

The Hilltop Institute



analysis to advance the health of vulnerable populations

User's Guide for New Mexico Health Care Reform Fiscal Model

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Introduction

For this guide, we have assumed that model users have read the document, “New Mexico Health Care Reform Fiscal Model: Detailed Analysis and Methodology,” and are familiar with the methods of analysis that were used to develop the fiscal model.

As new data become available, users can overwrite the data in the “Input Data” spreadsheet of the model, in the same cells. To avoid errors in the fiscal model output results, we recommend that users do not add new rows or columns in the Input Data spreadsheet.

Input Data Sources for New Mexico Health Care Reform Fiscal Model

Population Projections

The 2010 data for “New Mexico Population by Selected Age Groups” are based on 2010 Census estimates. Projected population growth rates are based on projections by the University of New Mexico Bureau of Business and Economic Research (BBER). The BBER projected growth rates by age group were applied to the 2010 population data from Census 2010 to project 2015 and 2020 populations. Then, we interpolated the population projections for intervening years.

Citizenship and Number of Uninsured

“Citizenship Status of New Mexico Population” data are derived from the 2007-2009 American Community Survey conducted by the U.S. Census Bureau. The 2009 “Total Number of Uninsured by Poverty Level” data are from the Current Population Survey, also conducted by the U.S. Census Bureau. Separate data are provided for the total number of uninsured individuals and the number of uninsured Native Americans, by age group and poverty status. The data are used to derive the number of individuals who would be eligible for Medicaid expansion.

Number of Employees by Firm Size and Number of Employees with Insurance Coverage

The “Number of Employees by Firm Size Class” and “Estimate of 2009 Total Number of Employees with Insurance Coverage” are from the Bureau of Labor Statistics, Quarterly Census of Employment and Wages program. These data were obtained from the New Mexico Department of Work Force Solutions website and used to project the number of people with health care coverage through employer-sponsored insurance (ESI).



Administrative Cost Percentage

“The Medicaid and SCHIP Administrative Cost Percentages” are based on historical Medicaid costs of administering the Medicaid and SCHIP programs. We used an administrative cost percentage of 5 percent, which is an historic average administrative (overhead) cost. It finances the outreach, enrollment, and eligibility determinations related to the substantial increase in Medicaid enrollment, as well as the oversight activities of various programs. If more specific estimates of administrative cost percentages are available for future years, they can be entered in the Input Data spreadsheet to produce more accurate projections.

Average Annual Costs per Person

“Average Annual Costs per Person” for “Aged, Blind, Disabled,” “Medicaid Families and Children,” and “SCI” are based on fiscal year (FY) 2010 and FY 2011 data submitted by the Medical Assistance Division (MAD) of the New Mexico Human Services Department (HSD). The data were summarized by these three groups of Medicaid beneficiaries. The cost summaries include both fee-for-service (FFS) and capitation payment expenditures.

Data for “Premium for Coverage through the Insurance Exchange” are based on the average per enrollee cost of state employees’ health insurance. An administrative cost of 15 percent was added to conform to the 85 percent medical loss ratio in the Affordable Care Act (ACA).

As reported in Appendix C: New Mexico State Employees Health Plan of the “Detailed Analysis and Methodology” report, we estimated the average premium payment per state employee for the New Mexico state employees’ health insurance program as \$3,944.

Data for future years (FY 2012 and later years) are derived using The Centers for Medicare & Medicaid Services (CMS) projections of “Change in Medical Price Deflator” and “Projected Growth Rate of Private Health Insurance Expenditure,” described below.

Healthier Population Cost Adjustment Factor

Two studies have demonstrated that individuals who are eligible for Medicaid but not enrolled, have better health status than current Medicaid enrollees. Based on two Urban Institute Publications (Davidoff, et al, 2000, and Holahan, et al, August 2010)¹, we have assumed that the

¹ Davidoff, A.J., Garrett, B., Makuc, D.M., and Schirmer, M. (September 2010). *Children eligible for Medicaid but not enrolled: How great a policy concern?* Urban Institute Publication, Series A, No. A-41; and Holahan, J., Kenney, G., & Pelletier, J. (August 2010). *The health status of new Medicaid enrollees under health reform.* Research funded by the Robert Wood Johnson Foundation.



health care costs of individuals who are currently eligible but not enrolled in Medicaid are, on average, 70 percent of currently enrolled Medicaid beneficiaries. This assumption can be revised by the user(s) by changing the “Healthier Population Cost Adjustment Factor” percentage in the Input Data spreadsheet. This information is used for calculating the cost of the “woodwork effect” in the fiscal model.

Average Standard Federal Medical Assistance Percentage (FMAP) – Not ARRA Enhanced

The American Recovery and Reinvestment Act of 2009 (ARRA) increased states FMAPs through December 2010. We obtained the non-ARRA enhanced “Federal Medical Assistance Percentage (FMAP)” for New Mexico from the website of the U.S. Department of Health and Human Services, Assistant Secretary for Planning and Evaluation (ASPE) for federal FY 2012. The regular FMAP was 69.36 percent, and the enhanced FMAP (used for SCHIP and SCI parents) was 78.55 percent in FY 2012. We assumed that these percentages would remain constant throughout the forecast period. These percentages and their projected values should be updated as new data become available.

Percent Allocation of Total Health Expenditures by Provider Type

To estimate the total impact on providers of implementing the ACA in New Mexico, we examined various data sources for a breakdown of total health care expenditures into broad categories of providers. Based on these sources, we allocated the total new health care expenditures by type of provider. We assumed that these percentages would remain constant throughout the forecast period. The data can be changed by the user in the Input Data spreadsheet, but the sum of allocations by provider type must total 100 percent.

Please refer to sections III, Table 8, and Appendix B: Financial Model Crosswalk to the Economic Impact Model of the report for a description of the allocation of health care expenditures by provider type.

Medicaid Take-up Rates by Poverty Status

We used take-up rates by federal poverty level (FPL) status to project the number of people who would enroll in Medicaid expansion. Medicaid take-up rates are entered separately for individuals with incomes below 50 percent of FPL and between 50 to 138 percent of FPL. Because Native Americans are exempt from the individual mandate, we used a lower Medicaid take-up rate for Native American individuals. As new information becomes available, the take-up rate data used in the model can be revised by the user. For example, if some Native-American



nations in New Mexico decide to join neighboring states' health programs, the overall take-up rate of Native Americans can be calculated separately and entered in the Input Data spreadsheet.

We have also included an increase in the take-up rates for Medicaid disabled, non-disabled (families and children), and SCI populations, which will determine the enrollment projections for both the current Medicaid program and the Medicaid woodwork effect of the ACA's individual mandate. The increases in these take-up rates are in additive forms, i.e., the increases specified in the input data are added to the regular take-up rates for these categories of Medicaid eligibility.

Federal Assessment of Employers

Under the ACA, employers with fewer than 50 employees are exempt from penalties for not providing insurance coverage to their employees. A recent Mercer survey of employers with more than 100 employees indicated that approximately 25 percent of these employers would pay penalties to the federal government instead of providing coverage to their employees. It is expected that approximately 55 percent of employers with 50 to 99 employees will pay penalties to the federal government, and not provide insurance coverage for their employees. Because employers are exempt from paying penalties for their first 30 employees, we have adjusted these numbers to represent the percentages of employees whose employers will pay penalties for them to the federal government. These numbers are used as input for the Employment model and for estimating the federal assessment of employers.

New Mexico Government and Education Employment Growth Rate

The government and education employment data are used to derive estimates of private sector employment. We have obtained projections of growth rates in government and education employment from the Department of Workforce Solutions website.

U.S. Unemployment Rate Projections

U.S. unemployment rate projections are based on the Congressional Budget Office's (CBO) "Budget and Economic Outlook" publication, dated January 2011. As described in "New Mexico Health Care Reform Fiscal Model: Detailed Analysis and Methodology", U.S. unemployment rate projections are used to derive New Mexico's unemployment rate projections.

Projection of Price and Costs of Medical Services

Projections of the price and costs of medical services include projections of "Change in Medical Price Deflator," "Growth Rate of Private Health Insurance Expenditure," "Growth Rate in Prescription Drug Costs," and "Change in Hospital Care Expenditures." The projected growth



rates were obtained from the CMS Office of the Actuary’s “National Health Expenditure Projections” publications for 2009-2019 and for 2010-2020.

Projections of Model Variables with and without Health Care Reform

There are two blocks of data in the Input Data spreadsheet that show “Percent Change from Base Year” in variables of the econometric models used to project ESI and the direct purchase of insurance. The first block shows projected growth rates in the absence of health care reform, and the second block represents the projected growth rates of the variables with health care reform.

Relative Price of Medical Care (Insured with Subsidies to Uninsured)

This variable affects the purchase of insurance coverage through the Insurance Exchange. It compares changes in the relative price of obtaining insurance coverage with subsidies with being uninsured and paying out of pocket for health care services.

Employment-Sponsored Insurance Premiums and Net Employee Premiums

The projected growth rates of “Employer-Sponsored Insurance Premiums” and “Net Employee Premiums” are from the CMS publication “National Health Expenditure Projections.”

Percent of Premium Costs Covered by Employers

Forecast values of the “Percent of Premium Costs Covered by Employers” variable are based on an analysis of historical data from the Kaiser Family Foundation and Health Research & Educational Trust Annual Survey of Employers: Employer Health Benefits 2010 Annual Surveys, Worker and Employer Contributions for Premiums. The following table illustrates the historical data:



Worker and Employer Contributions to Health Insurance Premiums

Year	Contributor		Total	Percent of Total		
	Worker	Employer		Worker	Employer	Total
1999	\$318	\$1,878	\$2,196	14.5%	85.5%	100.0%
2000	\$334	\$2,137	\$2,471	13.5%	86.5%	100.0%
2001	\$355	\$2,334	\$2,689	13.2%	86.8%	100.0%
2002	\$466	\$2,617	\$3,083	15.1%	84.9%	100.0%
2003	\$508	\$2,875	\$3,383	15.0%	85.0%	100.0%
2004	\$558	\$3,136	\$3,694	15.1%	84.9%	100.0%
2005	\$610	\$3,413	\$4,023	15.2%	84.8%	100.0%
2006	\$627	\$3,615	\$4,242	14.8%	85.2%	100.0%
2007	\$694	\$3,785	\$4,479	15.5%	84.5%	100.0%
2008	\$721	\$3,983	\$4,704	15.3%	84.7%	100.0%
2009	\$779	\$4,045	\$4,824	16.1%	83.9%	100.0%
2010	\$899	\$4,150	\$5,049	17.8%	82.2%	100.0%
1999-2010 Average Annual Percent Change				1.9%	-0.4%	

We used the value of -0.4 percent average annual percent of change for the forecast period.

Availability of Public Insurance

Based on our analysis, we used the value of -1.0 percent for the “Availability of Public Insurance” variable without health care reform, and +1 percent with health care reform. The differentials in the values of this variable with and without health care reform affect the change in ESI coverage in the Enrollment output. The financial effects of changes in ESI coverage are shown in the financial model output.

Average State Income Tax Rate

We have assumed that the “Average State Income Tax Rate” will not change under health care reform. However, if the state income tax rates are decreased, the values of this variable can be changed in the Input Data spreadsheet. Change in the values of this variable affect the ESI and exchange coverage in the Enrollment output. Related changes are also shown in the Financial model output.



Average Workers' Income

The CBO published “Budget and Economic Outlook: Fiscal Years 2011 to 2021,” which contains projections of personal income and the consumer price index. We used these data to derive projections of “Average Workers' Income” in constant dollars, which are used in the model. The projections are the same with and without health care reform.

Percent of Population in Metropolitan Statistical Areas (MSAs)

The “Percent of Population in Metropolitan Statistical Areas (MSAs)” is used to project the model variable in the Input Data regarding the percent of state population residing in MSAs. The state of New Mexico has a total of four MSAs that are fully or partially located in the state. Seven of the state's 33 counties are classified by the U.S. Census Bureau as metropolitan. As of the 2000 census, these counties had a combined population of 1,147,424 (63.1 percent of the state's total population). Based on a July 1, 2009, population estimate, that figure rose to 1,335,985 (66.5 percent of the state's total population). The source of the data is the U.S. Census Bureau: Annual Estimates of the Population for Counties of New Mexico, April 1, 2000, to July 1, 2009. Based on these data, we estimated that, on average, the percent of New Mexico population residing in MSAs will increase by 0.6 percent annually. These data are used as input for the fiscal model.

Percent of Full-time Workers in Firms

Three variables in the model are used for projecting “Percent of Full-time Workers” in firms of different sizes (i.e., fewer than 50 employees, 50 to 100 employees, and more than 100 employees).

We predict that the country's economic recovery will be achieved through increases in employment in small businesses. Hence, we assumed that the percent of full-time workers will increase annually by 0.2 percent in firms with fewer than 50 employees, and by 0.1 percent in firms with 50 to 100 employees. For firms with more than 100 employees, we assumed that the percent of full-time workers will decrease by 0.1 percent without health care reform, and will increase by 0.1 percent with health care reform. This assumption is based on the Economic Impact model projection that implementation of health care reform will lead to an increase in private sector employment and the further decrease in the unemployment rate.





The Hilltop Institute

University of Maryland, Baltimore County
Sondheim Hall, 3rd Floor
1000 Hilltop Circle
Baltimore, MD 21250
410-455-6854
www.hilltopinstitute.org



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