



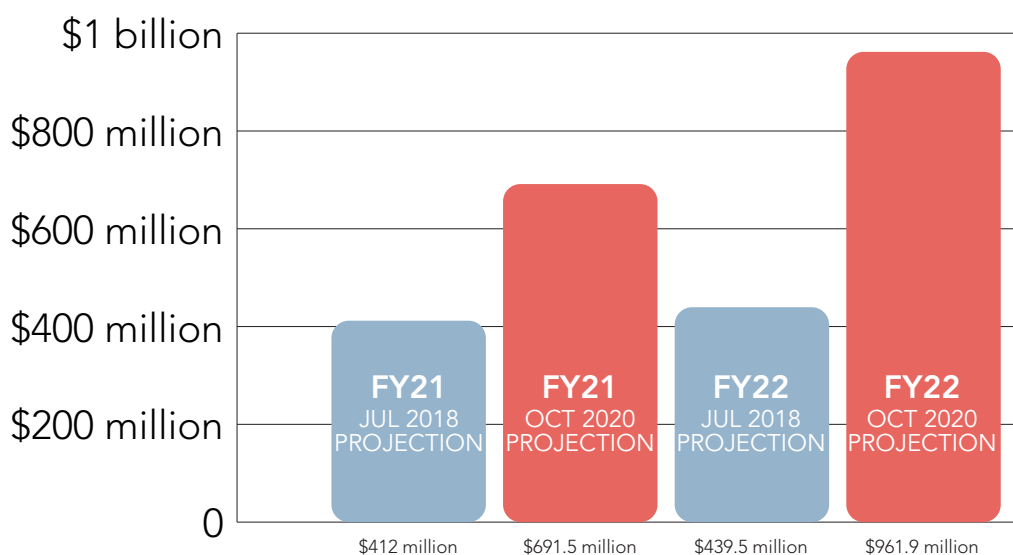
Massive cost overruns demand Medicaid expansion repeal

By Fred Birnbaum
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KEY POINTS:

- Before Medicaid coverage was extended to able-bodied adults in 2020, the program was already on an unsustainable growth path and just crossed \$3 billion in annual expenditures, up from about \$2 billion five years ago. Medicaid costs are squeezing out other budget priorities, like roads.
- Idahoans were told that the lowball projections for the cost of Medicaid expansion were to be believed because Idaho had learned from the experience of other states.
- For the first two full years of expansion, the preliminary, updated forecast is over 90 percent higher than estimated back in 2018, about \$800 million in all-funds spending and about \$80 million in general fund spending.
- The Idaho Legislature should repeal expansion during the 2021 session by sunseting expansion at the end of the current fiscal year.

OVERAGES VISUALIZED:



See full data breakdown on pg. 3 of this report.

During the November 2018 general election, Idahoans voted to expand Medicaid via Proposition 2. The cost of expansion was among the issues debated. Idaho's Prop 2 proponents asserted that savings would occur and costs would be low. Ignored were copious data from other Medicaid expansion states that showed costs for Medicaid expansion were routinely higher than originally estimated. This was true in California, Oregon, and virtually every other expansion state.

The basis for the purported savings in Idaho was a July 19, 2018¹ report prepared by the actuarial firm Milliman. Fast forward to today. Medicaid-expansion supporters were wrong: Costs are exploding for Medicaid expansion in Idaho. Using the 2018 report as a baseline, Medicaid expansion in the Gem State is \$800 million above the forecast for fiscal years (FY) 2021 and 2022.²

That's right; based on the new draft report, Milliman projects that the cost for the first two years will be almost double what was projected. On virtually every planet, an estimated 94% cost overrun is considered a failure.

To hold the line on substantial tax increases and/or robbing from other vital programs, Idaho should repeal Medicaid expansion during the 2021 legislative session.

Proposition 2 supporters published the following statement in the 2018 Idaho Voters' pamphlet³ distributed to registered

voters:

A recent, non-partisan report on Proposition 2 showed "significant savings to state and local governments due to lower costs from emergency medical services." The same report showed "net taxpayer savings" of more than \$15 million/year if existing, overlapping programs are eliminated.

In the same voters pamphlet, the Idaho Freedom Foundation stated:⁴

Medicaid expansion is a bad gamble for taxpayers: The numbers never work. California, Oregon, and almost every other state that has expanded Obamacare have experienced skyrocketing enrollments, massive cost overruns, and higher taxes. Let's not jeopardize Idaho's finances with a Medicaid expansion that will take money away from roads and schools.

Today, the fiscal situation is even worse than IFF and others said it would be.

Like many states, Idaho uses outside actuarial firms to forecast the cost of financially complex, long-term programs, such as pension forecasting. Going back at least to 2014, the State of Idaho has contracted with Milliman to forecast the costs of Medicaid expansion.

In October 2018, the Idaho Freedom



Foundation researched Milliman’s track record in other states as concerned Medicaid forecasting. The picture was not pretty.

In the month before Milliman issued its final July 2018 Idaho report, there were seven drafts. Interestingly, the Medicaid expansion cost estimate was lowered from the first draft to the final published report by 30 percent. After the published report was distributed, IFF pointed out, “The Iowa Insurance Division is suing Milliman for ‘professional malpractice,’ because the firm improperly forecasted enrollments in that state. Iowa Insurance Commissioner Doug Omen pointed out that an insurer, CoOpportunity, used Milliman’s financial projections to establish insurance premiums — and because

of the low numbers CoOpportunity lost more than \$163 million and went bankrupt.”⁵

Unfortunately, Millman’s Idaho estimate errors are worse than what happened in Iowa.

The comparison table below shows just how bad Milliman’s FY21 and FY22 expansion estimates are.⁶

To simplify what you are seeing below, consider this: Medicaid expansion was projected to cost about \$850 million in its first two full years and now it is projected to cost about \$1.65 billion - almost double.

Medicaid expansion costs	Milliman July 2018 projections	Milliman October 2020 projections	Amount over budget
Gross costs of expansion, FY21	\$412,000,000	\$691,471,437	\$ 279,471,437
Gross costs of expansion, FY22	\$439,500,000	\$961,880,207	\$ 522,380,207
TWO YEAR OVERAGE AMOUNT			\$ 801,851,644
Per patient per month costs FY21	\$382	\$584	\$202
Percentage over			53%
Per patient per month costs FY22	\$402	\$612	\$210
Percentage over			52%
State General Funds overage - est. based on 10% of costs (90/10 split)			\$80,185,164

Note: Milliman’s update does not forecast state and local savings from offsets. However, we know that based on the estimated \$15 million in FY21 and \$12 million in FY22 expenditures for the Catastrophic Health Care Program, the savings targets will not be met.

According to Milliman’s newest report,⁷ published October 9, 2020, the Medicaid enrollment projections are 7% higher for FY21 than originally projected and 41% higher for FY22.

Covid-19 is considered a factor in the higher enrollment projections for FY22, but we are not told exactly how, because the Covid emergency is not forecasted to continue to FY22.

Covid is not the cost driver in FY21, higher costs per patient are the cost driver.⁸ Covid-19 is not the driver of Per Patient Per Month (PMPM) costs, forecast error is.

In its recent report, Milliman wrote, “The largest driver [of expansion cost overruns] is the higher medical and pharmacy benefit cost PMPM in the emerging experience.”⁹

Thus, Milliman concedes: They got the cost-per-patient estimate wrong and therefore they seriously underestimated costs.

The Legislature should repeal Medicaid expansion before cost overruns inflict massive fiscal harm to Idaho. We were warned, but it’s not too late to undo the harm done by this unwise expansion of government healthcare.

ENDNOTES:

1. Milliman Client Report. Financial Impacts from Medicaid Expansion in Idaho. Prepared for Idaho Department of Health and Welfare. July 19, 2018.
2. Milliman Report, State of Idaho Department of Health and Welfare, initial draft SFY2021 and 2022 expansion budget forecast. October 9, 2020.
3. Idaho Voters’ Pamphlet, published by Lawrence Denney, Idaho Secretary of State, General Election, November 6, 2018, pages 6-8.
4. Ibid.
5. Milliman’s Cost Estimates for Prop 2 Medicaid Expansion Push are Not Credible, IFF article by Fred Birnbaum. October 6, 2018.
6. Milliman Report, Idaho Department of Health and Welfare, initial draft SFY2021 and 2022 Expansion budget forecast. October 9, 2020. (comparison to July 19, 2018 report).
7. Ibid, page 2.
8. Ibid, page 2.
9. Ibid, page 2.

Author’s note:

Data for the updated cost estimate reflect an October 9, 2020 draft by Milliman provided to IFF. If subsequent reports by Milliman materially change the cost forecast, this report will be updated to reflect those changes.
