



STATE OF OKLAHOMA
OKLAHOMA HEALTH CARE AUTHORITY

National Health Care Reform

4/8/2010

The SoonerCare (Medicaid) program appears to reap substantial benefits from national health care reform. Beginning Jan. 1, 2014, the most immediate impact on the program will be to move the Oklahoma Health Care Authority closer to its statutory mission of covering many of our uninsured residents. According to a 2008 survey conducted by the University of Minnesota's State Health Access Data Assistance Center, nearly 75 percent of Oklahoma's uninsured report that the primary reason they do not enroll in employer sponsored insurance is because it is too expensive. The national health care reform legislation, as it is currently understood, significantly reduces the number of uninsured by making affordable insurance options available.

Based on data from the U.S. Census Bureau, the total number of uninsured Oklahomans in 2009 was 494,114 or 14 percent of the state's population (1-year estimates, 2008 data collected in 2009). This total includes 67,200 children under 19 years of age; 418,057 adults 19-64 years of age; and 8,857 elderly Oklahomans.

In May 2009 the actuarial consulting firm Milliman Inc., along with Dr. Kenneth Thorpe, PhD, provided analysis for the article "Hidden Health Tax: Americans Pay a Premium." They found that the additional costs to each insured family to cover the uncompensated care costs of the uninsured had risen from \$922 per family per year in 2005 to \$1,017 per family per year in 2008. It is estimated that the cost of covering the uninsured through this 'hidden tax' amounted to more than \$954 million per year in 2005. For Oklahoma, in 2009 this equates to a total of approximately \$1 billion in uncompensated care costs of the uninsured being shifted to Oklahoma families who do purchase health insurance.

Hospitals throughout the state should see uncompensated care costs decrease significantly once the new population begins receiving benefits. OHCA data indicate that uncompensated care, both bad debt and charity care, account for approximately \$365 million, or 7.4 percent, of total hospital costs as reported by Oklahoma hospitals.

One of the key provisions of the federal legislation will make SoonerCare coverage available to all uninsured to age 65, who earn less than 133 percent of the Federal Poverty Level (FPL).

For a single person this equates to an annual gross wage of \$14,403, or \$6.92 per hour. For the average Oklahoma household of three people, the qualifying wage is \$24,352 in total annual household income. Based on current understanding of the national health care reform bill, the potential number of newly covered Oklahomans served by SoonerCare will be 250,000. Of the 250,000 people, as many as 50,000 Oklahomans who are currently qualified yet not enrolled in SoonerCare will likely enroll due primarily to the mandate for individual insurance coverage. The state is required to offer this coverage beginning on Jan. 1, 2014.

The estimated cost to the state of Oklahoma is based on the schedule of Federal Medical Assistance Percentage (FMAP) set forth in the legislation. Beginning in 2014, for three years through 2016 the cost estimates reflect that the federal government will pay 100 percent FMAP for those newly qualified. The federal government will pay 95 percent, 94 percent, and 93 percent, respectively, in years 2017, 2018 and 2019. The federal share will remain at 90 percent for all future years. Of the 250,000 people newly covered by SoonerCare beginning January 1, 2014, the federal government will pay 100 percent for approximately 200,000 individuals (primarily adults) who were not previously qualified for SoonerCare. For the remaining 50,000 people who are currently qualified yet not enrolled in SoonerCare, the federal government will continue paying the regular Medicaid matching rate (which is 64.43 percent beginning FY2010 and subject to change year by year based on economic factors).

The estimated total state cost to administer and provide coverage to these previously uninsured citizens is \$41.5 million for the first year (2014); \$42 million for 2015; \$43 million for 2016; \$67 million for 2017; \$73 million for 2018; \$79 million for 2019; and \$95 million for 2020 and each year thereafter. If all qualified Oklahomans enroll in the program the cost to the state would be about \$14 per person per month in 2014 through 2016, \$23 in 2017, \$25 in 2018, \$27 in 2019, \$32 in 2020 and beyond.

The potential coverage of 250,000 qualified Oklahomans should result in the total number of uninsured being cut in half, significantly reducing the amount of cost shifting and uncompensated care currently being borne by insured families, employers, hospitals and other health care providers. A benefit of national health care reform to Oklahoma is that with 250,000 newly insured lives, the \$1 billion in total uncompensated care costs should also be cut in half. The average yearly state investment of \$63 million to provide the mandated coverage will likely see a return on investment of 8:1, for each state dollar spent, an equivalent \$8 reduction in uncompensated care costs should result.