

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL NOTE**

**SB 804 – HB 937**

January 15, 2014

**SUMMARY OF BILL:** Prohibits the state from establishing, facilitating, implementing, or participating in any new expansion of the medical assistance program, also known as the Medicaid program, pursuant to the Patient Protection and Affordable Care Act, Public Law 111-148, as amended (the Act), as interpreted by the United States Supreme Court in *National Federation of Independent Business v. Sebelius*, to be unconstitutional when applied to the states as a mandatory expansion.

**ESTIMATED FISCAL IMPACT:**

On February 26, 2013, a fiscal note was issued estimating a fiscal impact as follows:

*Forgone State Revenue - \$418,207,600/TennCare/FY13-14  
\$1,000,100,900/TennCare/FY14-15*

This impact did not extend into future fiscal years or identify the years in which the state will begin to incur the cost of the additional enrollees.

Also, Public Chapter 446 of 2013 requires any fiscal note attached to a bill referred to the Business and Utilities Committee and the Insurance and Banking Committee of the House of Representatives and the Commerce and Labor Committee of the Senate to include an Impact to Commerce Statement beginning January 1, 2014. This fiscal note is being corrected to include an Impact to Commerce Statement as well as expand the estimated fiscal impact to include the future fiscal year impacts. The estimated fiscal impact is as follows:

**Forgone State Revenue - \$1,000,101,000/TennCare/FY14-15  
\$1,135,858,000/TennCare/FY15-16  
\$1,203,136,000/TennCare/FY16-17  
\$1,266,462,300/TennCare/FY17-18  
\$1,361,226,900/TennCare/FY18-19  
\$1,447,206,400/TennCare/FY19-20  
\$1,546,465,800/TennCare/FY20-21 and Subsequent Years**

**State Expenditures - Cost Avoidance - \$30,849,600/TennCare/FY16-17  
\$73,709,400/TennCare/FY17-18  
\$94,630,700/TennCare/FY18-19  
\$134,439,900/TennCare/FY19-20  
\$171,829,500/TennCare/FY20-21 and Subsequent Years**

**SB 804 – HB 937 (CORRECTED)**

Assumptions:

- Title II, § 2001(a)(1) of the Act (42 U.S.C. § 1396a(a)(10)(A)(i)(VIII)), requires expansion of Medicaid coverage eligibility to adult individuals under the age 65, who are not pregnant or disabled, with income that does not exceed 133 percent of the federal poverty level (138% with the mandatory 5 percent income disregard). Under the Act, if a state chose not to expand coverage, then the state would not be compliant with 42 U.S.C. § 1396a and could lose Medicaid funding pursuant to 42 U.S.C. § 1396c.
- The United States Supreme Court held that the mandatory expansion of the population groups eligible for Medicaid coverage is unconstitutional in *National Federation of Independent Business v. Sebelius*. If a state chooses not to expand the state’s Medicaid coverage to the newly eligible expansion population group, then the state will not jeopardize Medicaid funding for coverage of individuals eligible under federal law prior to enactment of the Act for that reason.
- Title II, § 2001(y) of the Act (42 U.S.C. § 1396d(y)), increases the Federal medical assistance percentage (FMAP) applied to spending by states that expand Medicaid coverage eligibility to the expansion population with respect to medical assistance provided to that population. In federal calendar quarters 2014, 2015, and 2016 the increased FMAP will be 100 percent.
- In 2017, the FMAP will decrease to 95 percent and the state will incur 5 percent of the costs. In 2018, the FMAP will decrease to 94 percent and the state will incur 6 percent of the costs. In 2019, the FMAP will decrease to 93 percent and the state will incur 7 percent of the costs. In 2020 and subsequent years, the FMAP will decrease to 90 percent and the state will incur 10 percent of the costs.
- According to the Bureau of TennCare (the Bureau), if Medicaid coverage eligibility is expanded in Tennessee, then there would be approximately 161,900 newly eligible TennCare enrollees in FY14-15.
- According to the Bureau, the bill will result in the state forgoing federal match revenues of \$1,000,100,900 in FY14-15.
- The following table provides a breakdown of the estimated total costs (based on a 6.7 percent inflation rate) between state and federal funds should the state choose to expand the Medicaid population under the Affordable Care Act:

Fiscal Year	Estimated Number of Enrollees	PMPM Cost	Total Cost	State Cost	Federal Cost
FY14-15	161,900	\$ 514.773	\$ 1,000,100,984	\$ -	\$ 1,000,100,984
FY15-16	172,300	\$ 549.361	\$ 1,135,857,972	\$ -	\$ 1,135,857,972
FY16-17	175,400	\$ 586.272	\$ 1,233,985,593	\$ 30,849,640	\$ 1,203,135,953
FY17-18	178,500	\$ 625.664	\$ 1,340,171,777	\$ 73,709,448	\$ 1,266,462,329
FY18-19	181,700	\$ 667.702	\$ 1,455,857,679	\$ 94,630,749	\$ 1,361,226,930
FY19-20	184,971	\$ 712.565	\$ 1,581,646,359	\$ 134,439,940	\$ 1,447,206,418
FY20-21	188,300	\$ 760.442	\$ 1,718,295,325	\$ 171,829,532	\$ 1,546,465,792

## **IMPACT TO COMMERCE:**

**Other Impact – The estimated fiscal impact to commerce in the state as a result of the proposed legislation cannot be reasonably determined due to a number of unknown factors.**

Assumptions:

- Whether the state decides to expand the Medicaid population or not, there could be varying degrees of economic impact to the health care industry as a whole in the state of Tennessee including but not limited to health insurance companies, hospitals, clinics, individual health care providers, and pharmacists.
- According to the Bureau of TennCare, there are approximately 161,900 individuals who would be eligible for healthcare under the expansion.
- If the state chooses to expand Medicaid, these individuals would now be enrolled in TennCare and could receive health care services that they are not currently seeking which could result in increased business for health insurance companies contracted with the state and health care providers within the TennCare network.
- If the state chooses not to expand Medicaid, some of these individuals could obtain health insurance coverage through a private insurance company. These individuals would no longer be uninsured and could receive health care services that they are not currently seeking. Depending on the health status of these individuals, this could result in a positive or negative financial impact to the individual health insurance companies.
- Health care providers could incur economic impacts depending on the type of insurance and the medical coverage that is obtained by these individuals after receiving coverage versus the type of care the individual is receiving as an uninsured individual. Also, the cost for services can differ depending on health coverage, network discounts, etc.
- Due to a number of unknown factors which include, but are not limited to the number of individuals who would obtain health insurance through the private sector, the health status of those individuals, the type of health insurance plan that would be offered, and the variation in costs for health care services, a reasonable estimate of the impact the proposed legislation may have on commerce is undeterminable.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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