

### Another day, another \$1.3 Million. ND will spend \$1.3 Million a day on Medicaid Expansion in the 2023-2025 biennium budget.

- ND spends \$3.560 Billion on Medicaid. \$3.560 Billion in the 2023-2025 biennium budget is **20% of the State of North Dakota's \$8 Billion health spend.** (Source: CMS | *National Health Expenditures*)
  - **ND is in the top tier of states** for Medicaid physician pay rates. (Source: Kaiser | *Medicare to Medicaid Fee Index*)
  - **ND ranks highest in Medicaid Expansion** annual per capita expenditures. (Source: *Medicaid.gov*)
  - ND Medicaid **Expansion currently covers 35,000 North Dakotans** or 4.4 percent of the State's 800,000 citizens. It is one revenue source for medical providers.
  - **Medicaid Expansion participants will receive the same benefits and services**, regardless of changes to budget or provider rates.
- Traditional Medicaid helps pay for medical services for qualifying low-income adults, children, pregnant women, older adults and people with disabilities. Traditional Medicaid has different federal poverty levels (FPL) depending on which category an individual qualifies for.
- Medicaid Expansion is available to qualifying low-income individuals between 19-64 with household incomes up to 138% of the federal poverty level (FPL), which is an annual income of \$20,121 for a household of one and \$27,214 for a household of two.

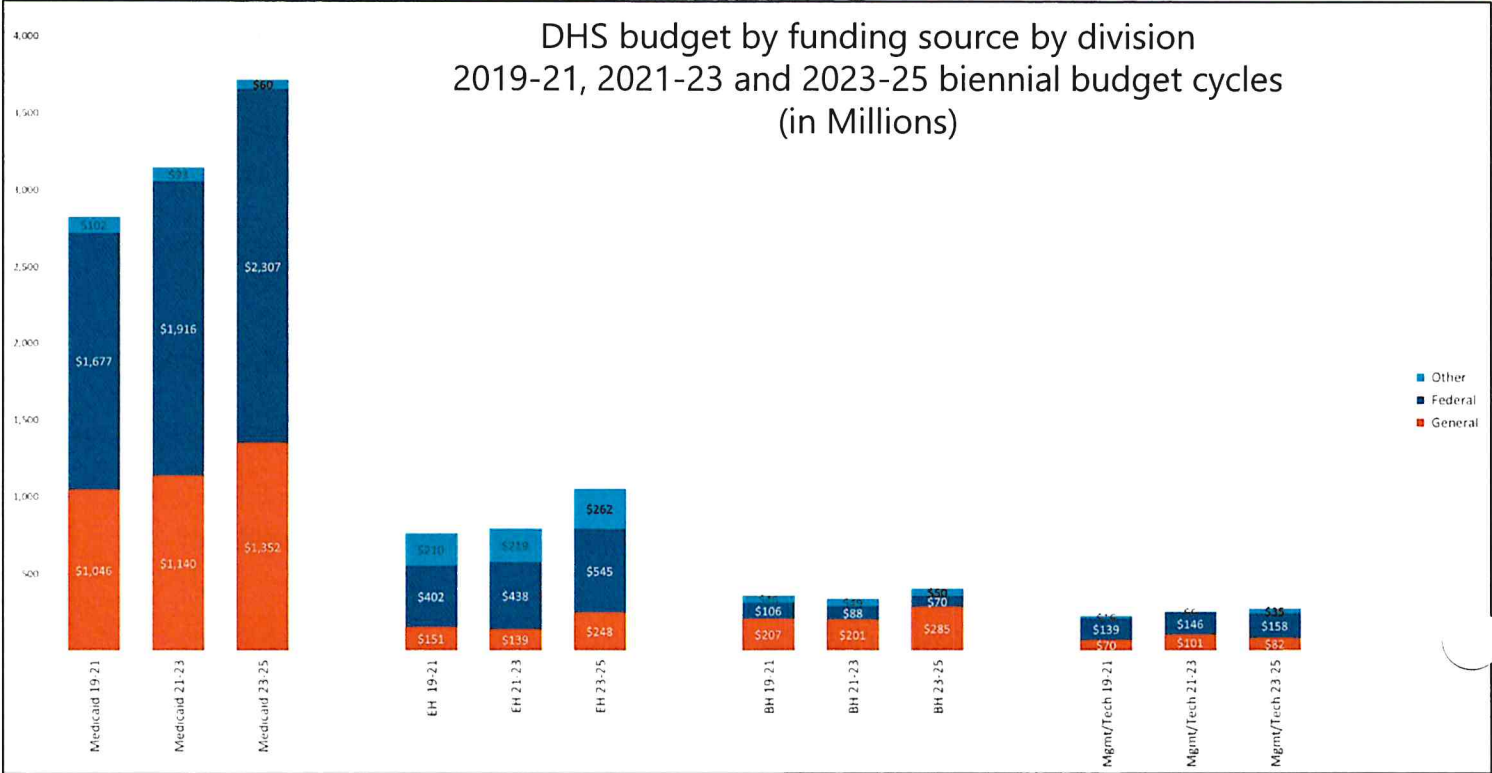
### Most supplemental payments are funded by state-based hospital taxes, which can be up to 6% of total revenue.

- Supplemental payments are additional payments to providers to provide financial support and are not made in exchange for services to Medicaid participants.
  - Most hospital supplemental payments are funded by state-based hospital taxes, which can be up to 6% of total revenue. (Source: *Title 42 Code of Federal Regulations*)
  - CMS requires that state hospital taxes be broad based, uniformly imposed and that all hospitals pay the tax. Taxes may negatively impact some hospitals because while all are required to pay the tax, some may not receive a supplement payment. (Source: Kaiser | *States and Medicaid Provider Taxes or Fees*)
- ND Medicaid's total supplement payment amount in 2021 was \$1.4M. (Source: *Medicaid and CHIP Payment and Access Commission | Annual-Analysis-of-Disproportionate-Share-Hospital-Allotments-to-States*)

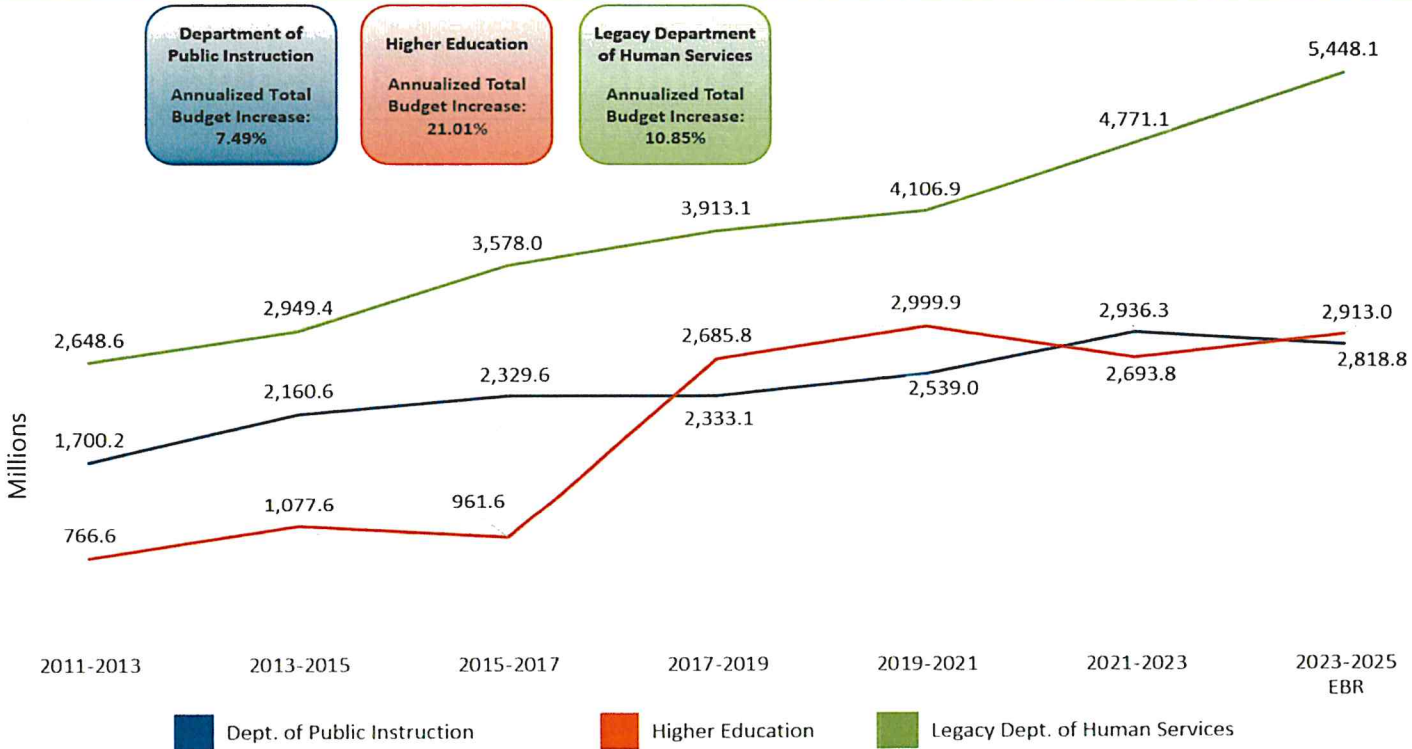
# ND Medicaid Budget

Information Brief

Medicaid, long-term care and developmental disability represent 64% of SB 2012 budget for the 2023-25 biennium.



Reducing the Medicaid Expansion budget will help bend the curve on budget increases.





# Engrossed SB 2012 Medicaid Expansion Budget Option 1

Information Brief

## Component A

General Fund savings: \$11 Million

### Where do the savings come from?

- Reduces Expansion budget estimate by **\$11 Million** based on current utilization information.
- Impacts HHS only.

Description	General Fund	Other Funds	Total Funds	Average Cost of Premiums per Month	Change in Premiums from EBR	Average Number of Premiums per Month
Executive Budget Request (EBR) - Managed Care Expansion	\$94,255,028	\$848,295,256	\$942,550,284	\$1,320.01	0%	29,752
Budget Estimate Update (Reduction) - 24 month impact	(11,075,387)	(99,678,486)	(110,753,873)			
Managed Care Expansion Budget After Reassessment	\$83,179,641	\$748,616,770	\$831,796,411	\$1,164.92	-12%	29,752

## Component B

General Fund savings: \$25 Million

### Where do the savings come from?

- Aligns Expansion rates with Medicaid Traditional reimbursement rates for an additional **\$25 Million**.
- Impacts HHS, Blue Cross Blue Shield of ND and Providers.
- No change to benefits or services provided to ND Medicaid Expansion participants.
- These funds may be reallocated to other needed programs and services, such as Behavioral Health.

Managed Care Expansion Budget After Reassessment	\$83,179,641	\$748,616,770	\$831,796,411	\$1,164.92	-12%	29,752
Managed Care Expansion Reimbursement at Traditional Rate (Reduction) - 18 month impact	(25,475,752)	(229,281,767)	(254,757,519)			
Managed Care Expansion Budget at Traditional Rates	\$57,703,889	\$519,335,003	\$577,038,892	\$808.13	-39%	29,752

## Medicaid Expansion Budget Option 1

➤ **Total General Fund savings: \$36 Million (\$11M + \$25M)**



# Engrossed SB 2012 Medicaid Expansion Budget Option 2

Information Brief

## Component A

General Fund savings: \$11 Million

### Where do the savings come from?

- Reduces Expansion budget estimate by **\$11 Million** based on current utilization information.
- Impacts HHS only.

Description	General Fund	Other Funds	Total Funds	Average Cost of Premiums per Month	Change in Premiums from EBR	Average Number of Premiums per Month
Executive Budget Request (EBR) - Managed Care Expansion	\$94,255,028	\$848,295,256	\$942,550,284	\$1,320.01	0%	29,752
Budget Estimate Update (Reduction) - 24 month impact	(11,075,387)	(99,678,486)	(110,753,873)			
Managed Care Expansion Budget After Reassessment	\$83,179,641	\$748,616,770	\$831,796,411	\$1,164.92	-12%	29,752

## Component B

General Fund savings: \$17 Million

### Where do the savings come from?

- Aligns Expansion rates **with 125%** of Medicaid Traditional reimbursement rates for an additional **\$17 Million**.
- Impacts HHS, Blue Cross Blue Shield of ND and Providers.
- No change to benefits or services provided to ND Medicaid Expansion participants.
- These funds may be reallocated to other needed programs and services, such as Behavioral Health.

Managed Care Expansion Budget After Reassessment	\$83,179,641	\$748,616,770	\$831,796,411	\$1,164.92	-12%	29,752
Managed Care Expansion Reimbursement at 125% Traditional Rate (Reduction) - 18 month impact	(17,114,813)	(154,033,318)	(171,148,131)			
Managed Care Expansion Budget at 125% of Traditional Rates	\$66,064,828	\$594,583,452	\$660,648,280	\$925.23	-30%	29,752

## Medicaid Expansion Budget Option 2

➤ **Total General Fund savings: \$28 Million (\$11M + \$17M)**



## What are the impacts of reducing the Medicaid Expansion budget?

### Impacts to ND Medicaid Expansion participants

- **No impact to Medicaid Expansion participants.** Medicaid Expansion benefits and services remain the same.
- Some Medicaid Expansion providers could choose to not contract with the managed care organization.
- Currently, ND Medicaid provider networks are strong with provider coverage and access across the state.

### Impact to Providers

- It will take 6 months to implement, with 18 months of impact to providers.
- For Option 1: Medicaid Expansion providers will experience an approximate 40% rate reduction on 35,000 Medicaid Expansion participants, which represent 4.4% of the state's 800,000 population. For Option 2: Medicaid Expansion providers will experience an approximate 30% rate reduction.
- **Developmental Disability providers will not be impacted** by a reduction to the Medicaid Expansion budget.
- Long-term care providers will not be impacted.
- Traditional Medicaid will not be impacted. Traditional Medicaid covers 100,000 North Dakotans or 12% of ND's population.

### Impacts to ND's medical industry

- ND will move toward more sustainable health care cost growth. By comparison, ND pays more for Medicaid Expansion provider rates than any other state.
- As Medicaid provider rates increase, pressure is put on the commercial side to increase rates to align pricing. Reducing the Medicaid Expansion budget will help mitigate continued increases in health care costs for all North Dakotans.
- In 2019, ND's medical industry spending was \$8 Billion. Budget option 1 will take out \$254M, which is a 3% reduction in total industry spending. Budget option 2 will take out \$171M, which is a 2% reduction.

## According to the ND Hospital and Insurance Study, hospitals, commercial, Medicare and Medicaid revenue appears to be showing sizable growth.

### North Dakota Hospital and Insurance Study Highlights

The study was led by former Illinois Insurance Commissioner Jennifer Hammer, former Wisconsin Deputy Commissioner J.P. Wieske, and former CBO and current Horizon Government Affairs Economist Jeff Lemieux.

The study highlighted a number of important issues in the North Dakota Hospital market including:

- **Hospital Utilization.** North Dakota has seen an increase in hospital usage. North Dakota Hospitals are seeing longer hospital stays than the national average, and utilization is growing faster in North Dakota than most of the rest of the country.
- **Hospital Expenses.** Hospital Expenses are ranking higher than the national average (usually top 5) and continuing to grow at higher than national average rates (also top 5 rankings)
- **Hospital Operating Revenue.** North Dakota hospitals are seeing high revenue and high revenue growth.
- **Medicare Revenue.** Medicare revenue is also very high and growing for North Dakota Hospitals
- **Hospital Reimbursement.** Private hospital reimbursement based on Medicare rates grew from 170 percent of Medicare in 2010 to over 200 percent of Medicare in 2018.
- **Acute Care vs. Critical Access Hospitals.** Critical access hospitals appear to be reimbursed at a much lower rate (149% of Medicare) than acute care hospital (211% of Medicare)
- **Premiums.** North Dakota premiums are largely average as compared to national average.
- **Claims.** Insurer claims are averaging slightly higher than the national average and are growing at higher than the national average.
- **Administrative costs.** Insurer administrative expenses remain low, but the administrative expenses are growing at a very fast rate.

The data clearly shows a number of warning signs in the North Dakota market. For the Hospitals, Commercial, Medicare, and Medicaid revenue appears to be showing sizable growth. Hospitals appear to be offering more services and longer stays. In health insurance, administrative costs have grown substantially - though still generally at or below the national average. These trends bear watching. In chart below, we pull out a number of important measures that policymakers should pay attention to.



**According to the ND Hospital and Insurance Study, hospitals, commercial, Medicare and Medicaid revenue appears to be showing sizable growth.**

North Dakota Measure	50-State Comparison
<p><b>Hospital Revenue and Expense Growth 7.5 - 8% Per Year</b> (Table 2)</p> <p>Much higher than any measure of inflation, wage or economic growth.</p>	<p><b>3<sup>rd</sup> Highest Growth in hospital expenses in the U.S.</b> (Table 18)</p> <ul style="list-style-type: none"> <li>84% growth during the 2010-2017 period. Average yearly growth of 7.9%.</li> <li>North Dakota ranks 3rd in growth of expenses.</li> </ul>
<p><b>Commercial payments to hospitals rose from 170% of Medicare to 207% of Medicare</b> (Table 9)</p>	<p><b>7<sup>th</sup> Highest commercial payment rate to hospitals</b> (Table 24)</p> <p><b>4<sup>th</sup> Highest growth of hospital revenues</b> (Tables 20 &amp; 21)</p> <p>Commercial payment rates relative to Medicare ranks North Dakota 7th in the US (Table 24)</p> <p>Ranked 4th in annual growth of revenues. Growing at 7.4% annually (Table 20 &amp; 21)</p>
<p><b>Patient hospital utilization grew 1 - 2%</b> (Table 1)</p>	<p><b>Inpatient hospital days grew in North Dakota while nationally they declined.</b> (Table 13)</p> <p><b>3<sup>rd</sup> Highest Length of hospital stay in the country</b> (Table 15)</p> <p>Inpatient days are growing (1.3%) while nationally they are shrinking (-0.3%). (Table 13)</p> <p>Length of stay is high (3rd in US) and is growing faster than the rest of the country (1.6% to 0.4%) (Table 15)</p>
<p><b>Salaries Rose 4% per year Expenses rose 3% per year</b> (Table 5 &amp; 6)</p>	<p><b>8<sup>th</sup> Highest average hospital salaries in the nation</b> (Table 22)</p>

*From ND Insurance Commissioner Jon Godfreed's testimony to House Appropriation's – Human Resources Division, April 5, 2023.*

