The New Mexico Health Care Reform Simulation Model

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March 1, 2012
Acknowledgements

- Chuck Milligan provided guidance for developing the financial model.
- Laura Spicer, Chuck Betley, Seung Ouk Kim, and Carl Mueller provided background research and analysis of various sections of the Affordable Care Act (ACA).
Overview of the New Mexico Health Care Reform Simulation Model

- The New Mexico health care reform simulation model consists of four component models:
  - Population Model
  - Employment Model
  - Financial Model
  - Economic Impact Model
Population Model

- Projects population and number of uninsured by age group, disability, and FPL status
- Projects number of people eligible for Medicaid expansion
- Projects number of individuals who are eligible but not enrolled in Medicaid, but are likely to enroll with health care reform ("woodwork effect")
### Current Population Survey:
Number of Uninsured Individuals by Percentage of Federal Poverty Level, 2009

<table>
<thead>
<tr>
<th>Age Groups</th>
<th>Percentage of the Federal Poverty Level (FPL)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Below 100%</td>
<td>100% to 199%</td>
</tr>
<tr>
<td>0 to 17</td>
<td>40,194</td>
<td>13,955</td>
</tr>
<tr>
<td>18 - 64</td>
<td>112,566</td>
<td>92,753</td>
</tr>
<tr>
<td>65+</td>
<td>2,544</td>
<td>2,633</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>155,304</strong></td>
<td><strong>109,341</strong></td>
</tr>
</tbody>
</table>
Unemployment Rate

- Unemployment rate projections are used in both Population and Employment Models
- Estimated econometric model to forecast New Mexico’s unemployment rate as a function of national unemployment rate
- Used the long-term forecast of the national unemployment rate published by the Congressional Budget Office (CBO)
# Unemployment Rate Projections, 2012-2020

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2014</th>
<th>2016</th>
<th>2018</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>United States</strong></td>
<td>8.4%</td>
<td>6.8%</td>
<td>5.3%</td>
<td>5.2%</td>
<td>5.2%</td>
</tr>
<tr>
<td><strong>New Mexico</strong></td>
<td>7.1%</td>
<td>5.7%</td>
<td>4.5%</td>
<td>4.4%</td>
<td>4.4%</td>
</tr>
</tbody>
</table>
Unemployment Rate and Number of Uninsured

- Increase in unemployment rate leads to decrease in ESI, and increase in the number of people with Medicaid coverage (Gruber & Levitt, 2002)
  - Explains recent rapid growth in Medicaid enrollment due to economic recession
  - Addresses the “crowd-out” or “substitution” effects

- Effects of change in unemployment rates are included in the Population and Employment Models
Citizenship Status and Take-Up Rates

- Percentage of New Mexico’s population that has U.S. citizenship, and would be eligible for Medicaid expansion enrollment, or exchange subsidies
  - 100% for Native Americans
- Take-up (participation) rates by FPL status
  - Under 50% FPL: 62%
  - 51% - 138% FPL: 52%
Take-Up Rates of Native Americans

- Indian Health Services provides a variety of health care services to Native Americans
- Under the ACA, there is no individual mandate for Native Americans
  - Native Americans take-up rates: 20% Less
  - Will be even lower if Navajo in NM join Navajo exchange in Arizona
Employment Model

- Projects insurance take-up rate for individuals above 138% of the federal poverty level (FPL)
- Three econometric sub-models project employer-sponsored insurance (ESI) and individual direct purchase coverage:
  - Employer Offer of Insurance
  - Employee Take-Up of Insurance
  - Direct Purchase of Insurance
Variables Affecting these Sub-Models

- Unemployment rate
- Price of medical care
- Insurance premiums
- Employee portion of premiums
- Employer penalty under the ACA
- Average workers’ income
- Percentage of workers in firms of different sizes
Financial Model

- The financial model shows summaries of revenues, expenditures, and savings
- Estimates are based on:
  - Projections of the population and employment models
  - Detailed calculations based on the ACA law and specific to New Mexico
Medicaid Expansion

- Cover individuals with income up to 138% of FPL.

- Costs of Medicaid Expansion =

(Number of Medicaid Expansion enrollees) multiplied by

(Average cost per Medicaid enrollee)
Health Status of New Medicaid Enrollees

- Research-Based Assumptions:
  - New Medicaid enrollees will have better health status than existing Medicaid enrollees
  - Eligible individuals with a disability will have largely enrolled in the Medicaid program by 2014
Federal Medical Assistance Percentage (FMAP)

- FMAP rates for Medicaid Expansion:
  - 100% in federal fiscal years (FFYs) 2014 - 2016
  - 95% in FFY 2017
  - 94% in FFY 2018
  - 93% in FFY 2019
  - 90% in FFY 2020 and later
Impact on Employers and Employees

Federal Assessment of Employers Under the ACA:

- Less than 50 employees: exempt from penalties
- More than 50 employees, with no insurance coverage: Penalty of $2,000/Employee, excluding 30 employees
- The estimated total assessment of employers between FY 2014 to FY 2020 is $848 million
Federal Subsidy Payments (Tax Credits) for Individuals

Insurance premiums of individuals with incomes less than 400% of FPL will be capped at:

<table>
<thead>
<tr>
<th>Income % of the FPL</th>
<th>Max Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 133%</td>
<td>2.0% of income</td>
</tr>
<tr>
<td>134% to 150%</td>
<td>4.0% of income</td>
</tr>
<tr>
<td>151% to 200%</td>
<td>6.3% of income</td>
</tr>
<tr>
<td>201% to 250%</td>
<td>8.05% of income</td>
</tr>
<tr>
<td>251% to 400%</td>
<td>9.5% of income</td>
</tr>
</tbody>
</table>
Economic Impact Model

- Financial model estimates new spending in the state health care sector due to the ACA.
- The economic impact model evaluates the total economic impact of the ACA on the state’s economy.
- Estimate effects of spending in health care sector on other sectors of the economy.
Impact on the State Economy

- Results of the Financial Model are used by the IMPLAN Economic Impact Model to evaluate the total economic impact of the ACA on the state’s economy.

- Included estimates of increase in employment in the Financial Model through 1% reductions in projected New Mexico unemployment rates.
Basic Health Program

- Under the ACA, states have the option of establishing a Basic Health Program (BHP)

**BHP Eligibility Requirements**

- Individuals with incomes between 139% and 200% of the FPL who:
  - Do not qualify for Medicaid
  - Do not have ESI coverage

- Legal immigrants below 138% of the FPL, who do not qualify for Medicaid
BHP Unintended Consequences

- Main purpose of Exchange is to increase competition among insurance carriers
- Implementing a BHP may negatively affect the size of the risk pool (number of enrollees) in the insurance exchange
- With a BHP, one or two insurance carriers may dominate the Exchange
- May eliminate competition among carriers
BHP Implementation

- Avoid possible negative impact on the state insurance exchange
- Delay implementing a BHP until 2015 or a later year
- Implement a BHP only if sufficient number of people will remain in the exchange
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