

**Summary of AARP 20-Year Medicaid Projection Model for 4 Non-Expansion Groups
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Baseline under Current Law

The model uses 2016-2025 projected enrollment and total (federal and state) spending per full-year-equivalent enrollee from the 2016 Medicaid Actuarial Report, adjusted to reflect only full-benefit enrollees using FY2013 data from the December 2016 MACStats report, exhibits 15 and 22.

For 2026-2036, projected enrollment for each group is modeled by:

- Rate of increase of the age 0-18 population for the Children eligibility group.
- Rate of increase of the age 19-64 population for the Adults and Disabled eligibility groups.
- Rate of increase of the age 65+ population, plus an adjustment for age case mix (65-74, 75-84, 85+), for the Aged group.
 - Medicaid utilization among the age 65+ population is strongly correlated with age, and the Aged eligibility group will become increasingly older during this time period. Population projections are from the US Census Bureau.

For 2026-2036, projected spending per full-year-equivalent enrollee is modeled by

- Annual growth rate equal to the average annual rate of growth from 2020-2025 for the Children (4.90%), Adults (5.21%), and Disabled (5.17%) eligibility groups.
- Annual growth rate equal to the average rate from 2020-2025 (4.14%), plus an adjustment for case mix, for the Aged group.
 - Medicaid costs among the age 65+ population are strongly correlated with age, and the Aged eligibility group will become increasingly older during this time period.

Aged case mix factors for enrollment and spending per full-year-equivalent enrollee

Year	Enrollment Percent Increase from Prior Year	Spending per FYE enrollee (relative to 4.14% annual growth)
2026	2.9%	1.002
2027	2.8%	1.005
2028	2.8%	1.011
2029	2.6%	1.015
2030	2.3%	1.020
2031	1.9%	1.025
2032	2.1%	1.037
2033	1.9%	1.047
2034	1.8%	1.055
2035	1.9%	1.062
2036	1.7%	1.069

M-CPI/CPI-U Scenarios

One of the key elements of both the House and Senate bills is that the per enrollee cap growth rates are tied to M-CPI and CPI-U, and these growth factors are highly uncertain. We model this uncertainty by including three cases for M-CPI and CPI-U, based on three reasonable projections.

1. **Low Case.** Based on historical growth rates. Over the last five years (2012-2016), the M-CPI growth rate has averaged 3.0% per year, and the CPI-U growth rate has averaged 1.32% per year.
2. **Middle Case.** Based on projections from the Congressional Budget Office. CBO projects M-CPI to grow by 3.7% per year, and CPI-U by 2.4% per year.
3. **High Case.** Based on projections from 2016 CMS Medicaid Actuarial Report. From 2019 onward, this report projects M-CPI to grow by 4.2% per year, and CPI-U by 2.6% per year.

House Bill Modeling Assumptions

1. State spending would grow at the same rate as federal capped spending under each M-CPI scenario. That is, states would reduce their Medicaid contributions in order to stay under the per enrollee cap and avoid incurring any unmatched costs.
2. Medicaid enrollment by non-expansion eligibility group is unchanged from the baseline under current law.

Senate Bill Modeling Assumptions

1. State spending would grow at the same rate as federal capped spending under each M-CPI scenario. That is, states would reduce their Medicaid contributions in order to stay under the per enrollee cap and avoid incurring any unmatched costs.
2. Medicaid enrollment by non-expansion eligibility group is unchanged from the baseline under current year.
3. Four quarters of 2016 spending are used to set the baseline for the per enrollee caps. Since Medicaid cost growth typically exceeds M-CPI, we believe this to be a reasonable proxy for best 8 consecutive quarters 2014-2017.
4. The Senate bill carves out children with disabilities from the per capita caps. We estimate that about one-sixth of disabled enrollees are children, and that their per-enrollee spending is the same as for adults with disabilities, and trend these enrollees as per the baseline.
5. The equity adjustment for high- and low-spending states is projected to be budget-neutral from the perspective of overall national spending trends.

Topline Results: Change in total (federal and state) Medicaid Spending by non-expansion eligibility group for proposed Senate health reform bill over the 20 year period 2017-2036, relative to baseline spending under current law, for different M-CPI/CPI-U projections (figures in billions)

House-Passed AHCA	Aged	Disabled	Children	Adults	Total
Low case: M-CPI/CPI-U last 5 years = 3.0%/1.32%	(\$235)	(\$1,031)	(\$670)	(\$611)	(\$2,547)
Middle case: M-CPI/CPI-U per CBO = 3.7%/2.4%	\$64	(\$454)	(\$425)	(\$435)	(\$1,251)
High case: M-CPI/CPI-U per CMS Actuary = 4.2%/2.6%	\$283	(\$32)	(\$246)	(\$307)	(\$301)
Senate proposed BCRA on 6/22/17	Aged	Disabled	Children	Adults	Total
Low case: M-CPI/CPI-U last 5 years = 3.0%/1.32%	(\$655)	(\$1,513)	(\$883)	(\$764)	(\$3,816)
Middle case: M-CPI/CPI-U per CBO = 3.7%/2.4%	(\$344)	(\$1,011)	(\$611)	(\$569)	(\$2,535)
High case: M-CPI/CPI-U per CMS Actuary = 4.2%/2.6%	(\$207)	(\$787)	(\$489)	(\$481)	(\$1,964)