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Policy Report

Affordable Care Act Benefits Georgia

Health Care Law Expands Coverage, Saves State Money

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Overview

Even though it has yet to take full effect, the Affordable Care Act of 2010 is already having a significant, and overwhelmingly positive, impact on healthcare programs for Georgians. It has expanded access to care for thousands, particularly young adults and Georgians previously denied coverage. It has also saved the state money — at least $100 million projected through mid-2013 — and promises more resources for health care as its benefits expand.

In particular, the Affordable Care Act (ACA):

- Makes it easier for thousands of hard-to-insure Georgians to get the care they needed, including those who had pre-existing conditions or who retired early.
- Allows the state to continue cost-saving home- and community-care programs.
- Expands preventive care coverage.
- Extends coverage to more young adults by letting them stay on their parents' health insurance plans as they made the transition to young adulthood and the workplace.
- Provides more resources for Medicaid, lowering the cost of prescription drugs and increasing provider payments, among other steps.

This brief highlights several key programs and new coverage options and examines the impact these programs have on the state budget.[1] It also looks ahead to additional benefits the law will bring to Georgia when it is fully implemented in 2014.

New Coverage Options for Individuals with Pre-existing Conditions

Overview

People previously unable to get coverage due to a health condition can now obtain it through the Pre-existing Conditions Insurance Plan (PCIP). The program provides a bridge to 2014, at which time insurance companies will no longer be able to deny men, women or children coverage due to their health conditions. The initiative includes federal subsidies so that the costs of insurance more closely resemble those for healthy individuals able to buy coverage in the individual market.

Implementation in Georgia

Nearly 1,500 Georgians previously denied insurance due to pre-existing conditions now have health coverage through the PCIP. State officials declined to create a state-run PCIP; instead, eligible Georgians have access to the federal program. The state has moved people with pre-existing conditions who previously received drug-only assistance through a state-funded program to the federal PCIP, where they can now receive more comprehensive health coverage.

Financial / Budgetary Impact

The PCIP is expected to bring in $177 million in federal subsidies to help Georgians who would otherwise be denied coverage. Furthermore, Georgia is likely to save $1.2 million through mid-2013 on programs that provide drug coverage assistance to people with especially high-cost medical conditions, like HIV and hemophilia.[2]

New Resources to Help Employers that Cover Retirees

Overview

The Early Retiree Reinsurance Program (ERRP) helps public and private employers cover the expense of keeping early-retirees on company health insurance. Nationally, employer coverage of retirees has declined dramatically in the last 25 years, and barely one-quarter of employers who cover active workers also cover retirees. The ACA provided $5 billion for the program nationally, and all of the money has been allocated due to high demand.

Implementation in Georgia

So far, 36 employers in Georgia have applied for and received ERRP funding.

Financial / Budgetary Impact

So far, Georgia employers have received $191.2 million in ERRP funding. Two health plans covering state employees, teachers, and university system employees combined to receive a total of more than $62 million to offset contributions that would have otherwise have to be made by participating employers and employees. The State Health Benefit Plan received nearly $58 million and the Board of Regents health plan received approximately $4.3 million.[3]

New Resources for Home and Community Based Services

Overview

The ACA includes two programs that provide resources to states for home- and community-based services, which often make care much more affordable than large institutions like nursing homes. The law extended, until 2016, a program known as Money Follows the Person (MFP), which provides states funding to move patients from institutional settings to home and community care. In addition, the ACA created the Balancing Incentives Payment Program (BIPP) targeted at states that serve less than half of eligible patients in home and community settings. BIPP is a three-year program that provides extra federal funding to help states serve more people.[4]

Implementation in Georgia

Georgia implemented its MFP program in 2008, and has moved 889 Georgians from institutional to community care.[5] The state submitted its application for BIPP funding in early 2012.

Financial / Budgetary Impact

The extension of the MFP program ensures that Georgia will have the federal resources to continue moving eligible patients from nursing homes and hospitals to home and community care. The five-year extension could help Georgia transition an additional 1,000 Georgians from institutional to community services, and could bring the total federal funding received through the MFP program to $93 million.[6]

Georgia could receive $19.1 million per year in federal BIPP funding, for a total of $57.3 million in over the three-year life of the program. These new funds would allow Georgia to serve more individuals in home and community settings without investing new state funds. Of particular importance is the nearly $10 million per year the state plans to use to increase waiver services in the Department of Behavioral Health and Developmental Disabilities to implement a legal settlement between the state and the federal government. Because the state is legally required to provide funding for these waiver services under the terms of the settlement, the BIPP funds will save the state nearly $30 million over the next three years.[7]

New Coverage Options for State Employees' Children

Overview
The ACA allows state employees with low and moderate incomes to enroll their children in PeachCare, Georgia's version of the State Children's Health Insurance Program, at a significant savings to the state. Previously, federal law prohibited this.

Implementation in Georgia
In January 2012, Georgia began allowing state employees to enroll eligible children in PeachCare. More than 20,000 children are expected to move from the State Health Benefit Plan (SHBP) to PeachCare.

Financial / Budgetary Impact
Co-pays are significantly lower in the PeachCare program than in the SHBP, which will save some families money. Since federal funds cover more than three-fourth of the cost of Peach Care, the shift is expected to save the state $29 million through mid-2013. The migration of children to PeachCare is expected to generate $48 million in plan savings in FY 2012 and 2013. The state uses these savings to help fill-in a projected deficit in SHBP, and would likely have to increase state contributions if not for these savings.

The costs to cover these children in PeachCare are significantly lower than in SHBP, however, because federal funds pay for more than three-quarters of the costs of PeachCare. The state projects $12 million in new state spending in PeachCare on behalf of the newly-enrolled children and also proposes to spend $7 million in state funds to increase reimbursement rates paid to doctors and hospitals serving PeachCare children to ensure adequate access to services for children on the program.[8] The $19 million in new state funds over the two fiscal years will also generate $60 million in new federal funds.

In FY 2012 and FY 2013 combined, the migration of more than 20,000 children from the SHBP to PeachCare will generate $29 million in net state savings. Nearly $20 million in annual savings should continue in future years as a result of this aspect of the ACA.

Expanded Coverage of Preventive Health Care

Overview
The ACA requires health insurance plans to increase coverage of preventive health care, without co-pays or deductibles. The new rule covers a variety of services, such as flu shots, well-baby/child visits, immunizations, and cancer screenings.

Implementation in Georgia
The provisions took effect in late 2010, and insurers and employers were required to implement the new rules at the start of their next plan year. For Georgia's State Health Benefit Plan – which serves state employees, teachers, and other school district employees – the rules took effect in January 2011.

Financial / Budgetary Impact
The state-employee plan will increase payments to doctors and other providers to make up for the lost co-payments. Members will pay higher premiums to offset costs associated with the coverage; however, that will be offset by the lack of co-pays.

The state estimates that the increased preventive coverage will cost $10.3 million in 2012, which is being funded by a 1.8 percent increase to employee premiums. This translates to an increase of $1.06 to $1.95 per month for individual plans, and $3.73 to $5.04 per month increase for family coverage.[9]

Expanded Coverage for Young Adults Ages 19-25

Overview

The ACA allows parents to keep their children on their health insurance until they turn 26. Traditionally, more 19-25 year olds lacked insurance than people in other age groups.

Implementation in Georgia

Coverage among this age group increased considerably after passage of the health care law, rising nationally to 73 percent from 64 percent between September 2010 and June 2011. More than 2.5 million young adults gained coverage, including 85,000 Georgians.[10]

Financial / Budgetary Impact

The state forecasts that extending dependent coverage will cost $25.5 million in 2012, which is being paid for with a 4.4 percent increase to employee premiums. This translates to monthly premium increases of $2.61 to $4.81 for individuals and $9.19 to $12.42 for family plans.[11,] The SHBP also increased monthly premiums for plan members to cover these costs in both 2011.[12]

New Resources for State Medicaid Programs

Overview

The ACA provides additional resources for Medicaid programs through a variety of avenues. Most notably, it includes a federally-funded increase in reimbursement rates for primary care services, funding to help states overhaul their eligibility systems, and additional pharmacy rebates for states that operate Medicaid managed care programs.

Implementation in Georgia

The current state budget reflects Medicaid savings from greater drug rebates. It also included a bond issuance to take advantage of the enhanced federal funding to overhaul the state's Medicaid eligibility system.

Implementation of the enhanced federal funding for primary care services will begin in January 2013.

Financial / Budgetary Impact

Georgia's current budget assumed $14.6 million in savings from prescription drug rebates. These savings will continue in future budgets.

The current budget also includes a bond issuance of $100 million to take advantage of federal funding to help states overhaul outdated Medicaid eligibility systems in preparation for the 2014 Medicaid expansion. Because of the enhanced federal funding, the $100 million project will only cost $10 million in state funds, with $90 million coming from federal funds.

Beginning in January 2013, federal funding is available for two years to increase Medicaid reimbursement rates for primary care services, including immunizations. For the first six months of FY 2013, the state projects that the increased reimbursement rates will bring $75 million in new federal funds to doctors and other Medicaid providers in Georgia, which would make for a total of $300 million over the two-year period. Georgia would still receive significant federal funding should it choose to continue the higher reimbursement rates after 2014. Currently, Georgia pays only 34.3 percent of Medicaid costs, while federal funds cover 65.7 percent.

Other Grants and Funding for Implementation

In addition to the programs listed above, the ACA created a variety of grant programs and other funding that Georgia is benefiting from. Georgia has received 30 grants totaling more than $70 million, according to the National Conference of State Legislatures.

Coverage Expansions Take Effect in 2014

The two aspects of the law that do the most to expand coverage – the Medicaid expansion and federal tax credits to help people afford private insurance – take effect in January 2014. With nearly 2 million uninsured, Georgia has the fifth-largest uninsured population in the county. Together, these steps will dramatically reduce the number of Georgians without insurance.

The Medicaid expansion alone is expected to bring coverage to at least 600,000 low-income Georgians, most of whom would otherwise lack health insurance. Although the expansion will eventually require new state funds, federal funds will pay for 100 percent of the costs for newly-eligible Georgians for the first three years of the expansion (2014-2016).

In 2020 and beyond, federal funds will still cover 90 percent of the cost, which means that Georgia will continue to realize significant benefits from the law going forward. Furthermore, the enhanced federal funding at the outset of the expansion is forecast to generate at least $14.5 billion in federal Medicaid funds for Georgia over the first six years of the expansion. At the same time, state contributions over these six years are expected to be only $714 million – only a 2.7 percent increase over what Georgia would likely spend on Medicaid over this period without the ACA and the eligibility expansion.[13]

Beginning in 2014, Georgians will have greater access to private health insurance as a result of the establishment of a health insurance exchange to help consumers shop for coverage, and the availability of federal tax credits that will help middle-income individuals and families afford coverage. Georgia has received $1 million in federal funds to begin planning for a state-based exchange. However, progress on this has seemingly ceased. A commission appointed by the governor recommended that the state at least move forward with an exchange for small businesses, yet no legislation has been enacted to create an exchange in Georgia. If the state decides not to pursue an exchange, Georgians would instead rely on one created by the federal government. Regardless of who runs the exchange, Georgians will have access to new federal tax credits that will make private insurance more affordable, and new tools to help them compare private insurance plans so they can choose one that meets their needs.

Conclusions

Since March 2010, a variety of provisions of the Affordable Care Act have been implemented that expand health insurance coverage to Georgians and that save the state money. Furthermore, many aspects of the law bring in hundreds of millions in federal resources to help the state increase payments to providers and to prepare for future implementation of the ACA.

ACA provisions already in effect have helped generate at least $100 million in state savings from FY 2011 through FY 2013. Furthermore, Georgia is taking advantage of new federal resources to expand home and community health services and to overhaul the Medicaid eligibility system. It will receive $300 million or more to increase payments to primary care providers serving Medicaid patients.

Upon full implementation, the ACA will significantly increase health coverage for the nearly 2 million Georgians currently without coverage, and provide more coverage options to many more Georgians with inadequate or unaffordable coverage. In the long run, new state costs are only modest compared to what the state would spend without the law, while the benefits for millions of Georgians are dramatic.

Endnotes

[1] Most notably, this report does not examine all of the new provisions affecting private health insurance (such as rules preventing insurers from denying coverage to children with pre-existing conditions and rules requiring insurers to spend a minimum portion of member premiums on health care services). Furthermore, this brief does not examine Medicare-related changes that have taken effect, nor does it attempt to quantify the effects small business tax credits that are currently available.

[2] Estimate based on AFY 2011 and FY 2012 enacted budgets. The AFY 2012 budget reflected $279,905 in state savings due to the PCIP while the FY 2012 budget reflected $483,387 in state savings. Because the FY 2013 budget is based on the enacted FY 2012 budget, the FY 2012 savings figure is assumed for FY 2013 as well.

[3] Figures through January 19, 2012, as reported by the Early Retirement Reinsurance Plan. http://cciio.cms.gov/resources/files/Files2/02172012/errp-posting_feb2012.pdf

[4] BIPP funding will come to Georgia in the form of a two percentage point increase in the federal matching rate for several programs that currently provide home and community services to eligible Georgians. The result of the enhanced federal match rate will be to increase federal funding for these programs without a corresponding need for increased state funds.

[5] Data reported by DCH.

[6] GBPI calculations of number of Georgians served based on state data from 2008-2011. Federal funds estimate from state document providing overview of program. http://dch.georgia.gov/vgn/images/portal/cit_1210/49/44/174440175MoneyFollowsThePerson_FY12.pdf

[7] FY 2013 executive budget documents.

[8] Because reimbursement rates for PeachCare are well below rates paid by SHBP, the state is increasing provider reimbursement rates in conjunction with this provision so as to prevent cuts to providers as children switch from SHBP coverage to PeachCare.

[9] Data reported by DCH via email as a result of an open records request. March 2011.

[10] "2.5 Million Young Adults Gain Health Insurance Due to the Affordable Care Act," issue brief analyzing data from the CDC National Health Interview Survey, published by the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services. December 2011.

[11] Data reported by DCH via email as a result of an open records request. March 2011.

[12] The state increased premiums for tiers of coverage that included dependents in 2011 to cover projected costs of the expanded dependent eligibility.

[13] "Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133% FPL. May 2010, Kaiser Commission on Medicaid, prepared by John Holahan and Irene Headen of the Urban Institute.

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