spending on children is approximately 52% of the cost related to adult beneficiaries:

Average Federal spending per Medicaid enrollee in 2020 (federal portion only):		
Adult	4740	
Children	2480	52% of adult cost

Source: Congressional Budget Office Report

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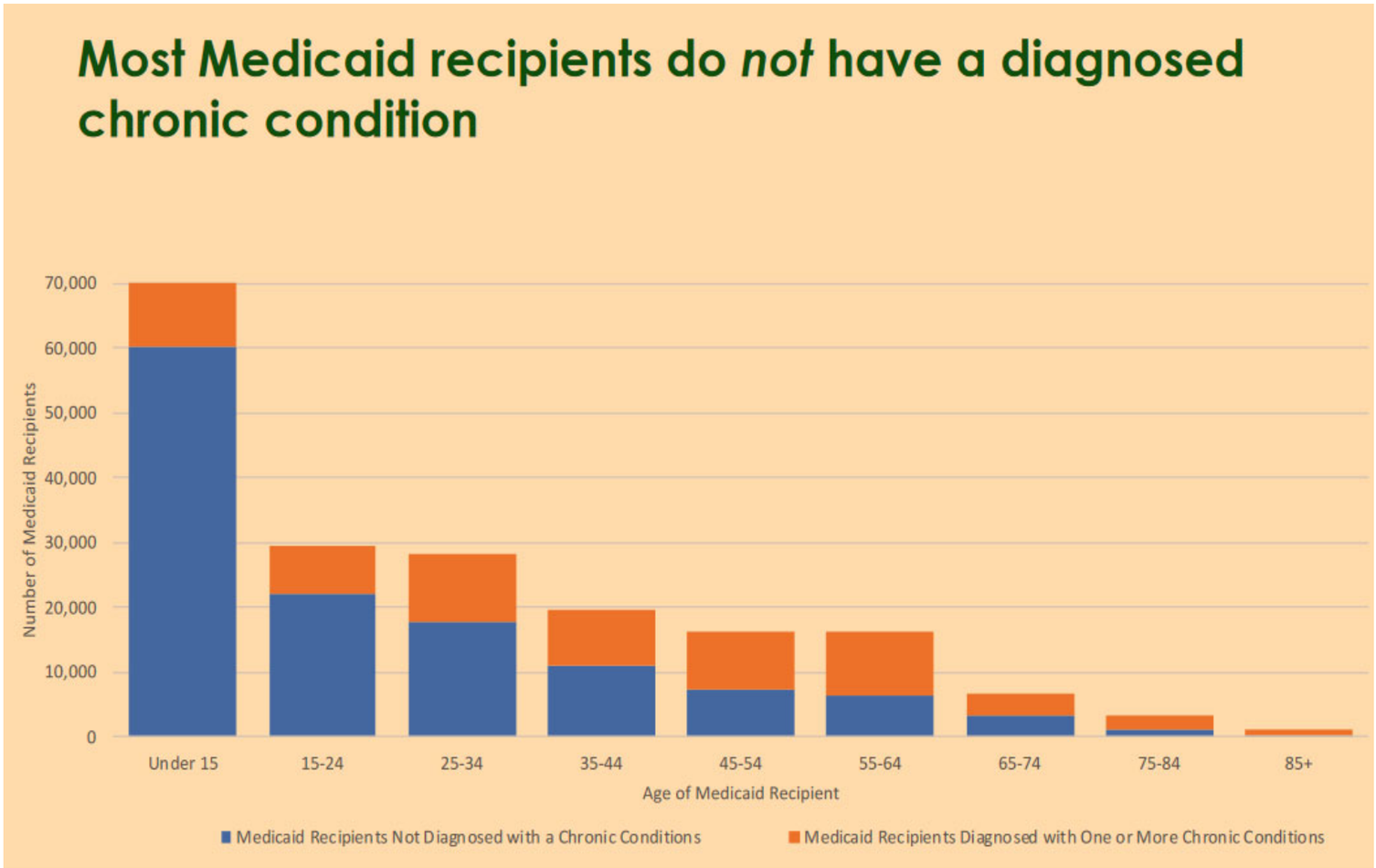
Alaska compared to North Dakota Medicaid data



- To compare cost per beneficiary between North Dakota and Alaska, it would be important to understand the number of chronic conditions in the Medicaid beneficiary pool.
- In Alaska as noted in the accompanying chart, Most Medicaid recipients in Alaska do not have a diagnosed chronic condition.

Source: Evergreen Economics

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Alaska compared to North Dakota Medicaid data

Chronic Conditions Drive Spending, FY2018

a.	b.	c.	d.	e.
	Average Spending Per Medicaid Recipient			
Age of Recipient	All Recipients	Without a Diagnoses for a Chronic Condition	One or More Chronic Condition Diagnoses	Incremental Cost of Chronic Condition (d – c)
Under 5	$7,656	$5,510	$26,000	$20,490
05-09	$5,065	$2,765	$17,932	$15,167
10-14	$6,939	$2,688	$25,311	$22,623
15-19	$10,023	$3,247	$30,550	$27,302
20-24	$9,178	$4,310	$22,907	$18,597
25-34	$11,284	$4,395	$23,256	$18,861
35-44	$12,281	$3,604	$23,226	$19,622
45-54	$15,403	$3,525	$25,191	$21,666
55-64	$17,677	$3,590	$26,778	$23,188
65-74	$14,915	$3,101	$25,376	$22,275
75-84	$26,357	$7,828	$37,759	$29,931
85+	$48,105	$20,100	$60,632	$40,532
All Recipients	**$10,951**	**$3,891**	**$25,699**	**$21,635**

- Alaska's Medicaid population is significantly younger than North Dakota's plus…
- The uncertainty of beneficiaries with chronic conditions in Alaska vs. North Dakota could impact the per beneficiary expenditure data between states.

Source: Evergreen Economics Medicaid Spending & Enrollment in Alaska

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Alaska compared to North Dakota Medicaid data – in summary

- The Alaska Department of Health Services Annual Medicaid Reform Report from 2020 noted a significant amount of effort at the state level focused on managing the Medicaid program efficiency and effectiveness. Several key initiatives have provided Medicaid program "savings" for Alaska according to this report including:
  - Care management programs and care coordination
  - Coordinated telemedicine programs
  - Pharmacy system reform
  - Behavioral health system reform
  - Enhancement in the Federal Tribal Referral System
- Alaska is focusing on strategies to enhance the effectiveness of the Medicaid program and better coordinate care in a value-based system.

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Alaska compared to North Dakota Medicaid data

- In conclusion, without a deeper dive into the data behind the analysis, it is difficult to conclude on the relative overall impact to the State on Medicaid Expansion initiatives by distilling the information into one average cost per beneficiary number.
- We did identify however, active initiatives in Alaska to enhance the effectiveness of the Medicaid Program through several reform measures to better manage the population of the State, taking a longer-term multi-faceted view to improve the health of the population in the State.

Educational & research document

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