

## **[FSSA] Updated Healthcare Reform Cost Estimates**

**Start Date:** 9/18/2012    **All Day**

**End Date:** 9/18/2012

### **Entry Description**

**FOR IMMEDIATE RELEASE**

#### **FSSA Releases Updated Healthcare Reform Cost Estimates**

INDIANAPOLIS (September 18, 2012) -- The state's costs to implement the federal Affordable Care Act (ACA) would be about \$2.6 billion over seven years if Medicaid is expanded and will increase nearly \$612 million even without expansion. Milliman Inc, the state's actuary, has provided new estimates to the Indiana Family and Social Services Administration (FSSA) about ACA's enrollment and financial impact to the state's Medicaid program based on the recent U.S. Supreme Court decision, which makes a Medicaid expansion optional for states.

Generally, Medicaid expenditures in Indiana are expected to grow at an annual rate of 4.5 percent, from \$2.9 billion in Fiscal Year 2014 to more than \$3.8 billion in 2020. (FSSA's estimate is more conservative than the 6 to 7 percent growth projected by the Centers for Medicare and Medicaid Services.) The Milliman projections for the additional ACA-related Medicaid costs are on top of annual Medicaid expenditure growth.

"In addition to the customary annual increase in our Medicaid budget, this analysis indicates even without expansion, Indiana will experience additional costs of nearly \$612 million over a seven-year period starting in 2014," said Michael A. Gargano, FSSA Secretary. As passed, the ACA required states to expand coverage to all adults at or below 133% of the Federal Poverty Level (FPL). The Supreme Court ruling has made the Medicaid expansion optional. According to the Milliman report, the state can expect to see these changes beginning in 2014 when the law is implemented:

- A 10% increase in Medicaid enrollment because of referrals, loss of employer-provided coverage and the requirement

that everyone have insurance, at a cost of \$600 million.

- A cost up to \$148 million due to a new federal health insurance tax to be imposed on state Medicaid Managed Care programs beginning in 2014. The Medicaid program is required to pay the tax.
- An increase in annual administrative costs of nearly \$60 million to address the growing Medicaid enrollment and other ACA requirements.

“The National Association of State Budget Officers reports Medicaid spending is rapidly approaching one quarter of all state expenditures,” said Adam Horst, Director of the Indiana State Budget Agency. “This analysis confirms Medicaid spending under the Affordable Care Act will consume a greater and greater share of the state’s budget, with that growth coming at the expense of other priorities such as K-12 and higher education.”

Previous Milliman estimates were released on December 3, 2009 (based on draft language of ACA), updated on May 6, 2010 (to reflect final passage legislation), on May 21, 2010 (to reflect a range of fiscal results based on differing participation assumptions) and on October 27, 2010 (as a result of the guidance from CMS on the Federal offset of Medicaid prescription drug rebates).

A copy of today’s report can be found at:

[http://www.in.gov/aca/files/ACA\\_Fiscal\\_Impact\\_Update\\_9.2012.pdf](http://www.in.gov/aca/files/ACA_Fiscal_Impact_Update_9.2012.pdf)

All Milliman reports are available at [www.in.gov/aca](http://www.in.gov/aca) under “Resources.”

**Contact Information:**

Name: Marni Lemons

Phone: 317.234.5287

Email: [Marni.Lemons@fssa.IN.gov](mailto:Marni.Lemons@fssa.IN.gov)