

Medicaid Expansion Background information

Governor Gary Herbert introduced the “Healthy Utah” plan last year to expand Medicaid coverage to some of the uninsured in the state of Utah. The original plan was a pilot program that would automatically expire in three years unless the State decided to extend the coverage. Our understanding is the new plan is permanent, unless repealed at some point, of course, by either the State Legislature or the Feds if they pull funding. Because there is concern by the Legislature that the coverage growth would be much higher than anticipated, looking at other expansion states projected vs. actual growth of the expansion population, the cost to the State is not really known. Initially, projections for the pilot project stated the plan would cover 95,000 individuals the first year (2016) up to 140,000 people by mid-2019. Now with the proposed plan not being a pilot project and unknown growth other than some initial projections that may or may not be on target, the cost of the program for the State is still under consideration and the payment for that cost is still being discussed (payment will be detailed later under proposed provider tax as payment for expansion). When no plan was passed at the end of the legislative session this year, a group “gang of six” was formed to discuss what agreement to come to on Medicaid expansion over the interim.

Healthy Utah projections are that the Affordable Care Act (ACA) left approximately 62,000 Utahans living below 100% of the federal poverty level (FPL) with no financial assistance to purchase health care (called the “coverage gap”) while it covered many between 100% and 133% of the FPL by giving them tax or premium credits to purchase insurance. According to the original Healthy Utah document, those eligible for Healthy Utah benefits would be: adults who are U.S. Citizens, or legal residents who have been in the country for at least five years, between the ages of 19-64 who have an income up to 133% of the FPL who are not already covered by Medicaid. The ACA covers the Medicaid Expansion population (Healthy Utah proposal) at 100% paid by the Federal Government through 2016. **In 2017 the State of Utah would pay 5% of that cost, in 2018 they would pay 6% of the cost, in 2019 they would pay 7% of the cost and in 2020 and beyond they would pay 10% of the cost no matter how large that growth of the expansion population. The match rate would continue at 90% paid by the Federal Government and 10% paid by the State as long as the U.S. Congress did not change that rate.** Since there is no cap on the number of those who can qualify, other than FPL, and the woodwork effect (low income individuals covered by some type of insurance that are dropped from coverage by their employer) is unknown, it is hard for the state to come up with a budget figure on the expense side into the future that it will have to cover if the state implements this expansion. There is an estimate of \$78 million as a starting point for the State portion of the expense.

What is the Coverage?

Under the Healthy Utah plan, as proposed, some of the expansion population would go into strict Medicaid plans, supposedly some would go into employer-sponsored plans that the Medicaid would pay for and some individuals would receive funding from Medicaid to purchase a private plan through the federal exchange. We do not know the breakdown of percentages for those individuals who would go into each category. The question on reimbursement is still up in the air however because it does state in the Healthy Utah plan “these private plans are likely to pay rates to physicians and other providers that are closer to market rates than what Medicare currently pays.” BUT OF COURSE IT DOES NOT REQUIRE THAT and does not guarantee that physicians can participate in those plans.

Proposed Provider Tax as payment for Medicaid Expansion

The Utah Medical Association (UMA) met with members of the “gang of six” or their representatives (Governor Herbert , Lt. Governor Cox, Speaker of the House Greg Hughes, Majority Leader of the House Jim Dunnigan, President of the Senate Wayne Niederhauser and Senator Brian Shiozawa) to talk about the physician tax. UMA leadership was told by the Speaker that the plan would be to tax physicians \$12.5 million dollars a year to help pay for Medicaid expansion . The tax would have to be a broad based tax on all physicians. We understand the tax imposed on physicians may be a starting point and may not be the final number but it is the number we were given. It may be larger or it may be slightly smaller. We were further told, that if expansion is greater than expected, that tax would increase proportionally. Then

the breakdown on figures was that if there were approximately 5200 patient care physicians in Utah, they would be taxed \$2400 every year to pay for expansion. This would be done by increasing physician licensing fees from \$261 to \$5061 every two years. If there are more or less physicians this number would be different. We were also told that Hospitals would pay \$30 million and pHARMA would pay \$7 million to help pay for the expansion. When asked about other groups there was some indication that others would also pay “something” but not what they would pay or who would pay it. **We understand that the numbers are still under discussion but have been told over and over again that physicians would have to pay a tax to help pay for expansion. The figures quoted here are the only ones we have been given to date so are the ones we are working against right now.**

There are some different options being floated to help pay for expansion such as reinstating the sales tax on food to make it a general tax so that all pay for expansion but that is NOT being discussed by the “gang of six” as of this update.

UMA Push back on Proposed Physician Tax to Pay for Expansion

UMA strongly objected to physicians being taxed to help pay for expansion. We told the “gang of six” the following:

1. Most physicians did not benefit and those that did were a small portion and to a small extent and that the benefit was that more Utahns had care not that physicians benefitted.
2. Physicians do not actually make money on Medicaid patients, they lose money.
3. In no other state have physicians been taxed to pay for expansion, only Hospitals have been taxed (because the benefit to them was clear).
4. We suggested that insurance companies would benefit.
5. We indicated that charity care would be greatly harmed because much of the care given in the charity care clinics in Utah was given by retired physicians who had to keep their licenses and many would drop their licenses if this tax was implemented which would increase those going to emergency rooms for care.
6. We stated that it would cause those physicians close to retirement or who were thinking of retirement to retire early thus exacerbating a physician shortage problem.
7. We told them that Utah was 47th out of all 50 states when it comes to physicians per capita so we already have a shortage and this would cause problems with recruitment and retention, again making the problem worse.
8. We talked about those who only work part-time or occasionally who are young parents who may drop their licenses or decide to keep a license in another state.
9. We said that taxing physicians as individuals who provide a service for a state approved program was wrong and had not been done before. We compared it to taxing Engineers for helping with roads and attorneys for providing a service to the state that the state has put in place and hired them do provide the service.
10. We said we already have a problem with physicians who are willing to accept Medicaid patients and this will just make it worse. However, we stated, even if they are willing, they may not be able to participate with any of the expansion population because we are now on Medicaid Managed Care plans for Utah and all plans have provider panels that are not determined by the physicians but by the insurers.
11. We had many other arguments that we used to say why it was wrong to target physicians to pay for expansion including saying that if the State decided it was a benefit to the citizens of Utah, it ought to be paid for on a broad basis, not by punishing those providing the service.

WE ARE VERY CONCERNED ABOUT IMPLEMENTATION OF A TAX TO PHYSICIANS FOR ANYTHING AS IT BECOMES A FUNDING SOURCE IF THE STATE HAS A BUDGET SHORTFALL OR NEEDS MORE MONEY FOR PROGRAMS.