



DEPARTMENT OF AUDITS AND ACCOUNTS

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February 8, 2021

Honorable Mary Robichaux
State Representative
507-B Coverdell Legislative Office Building
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill (LC 33 8500)

Dear Representative Robichaux:

The bill requires the Department of Community Health (DCH) to design and implement a Medicaid Buy-In program to provide coverage to uninsured individuals who are not eligible for Medicaid. The program would offer the same coverage provided to Medicaid recipients, with the program administered through the existing care management organizations (CMOs). The bill states that the premiums should be based on an affordability scale and that they should be set to offset the costs to the program to the extent possible.

DCH would incur administrative costs associated with the bill, but the existence and level of costs for the health benefits would depend on two factors: 1) whether the state decides to subsidize the premiums for individuals buying into the Medicaid plan; 2) the level of the subsidy; and 3) the number of individuals participating. A formal evaluation that considers the likely participation at specific subsidy levels would need to be performed to more accurately estimate benefit costs.

Administrative Costs

The estimated administrative costs for DCH to implement a Medicaid Buy-in program are \$1.5 million annually (Table 1). The estimate is based on costs for vendor services, additional staffing, and operations. Implementing a Medicaid Buy-in program would require DCH to utilize a vendor to determine member eligibility, notify those who fail to pay a premium, and operate a call center. The program would also require DCH to hire employees to collect and track premium payments and complete required insurance reports, and pay operational costs associated with claims data management.

Table 1. Estimated Administrative Costs

Description	Total Costs
Vendor Services	\$1,000,000
Personal Services (salary & benefits for five employees)	\$501,000
Operational Expenses	\$31,000
Total	\$1,532,000

Benefit Costs

The state's health benefit costs for a Medicaid Buy-In program cannot be determined without a formal evaluation. The desired balance between two items included in the bill—affordability and premiums offsetting costs—must also be determined.

- *No State Subsidy* – There would be no state costs if the full cost of CMO premiums are paid by the insured member. DCH estimated the potential participation in a Medicaid Buy-in program with no state subsidy. Given the average premium of approximately \$400/month, it is assumed that even without a subsidy, some portion of the state's uninsured population would choose to participate in the Medicaid Buy-In Program. In addition, individuals that receive lower subsidies on the federal exchange may also opt into the state program.

DCH provided an estimate of approximately 53,000 uninsured participating in the program, as well as a similar number of those with coverage through the federal exchange. Because of the lack of a subsidy, nearly all these individuals were assumed to have incomes above 400% of the federal poverty level (FPL). Fewer than 2,000 would have incomes below 400% FPL.

- *State Subsidy* – We considered an alternative scenario in which the state subsidizes premiums for those individuals below 400% of the federal poverty level (FPL). The subsidies assumed ranged from 30% to 75%, with the higher subsidy for those between 138% and 200% FPL. We assumed participation rates between 25% and 45% across all subsidized groups (138% to 400% FPL), higher than those in the first scenario presented, resulting in approximately 39,000 additional uninsured individuals obtaining coverage. Using these assumptions, the state would subsidize approximately \$2,700 of the average annual premium of \$4,800.

This estimate is the additional coverage and cost for those currently uninsured only. If individuals moved from the federal exchange to obtain subsidized coverage in this program, state costs would increase while the number of individuals in the state with insurance coverage would not actually increase.

Sincerely,

A handwritten signature in blue ink that reads "Greg S. Griffin".

Greg S. Griffin
State Auditor

A handwritten signature in black ink that reads "Kelly Farr".

Kelly Farr, Director
Office of Planning and Budget

GSG/KF/jb