



**The Hilltop Institute**

*analysis to advance the health of vulnerable populations*

# The New Mexico Health Care Reform Simulation Model

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Hamid Fakhraei, Ph.D.

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# Acknowledgements

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# Overview of the New Mexico Health Care Reform Simulation Model

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

# Population Model

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- 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

| Age Groups   | Percentage of the Federal Poverty Level (FPL) |                |               |               |               | Total          |
|--------------|---|----------------|---------------|---------------|---------------|----------------|
|              | Below 100%                                    | 100% to 199%   | 200% to 299%  | 300% to 399%  | 400% +        |                |
| 0 to 17      | 40,194  | 13,955         | 8,663         | 5,108         | 3,104         | <b>71,024</b>  |
| 18 - 64      | 112,566                                       | 92,753         | 63,652        | 28,339        | 51,391        | <b>348,704</b> |
| 65+          | 2,544   | 2,633          | 872           | 899           | 1,574         | <b>8,521</b>   |
| <b>Total</b> | <b>155,304</b>                                | <b>109,341</b> | <b>73,187</b> | <b>34,346</b> | <b>56,069</b> | <b>428,249</b> |

# Unemployment Rate

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- 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

|               | 2012 | 2014 | 2016 | 2018 | 2020 |
|---------------|------|------|------|------|------|
| United States | 8.4% | 6.8% | 5.3% | 5.2% | 5.2% |
| New Mexico    | 7.1% | 5.7% | 4.5% | 4.4% | 4.4% |

# Unemployment Rate and Number of Uninsured

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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)

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- 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

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## ■ **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:

| Income % of the FPL | Max Payment     |
|---------------------|-----------------|
| Up to 133%          | 2.0% of income  |
| 134% to 150%        | 4.0% of income  |
| 151% to 200%        | 6.3% of income  |
| 201% to 250%        | 8.05% of income |
| 251% to 400%        | 9.5% of income  |

# Economic Impact Model

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- 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

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- 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

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- 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

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- 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

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- 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

# Contact Information

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Hamid Fakhraei, Ph.D.

Director of Economic Analysis

The Hilltop Institute

University of Maryland, Baltimore County (UMBC)

410.455.6860

[hfakhraei@hilltop.umbc.edu](mailto:hfakhraei@hilltop.umbc.edu)

[www.hilltopinstitute.org](http://www.hilltopinstitute.org)