manatt

NOVEMBER 2021

Assessing the Fiscal Impact of Medicaid Expansion in Mississippi

Adam Striar, Senior Manager
Manatt Health
Patricia Boozang, Senior Managing Director
Manatt Health
Cindy Mann, Partner
Manatt Health

Support for this project was provided by the Commonwealth Fund and the Robert Wood Johnson Foundation.

About the Commonwealth Fund

The Commonwealth Fund is a national, private foundation based in New York City that supports independent research on health care issues and makes grants to improve health care practice and policy. The views presented here are those of the authors and not necessarily those of The Commonwealth Fund, its directors, officers, or staff. For more information, visit www.commonwealthfund.org. Follow the Fund on Twitter at www.twitter.com/commonwealthfnd or on Facebook at www.facebook.com/commonwealthfund.

About the Robert Wood Johnson Foundation

For more than 45 years the Robert Wood Johnson Foundation has worked to improve health and health care. We are working alongside others to build a national Culture of Health that provides everyone in America a fair and just opportunity for health and well-being. For more information, visit www.rwjf.org. Follow the Foundation on Twitter at www.rwjf.org/twitter or on Facebook at www.rwjf.org/facebook.

About Manatt Health

Manatt Health integrates legal and consulting services to better meet the complex needs of clients across the health care system.

Combining legal excellence, firsthand experience in shaping public policy, sophisticated strategy insight and deep analytic capabilities, we provide uniquely valuable professional services to the full range of health industry players.

Our diverse team of more than 160 attorneys and consultants from Manatt, Phelps & Phillips, LLP, and its consulting subsidiary, Manatt Health Strategies, LLC, is passionate about helping our clients advance their business interests, fulfill their missions and lead health care into the future. For more information, visit https://www.manatt.com/Health or contact:

Adam Striar
Senior Manager
Manatt Health
202.585.6512
astriar@manatt.com

Patricia Boozang
Senior Managing Director
Manatt Health
212.790.4523
pboozang@manatt.com

Cindy Mann
Partner
Manatt Health
202.585.6572
cmann@manatt.com

Assessing the Fiscal Impact of Medicaid Expansion in Mississippi

Table of Contents

I. Introduction

Since 2014, states have had the option to expand Medicaid eligibility to most[1] adults with incomes under 138 percent of the federal poverty level (FPL; approximately $30,300 in annual earnings for a family of three).[2] Under this option, the federal government covers 90 percent of the cost of the new adult eligibility group (also known as the "expansion group"), a significantly higher rate than it covers for most Medicaid populations and services. (Mississippi's matching rate for most services is 78.31 percent in FY 2022, prior to the application of the temporary 6.2 percentage-point increase available under the Families First Coronavirus Response Act.) In addition to the enhanced federal matching rate for the expansion population, the recently enacted American Rescue Plan Act of 2021 (ARP) provides states that implement expansion after the enactment of ARP with a significant increase in Medicaid funding for most other Medicaid populations. In the following, we estimate the five-year fiscal impact in Mississippi if the State were to expand Medicaid beginning in State Fiscal Year (SFY) 2023, examining projected costs and savings associated with the expansion, including the added funding available through the ARP.[3]

Key Findings At-a-Glance

- Medicaid expansion in Mississippi would cover over 200,000 low-income residents
- State costs would be completely offset during the first five years by various cost reductions associated with expansion:
  - Expansion would generate approximately $1.2 billion in cost reductions
  - New state costs would be $956 million
- If Mississippi were to reserve excess cost offsets and use those funds to finance expansion in future years, it would be able to fully finance the State share of Medicaid costs for over six years at zero new cost to the State

At the time of publication, Congress was poised to adopt further incentives for non-expansion states to take up the Medicaid expansion in addition to temporarily expanding eligibility for Marketplace subsidies for low-income individuals in non-expansion states without access to Medicaid coverage. Since those provisions were still under consideration as of the date of this report, we do not factor them into our fiscal impact analysis. We do, however, note the ways in which they could impact Mississippi should they be enacted.

II. Background

Access to Coverage and Care in Mississippi

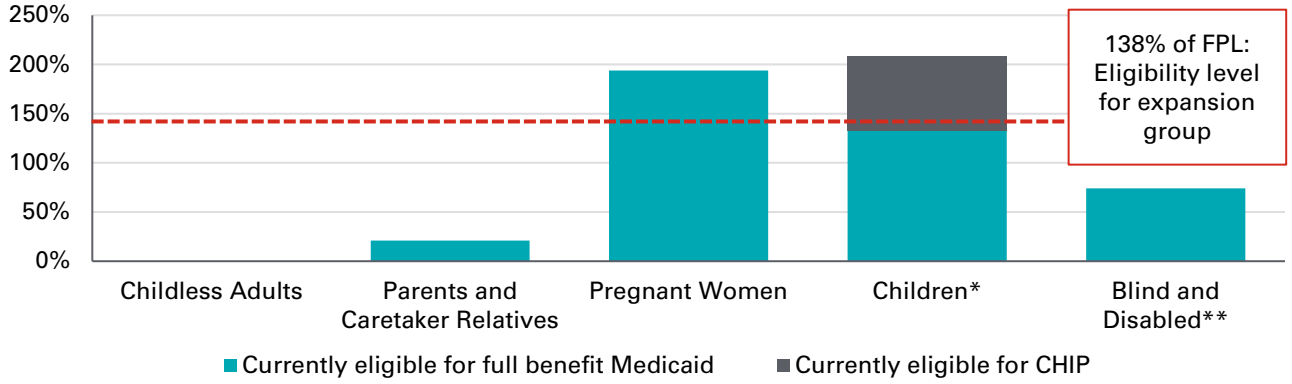
Viewed from a range of different measures, low-income residents of Mississippi are particularly disadvantaged with respect to their access to health insurance and health care services. In 2019, approximately 370,000 residents were uninsured, and the State had the fifth-highest uninsured rate in the

country at 12.9 percent.[4] According to the Commonwealth Fund, Mississippi's health care system ranks last among all states across 49 measures of access to health care, quality of care, service use and costs of care, health outcomes, and income-based health care disparities.[5] Mississippi is also one of the poorest states in the country, with nearly one in five residents falling below the federal poverty level—the highest rate of any state in the country.[6] Research suggests that cost is a significant barrier to accessing needed care, particularly for low-income and uninsured individuals.[7]

Current Mississippi Medicaid Program

As of July 2021, approximately 797,000 Mississippians were enrolled in either full-benefit Medicaid coverage or the Children's Health Insurance Program (CHIP).[8] Approximately 88 percent of enrollees are children or individuals who are elderly, blind, or disabled. The remaining 12 percent are parents with incomes at or below 21 percent of the federal poverty level (FPL) ($4,608 in annual earnings for a family of three), pregnant women, and a small number of others.[9] Mississippi does not provide full-benefit coverage for parents with incomes above 21 percent of FPL or non-disabled, childless adults under age 65, regardless of income level.[10,11] This "coverage gap" is a consequence of the State having not expanded Medicaid. Exhibit 1 provides additional detail on Medicaid and CHIP eligibility levels.

Exhibit 1. Mississippi Medicaid Eligibility Levels, Full-Benefit Coverage, Individuals Under Age 65 (% of FPL)



*Children ages 0–1 with household income up to 194 percent of FPL are eligible for Medicaid, as are children ages 1–5 with household income up to 143 percent of FPL.

**Blind and disabled individuals with incomes up to 222 percent of FPL may be eligible for one of the State's home- and community-based services (HCBS) waivers, though enrollment in these waivers is capped. Those with incomes up to 250 percent of FPL may be eligible for the State's Working Disabled program. Individuals with disabilities may also be subject to asset limits in addition to income eligibility requirements.

In FY 2019, total (State and federal) Medicaid benefit expenditures in Mississippi were approximately $5.5 billion. More than two-thirds of spending on the program was driven by serving people with disabilities and the elderly, despite these groups representing less than a third of all enrollees. By contrast, parents and pregnant women accounted for just 9.1 percent of expenditures.[12] The federal government financed the majority of program costs, with approximately 76 percent of expenditures reimbursed with federal matching dollars and Mississippi covering the remaining 24 percent.[13] The State also spent approximately $175 million (3% of total Medicaid expenditures) on Medicaid administration, approximately 69 percent of which was covered by the federal government.[14]

III. Estimating the Impact of Expansion

This analysis estimates the State cost of expansion, along with offsetting cost reductions. Over five years, we project that Medicaid expansion costs will be fully offset and, further, that expansion will reduce State (i.e., non-federal) Medicaid expenditures relative to projected expenditures without the expansion by approximately $212 million. More specifically, we project that State costs associated with the expansion will be approximately $956 million over this time period. However, this will be more than offset by a total of $1.2 billion in new federal dollars available under the ARP FMAP increase and various cost reductions associated with expansion. We explain each component of these estimates in greater detail below.

Costs

To estimate the costs Mississippi would incur if it expands Medicaid, we first estimate enrollment in the new adult eligibility group and apply projected service costs per enrollee. We also estimate the increase in Medicaid administrative costs that would likely occur with additional enrollment in the program.

A Note on Federal "Build Back Better" Legislation

At the time of publication, Congress was actively debating President Biden's proposed "Build Back Better" legislation, which would create a temporary route to coverage through the federal Marketplace for people in the coverage gap in Mississippi and in other states that have yet to expand Medicaid. Notably, the bill includes new additional financial incentives for states to take up the Medicaid expansion, which are over and above the fiscal benefits analyzed in this report. The latest publicly available version of the legislation would:

- Increase the expansion matching rate from 90 percent to 93 percent for FYs 2023 through 2025. This would add to Mississippi's savings calculated as part of this report if it were to expand Medicaid.
- Reduce the Disproportionate Share Hospital (DSH) allotments in states that have not expanded by 12.5 percent (with the full allotment being restored when a state expands).
- Another provision—which we note likely would not impact Mississippi—would reduce uncompensated care pools authorized under a Section 1115 in non-expansion states. (Mississippi does not currently have such a pool.)

Source: Staff of H. Comm. on Budget, 117th Cong., Text of H.R. 5376, Build Back Better Act (Comm. Print 2021) (Rules Committee).

In total, we estimate that before considering offsets, the total (federal and State) cost of the Medicaid expansion would be approximately $1.0 billion in SFY 2023 and $9.0 billion over five years. The federal government would finance approximately 90 percent of these costs ($893 million in 2023 and $8.1 billion over five years), with the State obligated to finance the remaining 10 percent share ($106 million in 2023 and $956 million over five years). As discussed in the next section, these State costs will likely be offset entirely by the ARP FMAP increase and other offsets. Key components of these estimates are explained below, with additional detail provided in the Appendix.

Exhibit 2. Medicaid Expansion Costs (Without Consideration of Offsets), SFYs 2023–2027 ($ Millions)

SFY:	2023	2023–2027
Total Expansion Adult Service Costs	$973	$8,785
Federal Spending	$875	$7,906
State Spending	$97	$878
Change in Total Medicaid Administrative Costs	$27	$236
Federal Spending	$18	$158
State Spending	$9	$78
Total Costs Associated with Medicaid Expansion (Without Consideration of Offsets)	$999	$9,021
Federal Spending	$893	$8,065
State Spending	$106	$956

Enrollment

We estimate that approximately 229,000 adults will enroll in Medicaid by the third year of expansion (for purposes of this analysis, we assume this will be SFY 2025) before growth stabilizes in the following years. We estimate this figure by applying a take-up rate developed based on the experiences of other expansion states to the potentially eligible population in Mississippi.[15,16] After year three, we assume that expansion enrollment will track with the nonelderly adult population growth rate in Mississippi, resulting in nearly flat enrollment from SFYs 2025 through 2027.

Service Costs

We estimate service costs for the expansion group by multiplying projected per capita costs by enrollment. To estimate per capita expansion group expenditures, we begin with FY 2018 estimates from the Medicaid and CHIP Payment and Access Commission (MACPAC) of non-expansion adult per capita costs in Mississippi.[17] We adjust these data to reflect the fact that approximately 22 percent of these enrollees in Mississippi are pregnant women who are likely to have higher per capita costs than other nonelderly, non-disabled adults (i.e., parents and caretaker relatives).[18] We also adjust the estimates from MACPAC in order to match aggregate expenditure data from Mississippi.[19] Finally, we rely on Congressional Budget Office cost growth projections in order to trend forward estimated per capita costs through 2027.[20]

Multiplying per capita costs by projected enrollment, we estimate that total (State and federal) benefit expenditures on the new adult group will be approximately $973 million in SFY 2023 and $8.8 billion over five years, with the federal government covering 90 percent of these costs and the State covering the remaining 10 percent share ($97 million in SFY 2023 and $878 million over five years). As discussed below, of the $878 million in State costs associated with coverage for the new adult group, approximately $148 million

are attributable to individuals who we project would have otherwise enrolled through a traditional Medicaid eligibility pathway (i.e., pregnant women who remain enrolled in the expansion group until their next eligibility renewal, blind and disabled individuals who choose to enroll directly in the expansion group, and family planning enrollees who move into the expansion group). While we include the full cost of covering these individuals in our expansion estimates and consider the "savings" on traditional Medicaid eligibility groups as offsets to those costs, another way of looking at the State's expansion costs is that $730 million of the $878 million in State spending on the expansion group represents new Medicaid costs for the State.

Administrative Costs

If Mississippi were to expand Medicaid, it would also likely see increased administrative costs as the size and responsibilities of the Medicaid program grow. To estimate these costs, we calculate administrative expenditures as a share of total Medicaid expenditures in FFYs 2018 and 2019 (approximately 3.3%) and apply this percentage to new expenditures under expansion. This results in an increase in total computable (State and federal) administrative costs of approximately $27 million in SFY 2023 and $236 million over five years. To estimate the State share of administrative costs, we apply Mississippi's blended average federal match rate for administrative costs for FFYs 2018 and 2019 (approximately 67%).[21,22] This results in an incremental State cost for administration of $9 million in SFY 2023 and $78 million over five years. We note that these estimates are likely conservative since the State would likely benefit from economies of scale when adding new expansion enrollees to the program (i.e., the marginal cost for administration of each new expansion enrollee is likely less than existing administrative expenditures per enrollee).

Cost Offsets

Mississippi can expect to offset a substantial portion of the State's share of expansion costs through several different mechanisms. These include the two-year, five percentage-point increase in the non-expansion federal matching rate under ARP; reduced enrollment among certain currently Medicaid-eligible populations who instead would be covered under the expansion group; and replacing unmatched State expenditures on services for the uninsured with matched Medicaid spending. We explain each in greater detail below.

In total, we estimate that Mississippi will see approximately $1.2 billion in reductions in State costs for the five-year period ending SFY 2027, including $747 million from the ARP two-year increase in the FMAP, $333 million in reduced spending on certain populations that are currently Medicaid-eligible, and $88 million from reduced State spending on hospital care for incarcerated individuals. Furthermore, because the expansion will cover the cost of many behavioral health services for newly eligible adults, expansion could save the State a portion of its current State investment in behavioral health programs for the uninsured by generating $99 million in new federal matching funds. However, because of the high need for behavioral health services for all populations in Mississippi, we do not assume the State would reduce current State-funded expenditures on behavioral health programs and therefore do not assume any offset to Medicaid expansion costs.

Exhibit 3. Projected Offsets to State Expansion Costs, SFYs 2023–2027 ($ Millions)

SFY:	2023	2023–2027
Total Cost Offsets	**($413)**	**($1,168)**
ARP FMAP Increase	**($366)**	**($747)**
Reduced State Costs for Currently Medicaid-Eligible Populations	**($32)**	**($333)**
Pregnant Women	($17)	($161)
Aged, Blind, and Disabled	($13)	($160)
Family Planning	($2)	($12)
Savings on State Corrections Spending	**($16)**	**($88)**

ARP FMAP Increase

ARP provides states that implement a Medicaid expansion after March 11, 2021, with a two-year, five percentage-point increase in the FMAP that applies to traditional Medicaid enrollees and services (though it does not apply to the expansion FMAP).[23] The FMAP increase will be available for a full two years, regardless of when a state adopts expansion, and applies to expenditures associated with most non-expansion eligibility groups, including Medicaid-financed children, parents and caretaker relatives, individuals who are aged, blind, or disabled, and pregnant women. The increase does not apply to DSH payments, CHIP-financed coverage (including coverage for children enrolled in CHIP-financed Medicaid), family planning expenditures matched at the 90 percent enhanced rate, and certain other expenditures.

We estimate the value of the ARP FMAP increase by projecting total expenditures on applicable non-expansion populations for SFY 2023 and 2024 and applying the enhanced matching rate. In total, we project that the ARP FMAP increase would bring an additional $747 million in federal dollars to the State.

Reduced Spending on Existing Medicaid Populations

The experience of other states has shown that some individuals that states covered in their Medicaid programs prior to expansion will be covered by the expansion (at the higher federal matching rate), thereby reducing enrollment and costs for certain non-expansion eligibility groups. The costs for these individuals are built into our expansion cost estimates. Corresponding reductions in costs for other eligibility groups represent offsets to those costs.

Pregnant Women

Under federal rules relating to the expansion, individuals who become pregnant while enrolled in the new adult group generally will remain in that group at least until their next eligibility renewal.[24] During the time that these individuals are enrolled in the new adult group, Mississippi will be able to claim the enhanced

90 percent federal matching rate for the costs of all services they receive (instead of the State's regular matching rate). Other states have seen significant savings from the shift of some pregnant women from the pregnant women eligibility group to the expansion group.[25]

To project the cost offset, we analyzed pregnant women enrollment data from expansion states. Our analysis suggests that the typical state can expect to see enrollment in this group fall by approximately 46 percent by the third year of expansion. Applying this assumption to Mississippi, we project that total spending on this group will fall by approximately $743 million over five years, with a reduction in the State share of approximately $161 million.

Individuals with Disabilities

Expansion would also allow people who now qualify for Medicaid based on their disability status and their income to instead qualify under the expansion group based on their income alone. Since a determination of disability would not be required, this may be a simpler route to coverage for some individuals. However, not all people will take this route, since a disability determination is needed to qualify for the federal cash assistance through the Supplemental Security Income (SSI) program, and those receiving SSI are automatically enrolled in Medicaid through the blind and disabled eligibility category (which is matched at the State's regular rate).[26] Based on the experiences of other expansion states, Mississippi can expect to see a small, but significant, decrease in Medicaid enrollment through the disability pathway. In our analysis, we assume that the State would see a reduction in enrollment of approximately 2.7 percent by the third year of expansion. This represents the midpoint of several studies demonstrating that Medicaid expansion reduces uptake of SSI (and therefore disability-related Medicaid enrollment) by between 0 percent and 7 percent.[27]

In total, we project that Mississippi will see a $737 million reduction in expenditures on the aged, blind, and disabled eligibility group over five years, including a reduction in the State share of $160 million.

Family Planning Group

Mississippi covers approximately 27,000 individuals with incomes up to 199 percent of FPL who are not otherwise eligible for Medicaid through its limited benefit family planning waiver.[28] Since the waiver is open only to individuals who are not otherwise eligible for Medicaid, we assume that enrolled individuals with incomes up to 138 percent of FPL will move into the expansion group, accounting for approximately 69 percent of family planning enrollees in the State. Accordingly, we project that this will result in a reduction in State family planning spending of approximately $12 million over five years.[29]

Savings on Hospitalizations for Incarcerated Individuals

States have a constitutional obligation to provide medical care to incarcerated individuals. However, states are prohibited under federal Medicaid law from using federal Medicaid funds to pay for health care services provided to inmates of public institutions. The one exception to this so-called "Medicaid exclusion" is inpatient hospital stays provided to individuals who would be eligible for coverage if they were not incarcerated.[30] Non-expansion states bear the full cost of inpatient hospital stays for most prisoners because most are childless adults who would not be eligible for Medicaid outside of prison. States that have adopted

the Medicaid expansion, however, are able to access federal Medicaid funding for hospitalizations by enrolling these individuals in Medicaid upon admission to the hospital (if they are not already enrolled). As a result, many states have reported significant savings following the adoption of expansion.[31]

We estimate potential savings by estimating current expenditures on inmate hospitalizations that would be covered by Medicaid and applying the appropriate federal matching rate. To arrive at this figure, we combine expenditure data from the Mississippi Department of Corrections with assumptions around the share of inmates who are potentially Medicaid-eligible and the share of prison medical expenditures attributable to hospitalizations.[32,33,34] In total, we estimate that Medicaid expansion would generate $88 million in new federal dollars over five years.

Additional Funding for State Mental Health and SUD Programs

Following the implementation of Medicaid expansion, many states have also been able to access federal matching funds for mental health and SUD treatment programs for the uninsured that previously relied primarily on state funds, allowing them to reinvest freed-up state dollars in the delivery of enhanced services.[35] In 2019, Mississippi spent approximately $45 million in State funds on behavioral health services for adults.[36] We assume that approximately 50 percent of expenditures on this group would be replaced by matched Medicaid spending in year one of expansion, ramping up to 75 percent by year two, and that approximately two-thirds of individuals served through these programs are uninsured and financed using State dollars. This is based on a Manatt analysis of Mississippi-specific behavioral health programs as well as federal survey data. In total, we estimate that the State can expect to generate approximately $14 million in federal matching funds in SFY 2023 and nearly $100 million over five years, freeing up an equivalent amount of State dollars that could be reinvested in these programs. As discussed above, these additional federal dollars could be viewed as offsetting the cost of expansion if Mississippi reduced its State spending on behavioral health accordingly. However, given the need for behavioral health services in the State, we do not assume that Mississippi will reduce its spending on these programs and do not include the additional federal matching dollars as expansion cost offsets.

Net Fiscal Impact

We project that Mississippi would see a significant and direct fiscal benefit from Medicaid expansion. From 2023 through 2027, we project that Medicaid expansion would result in an increase in the State share of Medicaid costs by approximately $956 million over five years. These costs would be completely offset by $1.2 billion in cost reductions as a result of the ARP FMAP increase ($747 million), reduced State expenditures on existing Medicaid populations ($333 million), and savings on hospitalizations for incarcerated individuals ($88 million). If all offsets to costs identified here were reserved by the State and used to finance Medicaid expansion in future years (that is, after the first five years of the expansion), we project that the savings would be sufficient to fully cover the State share of expansion costs for over six years (i.e., into 2029).

Exhibit 4. Projected Net Impact of Medicaid Expansion, SFYs 2023–2027 ($ Millions; State Dollars Only)

SFY:	2023	2023–2027
Change in State Medicaid Spending	**($291)**	**($124)**
State Expansion Costs	**$106**	**$956**
Expansion Adult Service Costs	$97	$878
Administration	$9	$78
Change in State Costs for Existing Medicaid Eligibility Groups	**($32)**	**($333)**
Pregnant Women	($17)	($161)
Disabled and Blind	($13)	($160)
Family Planning	($2)	($12)
State Costs Offset by ARP FMAP Increase	**($366)**	**($747)**
Change in State Corrections Spending	**($16)**	**($88)**
Net Change in State Costs	**($307)**	**($212)**

IV. Conclusion

This analysis projects the enrollment impact and the State and federal costs associated with expanding Medicaid to low-income, nonelderly adults by drawing on Mississippi and federal data and the experiences of states that have implemented the Medicaid expansion. We project that Medicaid expansion in Mississippi would cover over 200,000 low-income residents of the State. State costs would be more than fully offset by various cost reductions associated with expansion, resulting in no State cost over the first five years and an additional $212 million in offsets available to further reduce Medicaid spending. Specifically, we project that expansion will generate $1.2 billion in cost reductions compared to $956 million in new State costs. If the State were to reserve these offsets (including the ARP FMAP increase), Mississippi would be able to fully finance the State share of Medicaid costs for over six years (i.e., into 2029).

While not accounted for in this analysis, Mississippi likely would also see significant additional fiscal benefits beyond those described above. A previous analysis from the Commonwealth Fund suggests that expansion would increase total economic output in Mississippi by approximately $13.8 billion from 2022 through 2025; this would lead to significant increases in State tax revenues and an additional 22,000 jobs in 2022.[37] Our analysis also does not account for the Build Back Better Act under consideration in Congress, which, if enacted, would provide significant new federal matching dollars to non-expansion states that decide to take-up the expansion (beyond those described in our analysis).

Appendix: Methodology

We estimate the net fiscal impact of Medicaid expansion in Mississippi from SFY 2023 through 2027 by calculating service costs for the new adult group and associated increases in Medicaid administrative costs. We then subtract from the total cost new federal dollars made available through the increase in the Federal Medical Assistance Percentages (FMAP) for new expansion states under American Rescue Plan Act of 2021 (ARP), savings on currently Medicaid-eligible populations, and savings on other state-funded health care programs. We describe each of these steps in greater detail below.

Medicaid Estimates

Expansion Enrollment and Costs

To calculate expansion service costs, we first estimate the number of individuals likely to take up Medicaid expansion coverage. We do this by applying an estimated take-up rate derived from a Manatt analysis of the experience of previous expansion states to the potentially eligible population in Mississippi, which we define as the number of uninsured and privately insured individuals with incomes up to 138 percent of the federal poverty level (FPL). We derive estimates of the size of this group from a State Health Data Assistance Center (SHADAC) analysis of the U.S. Bureau of the Census' American Community Survey.[38] Through this analysis, we estimate a take-up rate of approximately 55 percent of the potentially eligible population by year three of expansion, with a gradual ramp-up in years one and two. Beyond year three, we assume that expansion enrollment will grow in line with projections of adult population growth in Mississippi from the AARP Public Policy Institute.[39]

To estimate per capita expansion group expenditures, we begin with FY 2018 estimates from the Medicaid and CHIP Payment and Access Commission (MACPAC) of non-expansion adult per capita costs in Mississippi.[40] We adjust the estimates from MACPAC such that per capita costs multiplied by estimated enrollment for 2018 and 2019 is equal to total expenditures as reported on Mississippi's Form CMS-64.[41] We then further adjust these figures to isolate costs associated with parents and caretaker relatives, since the MACPAC adult per capita cost figures include costs associated with pregnant women (who are significantly more expensive to cover). To derive parent and caretaker relative costs, we assume, based on data from the Mississippi Division of Medicaid, that pregnant women represent approximately 22 percent of non-disabled adult enrollees in Mississippi, and, based on data from the Wyoming Medicaid program, that pregnant women enrollees are approximately 51 percent more expensive to cover.[42,43] Finally, beyond 2019, we trend forward per capita costs in line with projections from the Congressional Budget Office.[44]

To calculate total expansion service costs, we multiply estimated enrollment by expected expansion per enrollee costs in each year. We then apply the 90 percent federal matching rate to arrive at the federal share of expansion costs (with the State share being equal to the remaining 10%).

We also estimate increased administrative costs under expansion. To do this, we calculate administrative expenditures as a share of total non-Disproportionate Share Hospital (DSH) Medicaid expenditures for FFY 2019 (approximately 3.3%) and apply this percentage to new expenditures under expansion. To estimate the State share of administrative costs, we apply the blended average match rate for Medicaid administrative expenditures from the State's 2018 and 2019 CMS-64 Forms (approximately 67%).

Non-Expansion Medicaid Enrollment

To estimate savings on currently eligible Medicaid populations and the value of the increase in the FMAP under ARP, we also project non-expansion Medicaid enrollment through 2027.

We begin with enrollment data by eligibility group through 2020 from the Mississippi Division of Medicaid.[45] We assume that the federal Public Health Emergency (PHE) and Family First Coronavirus Response Act (FFCRA) continuous coverage provision will remain in effect through January 2022 and that, as a result, enrollment will continue to grow at an elevated rate through the end of January 2022. This is based on a Manatt analysis of state Medicaid enrollment data, which suggests that states are continuing to see elevated levels of enrollment growth, despite the improved economic picture.[46] For the period prior to the expiration of the PHE, we derive enrollment growth rates by averaging the monthly growth rate by eligibility group from Mississippi Division of Medicaid data from October through December of 2020. Beginning in February 2022, we generally assume that enrollment will grow in line with age-specific, population-growth estimates from the AARP Public Policy Institute.[47] We assume that non-expansion, non-disabled adult and child enrollment will decline for two years following the end of the PHE as states resume regular redeterminations of eligibility. We rely on midpoint rates of enrollment decline from a Manatt analysis of state budget projections; these are as follows:

- Adults: -5.5 percent in year one following the end of the PHE; -4.0 percent in year two
- Children: -2.2 percent in year one; -1.2 percent in year two

We assume certain individuals who previously would have been eligible for Medicaid through the pregnant women, blind and disabled, and family planning eligibility groups will instead enroll through the expansion group. To estimate the decline in enrollment through the pregnant women group, we analyzed data from New Hampshire and Louisiana.[48] Our analysis suggests that Mississippi can expect to see a decline in enrollment of approximately 46 percent in the pregnant women eligibility group by year three of expansion as newly pregnant women remain enrolled in the new adult group until their next eligibility renewal. We also assume that the State will see a decline in blind and disabled enrollment of approximately 2.7 percent by year three of expansion. This figure represents the approximate midpoint estimate of several studies examining the impact of Medicaid expansion on Supplemental Security Income determinations.[49,50,51,52] Finally, we assume that all family planning enrollees with incomes up to 138 percent of FPL will shift into the expansion group. Since Mississippi provides family planning coverage for individuals with incomes up to 199 percent of FPL, we estimate the share of total family planning enrollees with incomes at or below 138 percent of FPL by assuming that enrollees are distributed evenly by income. Using this approach, we estimate that approximately 69 percent of family planning enrollees will move into the expansion group.

Non-Expansion Medicaid Costs

To project costs for non-expansion Medicaid enrollees, we marry data from the MACPAC and Mississippi's 2019 CMS-64 expenditure report. We begin with estimated spending per enrollee by eligibility group for Mississippi from FY 2018 from MACPAC.[53] We then adjust these amounts such that per enrollee expenditures multiplied by enrollment by eligibility group is equal to actual total medical assistance expenditures from Mississippi's 2019 CMS-64, excluding DSH payments. Since MACPAC does not supply separate per enrollee cost estimates for pregnant women, we assume that annual per enrollee costs for this group are approximately 51 percent higher than those for parents (as described above). In each year beyond 2019, we trend forward per enrollee costs by eligibility group based on projections from the CBO 2020 Medicaid baseline.[54] To calculate total costs, we multiply projected per enrollee costs by projected enrollment by eligibility group.

Savings From Pregnant Women and Blind and Disabled Enrollees

As described above, states can expect that some pregnant women and disabled individuals will enroll directly in the expansion group instead of through traditional Medicaid eligibility pathways. Mississippi would be able to access the 90 percent expansion matching rate for these individuals instead of the State's regular matching rate. We calculate savings on these populations by calculating service costs associated with pregnant and disabled enrollees who instead enroll in the expansion group (using the processes described above). We then calculate the difference in the State share of costs if the State accesses the 90 percent matching rate for these individuals instead of the State's regular matching rate. This amount represents cost savings to the State.

Savings From the ARP FMAP Increase

ARP provides states that implement a Medicaid expansion after March 11, 2021 (the date of the law's enactment) with a two-year, five percentage-point increase in the FMAP that applies to most non-expansion Medicaid populations and activities. We calculate the value of the ARP FMAP increase by calculating the federal share of non-expansion Medicaid costs in the absence of the ARP FMAP increase and comparing this amount to the federal share of costs with the five percentage-point ARP increase in place. We apply the enhanced FMAP available under ARP to expenditures associated with most non-expansion eligibility groups, including Medicaid-funded children, aged, blind, and disabled individuals, parents, and pregnant women. We do not apply the enhanced FMAP to expenditures associated with individuals enrolled in the family planning group or CHIP (including CHIP-financed children enrolled in Medicaid), administrative expenditures, or DSH payments.

Non-Medicaid Savings

States that expand Medicaid can expect to see reductions in spending on certain state-funded health services for the uninsured, including hospital care for incarcerated individuals and certain mental health and SUD treatment programs.

Savings on Hospitalizations for Incarcerated Individuals

States are required by federal law to provide medical care to incarcerated individuals. However, states are generally prohibited from using federal Medicaid funds to pay for health care services provided to incarcerated individuals. The one exception to this so-called "Medicaid exclusion" is offsite hospital care.[55] States that provide Medicaid coverage to adults with incomes up to 138 percent of FPL are able to access federal Medicaid funding for these hospitalizations and have reported significant savings following the adoption of expansion.[56]

Mississippi spent approximately $76 million on medical care for incarcerated individuals in SFY 2019.[57] We assume this amount will grow in line with medical cost and adult population growth in future years (approximately 5.6% per year). We assume that approximately 20 percent of these expenditures are attributable to offsite hospitalizations. This assumption is based on a previous analysis of prison health care spending from the Pew Charitable Trusts.[58] Given that the vast majority of incarcerated individuals are uninsured, we assume that 90 percent of hospitalizations are for uninsured individuals.[59] We then apply the 90 percent expansion matching rate to projected costs in each year. This amount represents savings to the State, as it will offset expenditures that would have been funded entirely with State dollars in the absence of expansion.

Savings on State-Funded Mental Health and SUD Treatment Programs

Many states have also seen significant savings on state-funded mental health and SUD treatment programs after the implementation of Medicaid expansion by replacing state funding with matched Medicaid spending.[60] In 2019, Mississippi spent approximately $45 million in State funds on behavioral health services for adults.[61] We assume that approximately 63 percent of individuals served by these programs are uninsured and have incomes at or below 138 percent of FPL (and thus would be eligible for the Medicaid expansion). This is based on analysis of ACS data that shows that approximately 63 percent of uninsured adults in Mississippi have incomes under 138 percent of FPL. We then assume that approximately 50 percent of these expenditures would be replaced by matched Medicaid spending in year one of expansion, ramping up to 75 percent by year two. This is based on a Manatt analysis of Mississippi-specific behavioral health programs and the likelihood of services being eligible for Medicaid matching funds. We do not assume any annual increase in appropriations for these programs when calculating baseline spending.

[1] Subject to federal requirements regarding citizenship and immigration status.

[2] The ACA established the Medicaid new adult group (or "expansion group") as a mandatory eligibility category. However, the Supreme Court's decision in *National Federation of Independent Business v. Sebelius* (2012) held that the Secretary of Health and Human Services (HHS) may not compel states to adopt the Medicaid expansion. This effectively rendered the group optional.

[3] While this analysis focuses on the direct fiscal implications of a Medicaid expansion in Mississippi, a substantial body of evidence indicates that adopting the Medicaid expansion offers broad benefits to states, Medicaid beneficiaries, and health care providers, including reductions in the uninsured rate, improvements in health care access and outcomes, improved financial security and employment among low-income individuals, reduced uncompensated care, and increased economic activity and state tax revenue.

[4] "Health Insurance Coverage of the Total Population." *KFF*, 23 Oct. 2020, https://www.kff.org/other/state-indicator/total-population/.

[5] Radley, David C., et al. "2020 Scorecard on State Health System Performance." *The Commonwealth Fund*, Sept. 2020, https://www.commonwealthfund.org/sites/default/files/2020-09/Radley_State_Scorecard_2020.pdf.

[6] "Distribution of Total Population by Federal Poverty Level." *KFF*, 23 Oct. 2020, https://www.kff.org/other/state-indicator/distribution-by-fpl/?currentTimeframe=0&sortModel=%7B%22colId%22%3A%22Location%22%2C%22sort%22%3A%22asc%22%7D.

[7] Amin, Krutika, et al. "How Does Cost Affect Access to Care?" *Peterson-KFF Health System Tracker*, 5 Jan. 2021, https://www.healthsystemtracker.org/chart-collection/cost-affect-access-care/#item-costaccesstocare_5.

[8] "Enrollment Reports 2021." *Mississippi Division of Medicaid*, Aug. 2021, https://medicaid.ms.gov/wp-content/uploads/2021/08/Enrollment-Reports-2021_July.pdf.

[9] "Mississippi State Plan Amendment 13-0019-MM1." *Centers for Medicare and Medicaid Services*, Jan. 2014, https://www.medicaid.gov/sites/default/files/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/IA/IA-11-010-Att.pdf.

[10] Mississippi, like many other states, provides limited-benefit coverage to certain populations. For example, it has a family planning services waiver for people with incomes up to 194 percent of FPL who do not qualify for full-benefit coverage.

[11] "Medicaid, Children's Health Insurance Program, & Basic Health Program Eligibility Levels." *Centers for Medicare and Medicaid Services*, July 2021, https://www.medicaid.gov/medicaid/national-medicaid-chip-program-information/medicaid-childrens-health-insurance-program-basic-health-program-eligibility-levels/index.html.

[12] "EXHIBIT 21. Medicaid Spending by State, Eligibility Group, and Dually Eligible Status, FY 2018 (millions)." *Medicaid and CHIP Payment and Access Commission*, Dec. 2020, https://www.macpac.gov/wp-content/uploads/2015/01/EXHIBIT-21.-Medicaid-Spending-by-State-Eligibility-Group-and-Dually-Eligible-Status-FY-2018-millions.pdf.

[13] These figures do not include the enhanced federal matching dollars available under the Family First Coronavirus Response Act (FFCRA), which provides Mississippi with a 6.2 percentage-point increase in the federal match rate for most Medicaid expenditures for the duration of the federal Public Health Emergency (PHE). The figures represent Mississippi's FY 2019 matching rate, which was 76.39 percent. In FY 2022, Mississippi's match rate will be 84.51 percent until the PHE expires, at which point it will be 78.31 percent.

[14] "Expenditure Reports From MBES/CBES." *Centers for Medicare and Medicaid Services*, https://www.medicaid.gov/medicaid/financial-management/state-expenditure-reporting-for-medicaid-chip/expenditure-reports-mbescbes/index.html. Accessed 15 Nov. 2021.

[15] Our take-up assumptions are derived from the take-up experience of other states that expanded Medicaid after January 1, 2014, including New Hampshire, Pennsylvania, Indiana, Alaska, Montana, and Louisiana. The potentially eligible population includes noninstitutionalized adults with incomes from 0 percent to 138 percent of FPL who are either uninsured or privately insured (either through their employer or through the individual market). In Mississippi, there were approximately 420,000 such individuals in 2019.

[16] Explore Data | State Health Access Data Assistance Center. *State Health Compare*, http://statehealthcompare.shadac.org/Data. Accessed 15 Nov. 2021.

[17] "EXHIBIT 22. Medicaid Benefit Spending Per Full-Year Equivalent Enrollee by State and Eligibility Group, FY 2018." *Medicaid and CHIP Payment and Access Commission*, Dec. 2020, https://www.macpac.gov/wp-content/uploads/2015/01/EXHIBIT-22.-Medicaid-Benefit-Spending-Per-Full-Year-Equivalent-Enrollee-by-State-and-Eligibility-Group-FY-2018.pdf.

[18] "Senate Medicaid Committee: Medicaid 101 Presentation." *Mississippi Division of Medicaid*, Jan. 2020, https://medicaid.ms.gov/wp-content/uploads/2020/01/2020-Senate-Medicaid-101-Presentation.pdf.

[19] "Expenditure Reports From MBES/CBES." *Centers for Medicare and Medicaid Services*, https://www.medicaid.gov/medicaid/financial-management/state-expenditure-reporting-for-medicaid-chip/expenditure-reports-mbescbes/index.html. Accessed 15 Nov. 2021.

[20] "Medicaid—CBO's Baseline as of March 6, 2020." *Congressional Budget Office*, Mar. 2020, https://www.cbo.gov/system/files/2020-03/51301-2020-03-medicaid.pdf.

[21] Expenditure Reports From MBES/CBES: Financial Management Report for FY 2019. *Centers for Medicare and Medicaid Services*, https://www.medicaid.gov/medicaid/financial-management/downloads/financial-management-report-fy2019.zip. Accessed 15 Nov. 2021.

[22] General administrative costs are matched at 50 percent. However, costs related to eligibility and enrollment infrastructure are matched at an enhanced rate, including 90 percent for the design and implementation of eligibility and claims systems and 75 percent for operating claims and eligibility systems.

[23] American Rescue Plan Act of 2021, Pub. L. No. 117-2, § 9814, 135 Stat. 4, 215.

[24] Medicaid Program; Eligibility Changes Under the Affordable Care Act of 2010, 77 Fed. Reg. 17,144, 17,149 (Mar. 23, 2012).

[25] Bachrach, Deborah, et al. "States Expanding Medicaid See Significant Budget Savings and Revenue Gains." *RWJF*, 1 Mar. 2016, https://www.rwjf.org/en/library/research/2015/04/states-expanding-medicaid-see-significant-budget-savings-and-rev.html.

[26] "POMS: SI 01715.010 - Medicaid and the Supplemental Security Income (SSI) Program." *Social Security Administration*, 2 Oct. 2017, https://secure.ssa.gov/poms.nsf/lnx/0501715010.

[27] Soni, Aparna, et al. "Medicaid Expansion And State Trends In Supplemental Security Income Program Participation." *Health Affairs*, Aug. 2017, https://www.healthaffairs.org/doi/10.1377/hlthaff.2016.1632; Burns, Marguerite, and Laura Dague. "The Effect of Expanding Medicaid Eligibility on Supplemental Security Income Program Participation." *SSRN*, 25 Mar. 2016, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2753784; Schmidt, Lucie, et al. "The Impact of the ACA Medicaid Expansion on Disability Program Applications." *American Journal of Health Economics*, 16 Sept. 2020, https://www.journals.uchicago.edu/doi/pdf/10.1086/710525; Anand, Priyanka et al. "The Impact of Affordable Care Act Medicaid Expansions on Applications to Federal Disability Programs." *Forum for Health Economics and Policy*, 23 Feb. 2019, https://pubmed.ncbi.nlm.nih.gov/30796844/.

[28] "Mississippi Section 1115 Family Planning Medicaid Waiver." *Centers for Medicare and Medicaid Services*, 28 Dec. 2017, https://medicaid.ms.gov/wp-content/uploads/2021/01/Mississippi-Family-Planning-Waiver-STCs-with-Attachment-A.B.pdf.

[29] The State will likely incur additional costs for enrollees switching from the family planning waiver to the expansion group, as comprehensive coverage through the expansion group will be more costly than limited benefit family planning coverage. These costs are accounted for through the expansion adult cost figures.

[30] 42 U.S.C. 1396d(a)(30)(A).

[31] Bachrach, Deborah, et al. "States Expanding Medicaid See Significant Budget Savings and Revenue Gains." *RWJF*, 1 Mar. 2016, https://www.rwjf.org/en/library/research/2015/04/states-expanding-medicaid-see-significant-budget-savings-and-rev.html.

[32] "FY 2019 Annual Report." *Mississippi Department of Corrections*, 2019, https://www.mdoc.ms.gov/Admin-Finance/Documents/2019%20Annual%20Report.pdf.

[33] "State Prison Health Care Spending: An Examination." *Pew Charitable Trusts and MacArthur Foundation*, July 2014, https://www.pewtrusts.org/~/media/assets/2014/07/stateprisonhealthcarespendingreport.pdf.

[34] Gates et al., "Health Coverage and Care for the Adult Criminal Justice-Involved Population." *KFF*, 5 Sep. 2014, https://www.kff.org/uninsured/issue-brief/health-coverage-and-care-for-the-adult-criminal-justice-involved-population/.

[35] Ward, Bryce. "The Impact of Medicaid Expansion on States' Budgets." *The Commonwealth Fund*, 5 May 2020, https://www.commonwealthfund.org/publications/issue-briefs/2020/may/impact-medicaid-expansion-states-budgets.

[36] "FY 20 Annual Report." *Mississippi Department of Mental Health*, Nov. 2020, http://www.dmh.ms.gov/wp-content/uploads/2020/11/DMH-FY20-Annual-Report-Reduced-Size.pdf.

[37] Ku, Leighton and Erin Brantley. "The Economic and Employment Effects of Medicaid Expansion Under the American Rescue Plan." *The Commonwealth Fund*, 20 May 2021, https://www.commonwealthfund.org/publications/issue-briefs/2021/may/economic-employment-effects-medicaid-expansion-under-arp.

[38] Explore Data | State Health Access Data Assistance Center. *State Health Compare*, http://statehealthcompare.shadac.org/Data. Accessed 15 Nov. 2021.

[39] AARP Public Policy Institute Data Explorer. *AARP*, https://dataexplorer.aarp.org/. Accessed 15 Nov. 2021.

[40] "EXHIBIT 22. Medicaid Benefit Spending Per Full-Year Equivalent Enrollee by State and Eligibility Group, FY 2018." *Medicaid and CHIP Payment and Access Commission*, Dec. 2020, https://www.macpac.gov/wp-content/uploads/2015/01/EXHIBIT-22.-Medicaid-Benefit-Spending-Per-Full-Year-Equivalent-Enrollee-by-State-and-Eligibility-Group-FY-2018.pdf.

[41] Expenditure Reports From MBES/CBES. *Centers for Medicare and Medicaid Services*, https://www.medicaid.gov/medicaid/financial-management/state-expenditure-reporting-for-medicaid-chip/expenditure-reports-mbescbes/index.html. Accessed 15 Nov. 2021.

[42] "Senate Medicaid Committee: Medicaid 101 Presentation." *Mississippi Division of Medicaid*, Jan. 2020, https://medicaid.ms.gov/wp-content/uploads/2020/01/2020-Senate-Medicaid-101-Presentation.pdf.

[43] "Wyoming Medicaid Per Member Per Month Report State Fiscal Year 2017." *Wyoming Department of Health*, 2017, https://health.wyo.gov/wp-content/uploads/2018/03/SFY-2017-Wyoming-Medicaid-PMPM-Report.pdf.

[44] "Medicaid—CBO's Baseline as of March 6, 2020." *Congressional Budget Office*, Mar. 2020, https://www.cbo.gov/system/files/2020-03/51301-2020-03-medicaid.pdf.

[45] "Eligibility: Enrollment Reports." *Mississippi Division of Medicaid*, https://medicaid.ms.gov/resources/. Accessed 15 Nov. 2021.

[46] Mann, Cindy and Adam Striar. "Tracking Medicaid Enrollment Growth During COVID-19 Databook." *State Health & Value Strategies*, 5 Mar. 2021, https://www.shvs.org/resource/tracking-medicaid-enrollment-growth-during-covid-19-databook/.

[47] AARP Public Policy Institute Data Explorer. *AARP*, https://dataexplorer.aarp.org/. Accessed 15 Nov. 2021.

[48] New Hampshire and Louisiana were the only two "late-expander" states with at least three years of monthly enrollment data and detail on pregnant women enrollment.

[49] Soni, Aparna, et al. "Medicaid Expansion And State Trends In Supplemental Security Income Program Participation." *Health Affairs*, Aug. 2017, https://www.healthaffairs.org/doi/10.1377/hlthaff.2016.1632.

[50] Burns, Marguerite, and Laura Dague. "The Effect of Expanding Medicaid Eligibility on Supplemental Security Income Program Participation." *SSRN*, 25 Mar. 2016, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2753784.

[51] Schmidt, Lucie, et al. "The Impact of the ACA Medicaid Expansion on Disability Program Applications." *American Journal of Health Economics*, 16 Sept. 2020, https://www.journals.uchicago.edu/doi/pdf/10.1086/710525.

[52] Anand, Priyanka, et al. "The Impact of Affordable Care Act Medicaid Expansions on Applications to Federal Disability Programs." *National Library of Medicine*, Feb. 2019, https://pubmed.ncbi.nlm.nih.gov/30796844/.

[53] "EXHIBIT 22. Medicaid Benefit Spending Per Full-Year Equivalent Enrollee by State and Eligibility Group, FY 2018." *Medicaid and CHIP Payment and Access Commission*, Dec. 2020, https://www.macpac.gov/wp-content/uploads/2015/01/EXHIBIT-22.-Medicaid-Benefit-Spending-Per-Full-Year-Equivalent-Enrollee-by-State-and-Eligibility-Group-FY-2018.pdf.

[54] "Medicaid—CBO's Baseline as of March 6, 2020." *Congressional Budget Office*, Mar. 2020, https://www.cbo.gov/system/files/2020-03/51301-2020-03-medicaid.pdf.

[55] 42 U.S.C. 1396d(a)(30)(A).

[56] Bachrach, Deborah, et al. "States Expanding Medicaid See Significant Budget Savings and Revenue Gains." *RWJF*, 1 Mar. 2016, https://www.rwjf.org/en/library/research/2015/04/states-expanding-medicaid-see-significant-budget-savings-and-rev.html.

[57] "FY 2019 Annual Report." *Mississippi Department of Corrections*, 2019, https://www.mdoc.ms.gov/Admin-Finance/Documents/2019%20Annual%20Report.pdf.

[58] "State Prison Health Care Spending: An Examination." *Pew Charitable Trusts and MacArthur Foundation*, July 2014, https://www.pewtrusts.org/~/media/assets/2014/07/stateprisonhealthcarespendingreport.pdf.

[59] Gates, Alexandra, et al. "Health Coverage and Care for the Adult Criminal Justice-Involved Population." *KFF*, 5 Sep. 2014, https://www.kff.org/uninsured/issue-brief/health-coverage-and-care-for-the-adult-criminal-justice-involved-population/.

[60] Ward, Bryce. "The Impact of Medicaid Expansion on States' Budgets." *The Commonwealth Fund*, 5 May 2020, https://www.commonwealthfund.org/publications/issue-briefs/2020/may/impact-medicaid-expansion-states-budgets.

[61] "FY 20 Annual Report." *Mississippi Department of Mental Health*, Nov. 2020, http://www.dmh.ms.gov/wp-content/uploads/2020/11/DMH-FY20-Annual-Report-Reduced-Size.pdf.

manatt

Albany
Boston
Chicago
Los Angeles
New York
Orange County
Palo Alto
Sacramento
San Francisco
Washington, D.C.