



Close the Gap Idaho Medicaid Budget Brief: Understanding SFY2022 Projections for Traditional Medicaid and Medicaid Expansion

Medicaid provides health coverage for qualifying Idahoans with low incomes. Traditional Medicaid covers primarily children, seniors, and people with disabilities, while Medicaid expansion covers adults living in or near poverty. In State Fiscal Year 2022 (SFY2022), Idaho is projected to have 395,857 Medicaid enrollees. While many Idahoans relied on Medicaid to access affordable coverage during the public health crisis, original cost projections for Medicaid expansion did not include the realities of a pandemic, economic recession, or federal relief.

This brief will explore Idaho's SFY2022 Medicaid budget, including updated projections for Medicaid expansion costs and federal relief savings. Conclusions will show that federal Medicaid relief will sufficiently allow for full funding of the state Medicaid budget without having to implement program changes or cuts during these unprecedented and uncertain times.

I. The Milliman Report: Medicaid Expansion Costs are Difficult to Predict During Pandemic

In 2018, Idaho voters passed the Medicaid expansion ballot initiative, resulting in enrollment for the newly eligible opening in November 2019 and coverage beginning January 2020. As Medicaid expansion enrollees began seeking health services in early 2020, the COVID-19 pandemic significantly shifted the economic and health system environments. Original projections for expansion costs and utilization patterns from 2018 and 2019 were no longer relevant in 2020.

To better understand the impacts of the pandemic on Medicaid expansion, the Idaho Department of Health & Welfare (IDHW) retained Milliman, Inc. to provide actuarial and consulting services to update budget forecasts. The resulting 'Milliman Report,' released December 8, 2020, includes scenario projections for SFY2021 and SFY2022. It is important to note that the updated Milliman Report projections are based off of only nine months of Medicaid expansion data (January 2020 through September 2020) and during a time period in which COVID-19 had unprecedented effects on Idaho's economy and health system.

Compared to original Milliman Report projections made in 2018, updated projections show higher monthly member costs and higher enrollment numbers. **Table 1** shows budget differences between the original Milliman Report projections made in 2018 and the updated Milliman Report projections, as reflected in the IDHW Medicaid budget request for SFY2022.¹

¹ The SFY2022 IDHW Medicaid budget request uses the Milliman Report scenario with projected enrollment from August 2020, assuming a 2.75 percent increase through December 2021 and a 0.50 percent increase thereafter.

Table 1: Medicaid Expansion Cost Projections: Original vs Updated, SFY2022²

	Original Projections for SFY2022	Updated Projections for SFY2022	Projection Difference
State Costs	\$44,600,000	\$73,797,200	\$29,197,200
State and Local Offsets	(\$40,300,000)	<i>Not updated</i>	<i>Not updated</i>
Federal Costs	\$394,900,000	\$785,090,800	\$390,190,800

The recent Milliman Report did not update projections for state and local offsets, which were originally estimated to result in \$40.3 million in savings for SFY2022.³ Not including state and local offsets, the increased Medicaid expansion cost projections are \$29 million more in state costs and \$390 million in federal costs than 2018 projections. The increased Medicaid expansion cost projections can be attributed to a number of factors, including:

- Economic conditions have resulted in higher Medicaid expansion enrollment;
- Medicaid expansion enrollees with Severe and Persistent Mental Illness (SPMI) have considerably higher needs and costs than originally anticipated, with the SPMI population representing 31 percent of the total Medicaid expansion membership and monthly member costs 2.3 times higher than non-SPMI populations;
- The Medicaid expansion population has a higher pent up medical demand than originally anticipated, meaning that enrollees have significant health needs;
- Medical and pharmacy costs increased, and Idaho’s rates of managed care remained low.

II. Medicaid Monthly Member Cost Projections: Costs Fluctuate Year to Year

Idaho’s Medicaid budgets, including both traditional Medicaid and Medicaid expansion, are calculated using projected average monthly members and monthly member costs. Monthly member costs, or per member per month (PMPM) costs, represent the average cost per Medicaid member on a yearly basis.

Table 2 shows that PMPM costs vary significantly between Medicaid populations. For example, in traditional Medicaid in SFY2022, a child without disabilities enrolled in Medicaid is projected to cost \$281 a month while an adult with a disability is projected to cost \$2,679 a month. PMPM costs fluctuate year to year, as shown in **Chart 1**. From SFY2020 to SFY2021, Medicaid expansion PMPM costs are projected to increase 32.7 percent (as estimated by Milliman and primarily driven by SPMI costs making the overall average higher), and traditional Medicaid PMPM costs are projected to increase 2.4 percent. From SFY2021 to SFY2022, Medicaid expansion PMPM costs are projected to increase 4.6 percent and traditional Medicaid PMPM costs are projected to decrease 2.3 percent.

² Source: Original projections from Milliman Report: Impact of Medicaid Expansion for Idaho, July 2018; Idaho Department of Health & Welfare, Medicaid Budget Request, November 2020.

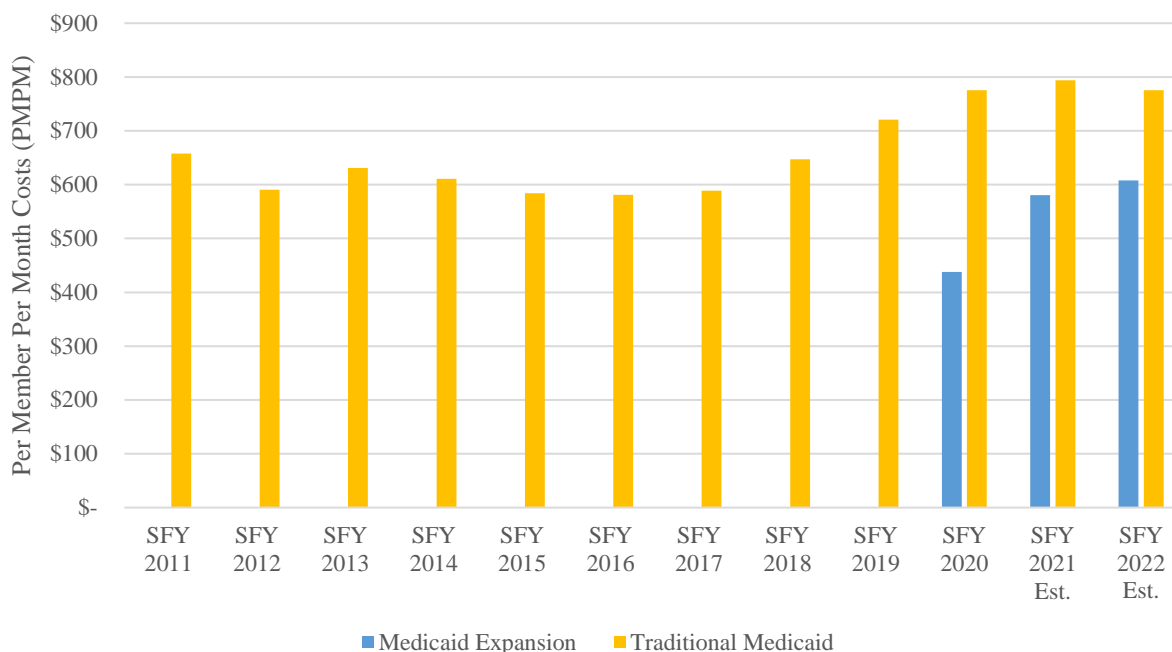
³ State and local offsets outlined in the 2018 Milliman Report include indigent care savings, criminal justice savings, and behavioral health savings.

Table 2: Medicaid Projected Enrollment and Costs: Traditional and Expanded, SFY2022⁴

	Projected Average Monthly Members, SFY22*	Monthly member costs (PMPM), SFY22
Children: Without disabilities	175,665	\$281
Children: Disabilities	27,222	\$1,077
Adults: Traditional & pregnant	30,304	\$674
Adults: Disabilities	18,976	\$2,679
Adults: Disabilities, over 65, Medicare	27,945	\$2,495
Total Traditional Medicaid <i>(total of above 5 populations)</i>	280,114	\$776
Medicaid Expansion	115,745	\$608

*Projected Average Monthly Members does not include Public Health Emergency extension scenarios.

Chart 1: Medicaid Monthly Members Costs Year to Year: Traditional and Expansion, SFY2011 – SFY 2022⁵



III. SFY2022 Medicaid Budget: Federal COVID-19 Medicaid Relief Covers Increased Costs

The state’s budgeting process typically begins in early summer when budget guidelines are finalized and distributed to state agencies. State agencies develop their budget requests for the upcoming fiscal year and submit these to the governor for review and approvals in the fall. At the

⁴ Sources: Idaho Department of Health & Welfare, Medicaid Budget Request, November 2020; Milliman Report, SFY 2021 and 2022 Expansion Budget Forecast, December 2020.

⁵ Sources: Idaho Department of Health & Welfare, Medicaid Budget Request, November 2020; Milliman Report, SFY 2021 and 2022 Expansion Budget Forecast, December 2020.

start of the Legislative Session, the governor presents his budget recommendations, and then the Joint Financial Appropriations Committee initiates the budget setting process for the legislature.

As **Table 3** shows, the Governor’s recommended SFY2022 budget, not including proposed cuts, includes \$3.7 billion for traditional Medicaid and Medicaid expansion (\$770 million in state costs and \$2.9 billion in federal costs). Of the state Medicaid costs, 90 percent are for traditional Medicaid (\$696 million) and ten percent are for Medicaid expansion (\$74 million).

Table 3: Medicaid Budget: State & Federal Costs, Not Including Proposed Cuts, SFY2022⁶

	Medicaid Expansion	Traditional Medicaid	Total Medicaid
State Costs (General & Millennium Funds)	73,797,200	696,022,400	769,819,600
Federal & Other Costs ⁷	785,090,800	2,151,255,800	2,936,346,600
Medicaid Request Total	858,888,000	2,847,278,200	3,706,166,200

Medicaid is a federal-state financial partnership, under which the federal government picks up a percentage of Idaho’s Medicaid costs by matching state Medicaid funds with federal funding. The Federal Medical Assistance Percentage (FMAP) is the rate that the federal government pays for specific medical and social service programs, including Medicaid costs. Idaho’s FMAP rates for SFY2022 are set at 70/30 for traditional Medicaid (the federal government pays 70 percent of costs and Idaho pays the remaining 30 percent) and 90/10 for Medicaid expansion (the federal government pays 90 percent of costs and Idaho pays the remaining 10 percent).⁸

The Families First Coronavirus Response Act, passed by Congress and signed by President Trump in March 2020, provides a temporary FMAP increase of 6.2 percentage points for traditional Medicaid. This FMAP increase is tied to the national Public Health Emergency (PHE) declaration and extends through the last day of the calendar quarter in which the PHE period ends. While the PHE is currently set to expire April 20, 2021,⁹ with the state receiving the PHE FMAP increase through June 30, 2021, the Biden Administration sent a [letter to Governors](#) stating their intent to extend the PHE into SFY2022. **Table 4** outlines Idaho’s SFY2022 FMAP rates as well as the PHE FMAP increase currently in place for traditional Medicaid.

Table 4: Medicaid FMAP Rates, Expansion, Traditional & PHE FMAP Increase, SFY2022

	Federal Share	State Share
Medicaid Expansion FMAP	90%	10%
Traditional Medicaid FMAP	70%	30%
Traditional Medicaid PHE FMAP Increase	76%	24%

⁶ Source: Legislative Services Office, Idaho Legislative Budget Book for Fiscal Year 2022, section 2-027. The included Medicaid budget totals do not include proposed cost containments or county sharing totals.

⁷ Other costs include drug rebates and 3rd party receipts.

⁸ For specific details on Idaho’s set FY2022 FMAP rates, refer to this notice by the U.S. Department of Health and Human Services Department on 11/30/2020: <https://www.federalregister.gov/documents/2020/11/30/2020-26387/federal-financial-participation-in-state-assistance-expenditures-federal-matching-shares-for>

⁹ For updates on PHE extensions, refer to the U.S. Department of Health & Human Services Public Health Emergency declarations: <https://www.phe.gov/emergency/news/healthactions/phe/Pages/default.aspx>

For every quarter of the fiscal year that the PHE is extended, Idaho will receive around \$30 million in additional federal Medicaid relief because of the PHE FMAP increase. Under Families First, states accepting the PHE FMAP increase may not terminate the Medicaid eligibility of any individual enrolled in Medicaid. This maintenance of effort (MOE) requirement has proven crucial to protecting enrollees from the loss of Medicaid coverage in the midst of the pandemic and the economic downturn. Like the PHE FMAP increase, the MOE is tied to the PHE period. As of December 2020, Idaho had 20,370 people enrolled in Medicaid due to the MOE requirement (11,497 in traditional Medicaid and 8,873 in Medicaid expansion), costing the state around \$4 – \$6 million each quarter.¹⁰

Idaho is already realizing significant relief from the PHE FMAP increase. At the end of SFY2021 (June 30, 2021), Idaho is expected to have \$63 million of savings in the Medicaid budget from the PHE FMAP increase. Idaho legislators and budget writers can choose to use these surplus dollars – intended to provide relief to Medicaid programs during the pandemic – to cover projected increases in Medicaid costs.

✓ **Estimated Unspent Savings from PHE FMAP Increase, End of SFY2021: \$63,000,000**

The Governor’s recommended SFY2022 budget assumes an end to the PHE in SFY2021 and does not incorporate any savings from the PHE FMAP increase in SFY2022. However, Health and Human Services Acting Secretary Norris Cochran’s [announcement](#) of the Biden Administration’s commitment to continuing higher Medicaid Funding for states in recognition of the ongoing public health response needed during COVID-19, savings for Medicaid will be available through the end of the calendar year, or Quarter 1 and Quarter 2 in SFY2022.¹¹

Table 5 shows the three possible scenarios for PHE FMAP increase savings in SFY2022:

- **Scenario A** assumes an end to the PHE FMAP increase before July 1, 2021, with no projected savings in SFY2022.
- **Scenario B** assumes an end to the PHE FMAP increase after December 31, 2021, with \$61 million in projected savings in both Quarter 1 and Quarter 2 of SFY2022.
- **Scenario C** assumes an end to the PHE FMAP increase after June 30, 2022, with \$124 million in projected savings for the full year of SFY2022.

Table 5: Medicaid Expansion & PHE FMAP Increase Scenarios: State Costs, SFY2022

	Scenario A: No PHE FMAP Increase	Scenario B: PHE FMAP Increased through Q1 and Q2 (Until 12/31/21)	Scenario C: PHE FMAP Increased Full Year (Until 6/30/22)
Savings from PHE FMAP Increase, SFY2022	\$0	(\$60,543,763)	(\$123,585,840)

¹⁰ MOE state costs are estimated using MOE enrollment numbers for traditional Medicaid from December 2020. PMPM costs for this population have not been projected, and so actual costs may vary.

¹¹ Secretary of Health and Human Services. 2021. <https://ccf.georgetown.edu/wp-content/uploads/2021/01/Public-Health-Emergency-Message-to-Governors.pdf>

Table 6 compares the unspent savings from the PHE FMAP increase in SFY2021 and the projected savings from the PHE FMAP increase in FY2022 with the projected state costs of Medicaid expansion in SFY2022.

- **Scenario A** assumes the transfer of unspent savings from PHE FMAP increase in SYF2021 and an end to the PHE FMAP increase before July 1, 2021. *The Governor’s recommended SFY2022 Medicaid budget follows Scenario A.*
- **Scenario B** assumes the transfer of unspent savings from PHE FMAP increase in SYF2021 and an end to the PHE FMAP increase after December 31, 2021 – with savings projected in both Quarter 1 and Quarter 2 of SFY2022.
- **Scenario C** assumes the transfer of unspent savings from PHE FMAP in SYF2021 and an end to the PHE FMAP increase after June 30, 2022 – with savings projected for the full year of SFY2022.

Table 6: Medicaid Expansion & PHE FMAP Increase Scenarios: State Costs, SFY2022

	Scenario A: No PHE FMAP Increase	Scenario B: PHE FMAP Increased through Q1 and Q2 (Until 12/31/21)	Scenario C: PHE FMAP Increased Full Year (Until 6/30/22)
Medicaid Expansion Projected Total State Costs	\$73,797,200	\$73,797,200	\$73,797,200
Unspent Savings from PHE FMAP Increase, SFY2021	(\$63,000,000)	(\$63,000,000)	(\$63,000,000)
Savings from PHE FMAP Increase, SFY2022	\$0	(\$60,543,763)	(\$123,585,840)
MOE State Costs*	\$0	\$12,500,000	\$25,000,000
Total State Costs	\$10,797,200	(\$37,246,563)	(\$87,788,640)

*MOE state costs are estimated using MOE enrollment numbers for traditional Medicaid from December 2020. PMPM costs for this population have not been projected, and so actual costs may vary.

With the Biden Administration extending the PHE beyond December 31, 2021, **Scenario B** offers a probable, yet conservative, estimate for projecting PHE FMAP increase savings in SFY2022. Under this scenario, Idaho’s savings would more than cover the entire projected Medicaid expansion state budget, leaving a \$37 million surplus for traditional Medicaid costs.

IV. Proposed Medicaid Cuts: No Financial Reason to Cut Medicaid During Pandemic

As the updated Milliman Report shows, the pandemic, economic environment, and unusual utilization patterns resulted in Medicaid expansion state cost projections \$29 million higher in SFY2022 than originally projected in 2018. In response, the Governor’s recommended SFY2022 budget includes proposed cuts to Medicaid of \$118 million (\$30 million in state funds and \$88 million in federal funds). About 90 percent of the proposed cuts to state funds would impact traditional Medicaid, which provides services primarily to children, seniors, and individuals with disabilities.

Table 7 provides a breakdown of the proposed Medicaid cuts. As highlighted in Section III, SYF2021 will end with a surplus and SFY2022 Medicaid budget is very likely to end with a surplus. There is simply no financial reason to cut Medicaid. Cutting Medicaid in SFY2022, based off of less than a year of Medicaid expansion data, is dangerous and a risk to the fragile health system and health of Idaho families.

Table 7: Medicaid Proposed Cuts: State vs. Fiscal Funds, SFY2022¹²

	Medicaid Expansion	Traditional Medicaid	Total Medicaid
State Funds	\$3,100,000	\$27,100,000	\$30,200,000
Federal Funds	\$28,200,000	\$60,000,000	\$88,200,000
Proposed Cuts Total	\$31,300,000	\$87,100,000	\$118,400,000

V. Conclusion and Recommendation: Use Federal Medicaid Relief to Fully Fund Medicaid

- ✓ **Recommendation: Idaho should use federal Medicaid relief to cover the projected state costs of Medicaid expansion and traditional Medicaid, and then the state should conduct a thorough review of Medicaid expansion utilization patterns, enrollment trends, and costs after the pandemic and economic recovery.**

Under a likely but conservative scenario, Idaho’s SFY2022 Medicaid budget will gain at least \$61 million in savings from federal funding intended to provide relief to Medicaid programs during the pandemic. Add this to the \$63 million in unspent surplus dollars intended for Medicaid in SFY2021, and the Medicaid budget will have more than enough to cover all Medicaid expansion state costs in SFY2022. The Medicaid budget will have a significant cushion to get through the uncertainties of the continuing pandemic and economic recovery.

A comprehensive review of Medicaid expansion once there is sufficient data will ensure more accurate cost projections as well as an understanding of the impacts of proposed program changes on the health system. Idaho Code §56-253 already directs the state to conduct such a review for Medicaid expansion by January 2023.¹³ Fully funding the Medicaid budget during these uncertain times will allow the state’s economic and health system environments to stabilize, and it will provide Idaho with additional data to better assess and understand Medicaid expansion utilization patterns, enrollment trends, and costs.

¹² Proposed amounts from Idaho Department of Health & Welfare, Medicaid Cost Containment Line Item Request, October 30, 2020, and the Legislative Services Office, Idaho Legislative Budget Book for Fiscal Year 2022.

¹³ In 2019, the Idaho Legislature passed legislation, S1204aa,aaH, requiring Health & Welfare Committees to review all “fiscal, health, and other Medicaid eligibility expansion” and report recommendations no later than January 31, 2023.