

Amendment D: Medicaid Expansion

Amendment D will change the South Dakota Constitution by directing the legislature to expand the base of those who are eligible for public health insurance known as Medicaid. There are economic incentives offered by the federal government to states that expand Medicaid eligibility but the cost of the program is a split between the state and the federal government that will require, over time, the state to provide funds for the program.

Here is summary of Medicaid history and information pertaining to how it is administered today, followed by a look at what will be different if Amendment D should pass and there are more people eligible for Medicaid.

What is Medicaid?

1965 - Medicare and Medicaid were enacted as Title XVIII and Title XIX of the Social Security Act, extending health coverage to almost all Americans age 65 or over (e.g., those receiving retirement benefits from Social Security or the Railroad Retirement Board), and *providing health care services to low-income children deprived of parental support, their caretaker relatives, the elderly, the blind, and individuals with disabilities. Seniors were the population group most likely to be living in poverty; about one-half had health insurance coverage.*

Cost split between state and federal government.

Medicaid is a program with costs that are split between the state budget and federal government in a formula known as the “FMAP” – Federal Medical Assistance Percentage. The current Medicaid cost split is: 56% federal government and 44% South Dakota costs. The FMAP formula has been in place since 1965 without being significantly changed. The cost share does change based on each state’s economy but each state can never be held responsible for more than 50% of the total costs.

This coverage is for people with low incomes who meet certain eligibility requirements based on poverty line. Here is the poverty line for Medicaid:

Federal Poverty Level (FPL)

Family size	2021 income number	2022 income numbers
For individuals	\$12,880	\$13,590
For a family of 2	\$17,420	\$18,310
For a family of 3	\$21,960	\$23,030
For a family of 4	\$26,500	\$27,750
For a family of 5	\$31,040	\$32,470
For a family of 6	\$35,580	\$37,190
For a family of 7	\$40,120	\$41,910
For a family of 8	\$44,660	\$46,630
For a family of 9+	Add \$4,540 for each extra person	Add \$4,720 for each extra person

Who does South Dakota cover with Medicaid?

Currently, Medicaid covers low-income families, pregnant women, children (CHIP) and elderly, blind or disabled individuals that meet various income requirements.

How many people are on Medicaid?

The average monthly enrollment in Medicaid during the state's FY 2019 was 117,000 people. More recent years have seen some pandemic related increases with the FY 2021 monthly average at 128,000.

How much does it cost the state each year?

The total cost for Medicaid in South Dakota in FY 2019 was \$967.2 million. With the FMAP split as it is today, that would have cost the state of **South Dakota \$425.5 million** (assuming an FMAP split that is 44% state and 56% federal).

Medicaid is the major expense in the state budget accounting for and estimated 35% of that budget which is around \$1.8 billion dollars of state revenues. The total state budget is approximately 4 billion when federal funds are included.

Who gets that money?

Medicaid is a health insurance program that pays healthcare providers directly. None of this money is paid to people on the program. The state sets the reimbursement rates that each medical service gets paid to cover Medicaid patients.

Amendment D: Expanded Medicaid.

Amendment D would require South Dakota to expand the group of people that qualify for Medicaid insurance following the guidelines of the federal government program. This expanded Medicaid program was part of the healthcare reforms passed during the Obama administration. The original bill required states to adopt the expanded populations, a provision that was struck down by the US Supreme Court leaving the decision to adopt expanded Medicaid up to each state.

The federal government offers financial incentives to each state as a way to encourage them to expand Medicaid and thirty-nine states have adopted expansion and accepted those incentives.

What does Amendment D do?

Here is the Attorney General's Ballot Explanation which will be on the ballot when people vote:

Title: An initiated amendment to the South Dakota Constitution expanding Medicaid eligibility.

Explanation: Medicaid is a program, funded by the State and the federal government, to provide medical coverage for low-income people who are in certain designated categories. This constitutional amendment expands Medicaid eligibility in South Dakota. It requires the State to provide Medicaid benefits to any person over age 18 and under 65 whose income is at or below 133% of the federal poverty level, plus 5% of the federal poverty level for the applicable family size, as provided in federal law. For people who qualify under this amendment, the State may not impose burdens or restrictions that are greater than those imposed on any other person eligible for Medicaid benefits under South Dakota law.

The South Dakota Department of Social Services must submit to the federal government all documentation required to implement this amendment, and must take all actions necessary to maximize federal funding for this expansion.

Who will get Medicaid insurance under this expansion that is not eligible now?

Expanded Medicaid will be available to individuals who are not part of a family with children or parents that do not currently qualify. These newly eligible include people with lower paying jobs that don't offer health insurance and cannot afford health insurance available through the "marketplace" created by "Obamacare".

How many people will this expansion add to the Medicaid roles?

The estimate is that 42,500 people will be added. This number is never static. People become eligible for Medicaid for periods of time. If they are unemployed when they first become eligible and later find a job, they are taken off the Medicaid roles.

How much is all this expansion going to cost?

First, the FMAP for the expanded population is different than the FMAP for the current Medicaid program. As mentioned above, the financial incentive that is offered to the states to expand Medicaid is an FMAP split that is 90/10; in other words, the federal government pays 90% of the cost for those added to the Medicaid roles and the state will pay 10%. Plus, there is a bonus provided for the first two years that adds to the federal government payments that will actually over pay for benefits.

How's that work?

Here is the Legislative Research Council's Fiscal Note on Amendment D:

Due to a temporary change to federal law affecting the first two years of Medicaid expansion, a five-year estimate was determined to be optimal. The estimate includes the costs for additional individuals who would be eligible for Medicaid, additional staffing and upgraded IT systems, and individuals who were always eligible but have never enrolled (commonly referred to as the woodwork effect).

The estimate includes general fund savings due to expansion, including an offset in funds for correctional healthcare, behavioral healthcare, and Indian Health services, as well as the movement of certain populations from the regular Medicaid group to the expansion group. The general fund savings also reflect a temporary two-year incentive for Medicaid expansion provided under the American Rescue Plan Act. These savings do not necessarily need to be applied to the Medicaid program and could be used for other appropriations.

A breakout by year for the proposed Medicaid expansion is below, based on the current Medicaid budget'

Total	New Individuals	Total Cost	State Share	Total General Fund Savings
Year 1	42,500	\$297,042,000	\$32,565,000	\$63,572,000
Year 2	43,000	\$300,013,000	\$32,904,000	\$64,899,000
Year 3	43,400	\$303,013,000	\$33,245,000	\$11,334,000
Year 4	43,800	\$306,043,000	\$33,590,000	\$11,334,000
Year 5	44,300	\$309,103,000	\$33,939,000	\$11,334,000
Totals		\$1,515,214,000	\$166,244,000	\$162,473,000

Total state cost over 1st five years: \$3.8 million

Source: Legislative Research Council

Is there a way to make that chart understandable?

Reading the chart above, the first two columns show the additional people that may be on Medicaid and how much it will cost to cover those people using the 90% federal & 10% state cost FMAP. The last column is the one that is confusing because it isn't determined by the other two.

The second column showing the cost of covering the people added to ~~the~~ Medicaid under the expansion is more than the 10% state share under the expanded Medicaid FMAP because it includes an estimated \$3 million of allowable administrative costs.

The final column is the extra money the state will receive after the federal government pays the 90% AND the extra money that will come from the American Rescue Plan Act, and from taking people that are currently covered by Medicaid under the 56% federal; 44% State FMAP and moving them to the expanded coverage under the 90% federal; 10% state FMAP.

During each of the first two years, South Dakota will receive approximately \$60 million dollars more than the cost for the expanded population to the state general fund. That does not have to be used for Medicaid coverage; it can be used any way general funds are allocated.

The South Dakota Chamber of Commerce and Industry did support Senator Steinhauer's bill to set those funds aside to cover Medicaid costs after the first five years.

So how much will expanded Medicaid cost after all the incentives are finished?

The most common estimate is that the state will have to pay approximately \$25 million dollars to cover the costs of those added to Medicaid after the initial incentives end. Healthcare proponents suggest that this is too high because the 90/10 FMAP for the expanded population continues long term and moving people that have been covered by Medicaid previously to the expanded program will hold the annual costs to as low as \$13 million with a maximum of \$18 million.

How can anyone know if the federal government will end the 90/10 FMAP and force states to cover the people eligible with expanded Medicaid to pay according to the long established 56/44 FMAP.

The 90/10 FAMP has been put into federal statute and it will take an act of congress to accomplish that change. That change would impact all state budgets and proponents argue that there is very little chance of that happening. In addition, it is worth noting the original FMAP adopted in 1965 has not changed much in all of those years.

Plus, the act of expansion is a state decision which can be reversed by states if they chose. Should the funding be reduced, it is possible for states to take away the Medicaid eligibility for the expanded group of people. This would require a constitutional amendment in South Dakota.

Why is Amendment D being put in the constitution rather than being an initiated measure that would put it in statute so the legislature can control it?

There have been several states that used the initiative process to put Medicaid expansion into law. The reaction from legislatures has been to refuse to fund the program or to delay implementation for years and years. South Dakota has a history of legislatures changing or outright repealing initiatives passed on the ballot. Proponents did not want to risk a hostile legislature taking away a program, should it pass by a vote of the people.

What has been the experience of other states when it comes to estimating the costs of expanding Medicaid?

It is a mixed bag. A number of states have under estimated the number of people that would sign up for Medicaid and several states have overestimated those numbers. Montana is one state that has been cited as having underestimated the enrollment and North Dakota is state that seems to have overestimated those same numbers. It isn't surprising that each side of the debate will challenge the analysis and claims of the other side.

The Legislative Research Council of South Dakota has tried to be very accurate and not underestimate either the number of people that will sign up for expanded Medicaid or the costs of covering their medical needs.

Why does it make sense to offer government insurance to people that are working and other able-bodied adults?

This is seen by proponents as both a workforce issue and a cost of insurance issue.

An estimated 60% of those in the population that will get coverage after South Dakota expands Medicaid are people in the workforce and employed by companies that don't offer health insurance. A worker who has medical coverage with access to early treatment for a minor illness - which can prevent serious illness – does several things. It allows them to keep working and avoids the most expensive treatments in the form of emergency room visits for much more serious illnesses. The uninsured cannot pay for these services so those costs get written off by healthcare providers and shifted to insurance companies when policies are renewed.