

Response to Questions on the FY 2014 Budget

Request By: Supervisor McKay

Question: If Virginia participates in an expansion of Medicaid funding what would the impact be on the County's budget?

Response: One component of the Patient Protection and Affordable Care Act (ACA) is the expansion of Medicaid to cover individuals at 138 percent of the Federal Poverty Level (FPL) by 2014. However, the Supreme Court has ruled that states can choose whether or not to expand their Medicaid programs (i.e. states can opt out of the Medicaid expansion). Virginia is still undecided on whether it will participate in Medicaid expansion; however, the House of Delegates and Senate did amend the state budget to include the ability to expand the state's Medicaid program. This move will allow state officials to begin talks with federal officials regarding flexibility in the Medicaid program. Additionally, Virginia can decide to participate in the Medicaid expansion at any time; however, it is anticipated that any expansion will not take effect before July 1, 2014.

In addition to the Medicaid expansion, the ACA also provides for Health Insurance Exchanges which will allow individuals with incomes less than 400 percent of FPL to receive subsidies for health insurance premiums and cost sharing. Unlike the Medicaid expansion, all states must implement the Health Insurance Exchanges, effective January 1, 2014, either by creating their own Health Insurance Exchange or having the federal government set-up and run the Health Insurance Exchange. At this time Virginia has decided to have the federal government operate the Health Insurance Exchange.

Below is a brief summary of the three human service agencies most likely impacted by the potential Medicaid expansion and implementation of the Health Insurance Exchange.

Fairfax-Falls Church Community Services Board (CSB)

In October 2012, the Virginia Community Services Board (VACSB) surveyed CSBs statewide to determine the number of individuals currently being served who may become eligible for benefits under the Medicaid expansion or the Health Insurance Exchanges. Fairfax-Falls Church CSB data as of October 1, 2012 reflects the following:

Category of CSB Consumers	Total Adult Consumers	Currently Covered by Medicaid	Medicaid Expansion (up to 138% FPL)	Health Insurance Exchange (up to 400% FPL)
Total (Unduplicated)	6,598	2,252	670	165
Mental Health	3,171	1,411	458	92
Substance Abuse/ Substance Use Disorders	725	90	11	0
Intellectual Disability	954	847	99	55
Outside of Program (e.g. emergency services)	1,935	2	102	18

Note: data does not include adult consumers with other types of insurance coverage

If Virginia implements the Medicaid expansion, the CSB anticipates that clinic option services (e.g., psychiatry, medication management, therapy/counseling) currently provided to individuals with serious mental illness and co-occurring disorders will be reimbursed by Medicaid. Based on the current Medicaid reimbursement rate of \$48.63 for a standard medication management appointment, the CSB estimates a maximum increase of approximately \$214,000 in annual revenue. Please note that estimates are based on current staff knowledge of how Medicaid expansion may be implemented as well as caseload and services provided on October 1, 2012. Changes in clients served, eligibility and services provided will affect actual revenues received.

Category of CSB Consumers	Medicaid Expansion (up to 138% FPL)	Average Annual Visits	Medicaid Reimbursement Rate	Estimated Maximum Annual Revenue
Mental Health	458	7.4	\$48.63	\$164,817
Substance Abuse/ Substance Use Disorders	11	7.4	\$48.63	\$3,958
Intellectual Disability	99	7.4	\$48.63	\$35,626
Outside of Program (e.g. emergency services)	102	1.9	\$48.63	\$9,424
Total				\$213,826

In addition, the CSB may receive additional revenue for individuals participating in the Health Insurance Exchanges. As of October 1, 2012, the CSB provided behavioral health services to 165 adults who did not have health insurance but would potentially be eligible for coverage under the Health Insurance Exchanges. The CSB anticipates that the same traditional clinic option services previously described and currently provided to individuals would be reimbursable. Using the current CareFirst reimbursement rate of \$27.10 for a standard medication management appointment, the CSB estimates a maximum increase of approximately \$30,000 in annual revenue. Please note that estimates are based on current staff knowledge of how Health Insurance Exchanges may be implemented as well as caseload and services provided on October 1, 2012. Changes in clients served, eligibility, and services provided will affect actual revenues received.

Category of CSB Consumers	Health Insurance Exchange (up to 400% FPL)	Average Annual Visits	CareFirst Reimbursement Rate	Estimated Maximum Annual Revenue
Mental Health	92	7.4	\$27.10	\$18,450
Intellectual Disability	55	7.4	\$27.10	\$11,030
Outside of Program (e.g. emergency services)	18	1.9	\$27.10	\$927
Total				\$30,406

It should be noted that if Virginia participates in the Medicaid expansion, the resulting increased demand for services would likely go unmet without a corresponding increase in service capacity. Without increased service capacity, consumers unable to access services in the community are likely to present to the CSB. In addition, given that some individuals newly covered under a Health Insurance Exchange are unlikely to be able to afford associated co-pays, they too may present to the CSB. Given static or declining

CSB service capacity, the CSB will be unable to meet the anticipated increase in service demand.

Health Department

It is estimated that if Virginia participates in the Medicaid expansion, approximately 25,000 to 30,000 people currently uninsured in Fairfax will now have healthcare coverage through Medicaid. However, the low number of physicians accepting Medicaid insurance, primarily due to low Medicaid reimbursement rates means there is already an inadequate supply of available physicians to meet current demand, let alone future projections anticipated with the Medicaid expansion. Therefore, in the current environment, a majority of the individuals now insured by Medicaid, as well as those who are still uninsured will continue to seek services through Community Health Care Network, Federally Qualified Health Centers, private providers, and free clinics.

With an increase in the number of individuals insured through Medicaid, the County may receive a slight increase in Medicaid revenue. For example, the County may now receive Medicaid reimbursement for individuals now covered under Medicaid who are receiving Adult Day Health Care and/or dental services. Assuming that County does not add additional positions to perform these or other Medicaid covered services, there will be a nominal increase in costs of supplies for these services.

Department of Family Services

If Virginia participates in the Medicaid expansion, over time there will be a significant increase in the number of new applicants applying for Medicaid. While ACA does move toward greater automation and thus it is estimated that 60 percent of the applications will be processed through an automated, self-service system, it is estimated that there still may be up to 13,000 new applicants that will need assistance via a case worker. Based on the number of new applicants actually received, how well the new automated system is able to handle of these new requests and other associated changes, additional staff may be needed since the Department of Family Services has already seen a significant increase in the number of applicants processed due to the recent downturn in the economy. As a result, the Department of Family Services may not be able to absorb a significant increase in new applicants within existing resources. Lastly, it is unclear whether any additional federal and/or state revenue will be received in order to address the additional applications.

It should also be noted that while Virginia at this point is not participating in the Medicaid Expansion, there are still other ACA provisions that must be implemented by January 1, 2014. As an indirect result of one of these provisions, DFS will be receiving approximately 9,000 additional cases that were previously being handled by a state contractor. Similar to the impact if Virginia participates in the Medicaid expansion, DFS may not be able to absorb this increased workload within existing resources.

There is also some potential to nominally increase Medicaid revenue in the Comprehensive Services Act (CSA) due to parents of Medicaid covered children now also being eligible for Medicaid. This will allow those parents to access outpatient therapy services through Medicaid, rather than CSA. However, similar to the Fairfax-Falls Church Community Services Board and Health Department, the limited number of providers participating in the Medicaid program will make it difficult to meet the needs of the expanded Medicaid population.