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May 21, 2010

Ms. Anne W. Murphy  
Secretary  
State of Indiana  
Family and Social Services Administration  
402 W. Washington Street  
Indianapolis, IN 46204

**RE: PATIENT PROTECTION AND AFFORDABLE CARE ACT WITH HOUSE  
RECONCILIATION – FINANCIAL ANALYSIS – BUDGET COMMITTEE REQUEST**

Dear Secretary Murphy:

Milliman, Inc. (Milliman) has been retained by the State of Indiana, Family and Social Services Administration to provide consulting services related to the financial review of the Patient Protection and Affordable Care Act (Act) as it relates to the provisions impacting the State's Medicaid program and budget. Milliman provided our initial analysis in a December 3, 2009 letter. Milliman's May 6, 2010 letter presented an update to the fiscal analysis to reflect the provisions of the House Reconciliation Bill (Bill) using a full participation assumption.

This letter has been prepared at the request of the state legislative budget committee to modify the May 6<sup>th</sup> analysis to include a range of fiscal results based on differing participation assumptions.

**SUMMARY OF RESULTS**

Milliman has developed an estimate of the enrollment and fiscal impact associated with the Medicaid expansion and other related provisions of the Patient Protection and Affordable Care Act and House Reconciliation Bill. We have updated our fiscal analysis to reflect the state impact for state fiscal years 2011 through 2020, as well as a range of results based on estimated participation rates.

Enclosures 1 and 2 provide the fiscal impact results of the Medicaid Assistance expansion under an alternate participation scenario (Enclosure 1) and a full participation scenario (Enclosure 2). The total fiscal impact to the State of Indiana budget during the next 10 years would be estimated to be in the range of approximately \$2.9 billion to \$3.6 billion. Table 1 illustrates the anticipated expenditure impacts to the State of Indiana budget for the period of SFY 2011 through SFY 2020. Note, we have modified the analysis period to coincide to State Fiscal Years rather than Federal Fiscal Years.

**Table 1**

**State of Indiana  
Family and Social Services Administration  
Patient Protection and Affordable Care Act and House Reconciliation Bill**

**State Budget Fiscal Impact – SFY 2011 through SFY 2020**

| <b>Item</b>                                     | <b>Alternate Participation</b> | <b>Full Participation</b> |
|---|--------------------------------|---------------------------|
| Medicaid Assistance Expansion to 138%           | \$972.4 million                | \$1,330.3 million         |
| Impact of Reduced FMAP on HIP Eligibles         | 482.5 million                  | 482.5 million             |
| Spend-down and SSI Eligible                     | 575.8 million                  | 575.8 million             |
| Pharmacy Rebate Loss                            | 298.0 million                  | 298.0 million             |
| Physician Fee Schedule Increase to 80% Medicare | 600.1 million                  | 831.8 million             |
| Foster Children – Expansion to Age 26           | 14.8 million                   | 14.8 million              |
| Administrative Expenses                         | 232.5 million                  | 302.5 million             |
| CHIP Program – Enhanced FMAP                    | (195.2) million                | (195.2) million           |
| Breast and Cervical Cancer Program              | (14.2) million                 | (14.2) million            |
| Pregnant Women > 138% FPL                       | (46.8) million                 | (46.8) million            |
| <b>Total</b>                                    | <b>\$2,919.8 million</b>       | <b>\$3,579.4 million</b>  |

The results of our analysis are highlighted below, as well as additional detail information regarding enrollment and other key assumptions.

**Current Medicaid and CHIP Enrollment – Projected SFY 2010 Average Monthly Enrollment**

- Medicaid 930,000
- CHIP 79,000
- Healthy Indiana Plan 56,000
- Total 1,065,000

**Estimated Medicaid Enrollment under Patient Protection and Affordable Care Act**

- Alternate Participation Scenario - Increase in Medicaid enrollment reflecting 138% FPL limit:
  - 302,000 Adults: This reflects 195,000 Parents and Childless Adults that are uninsured and 107,000 that are currently insured through employer or other insurance.
  - 86,000 Children: This reflects 32,000 Children that are currently uninsured and 54,000 with insurance coverage.
- Full Participation Scenario - Increase in Medicaid enrollment reflecting 138% FPL limit:
  - 413,000 Adults: This reflects 237,000 Parents and Childless Adults that are uninsured and 176,000 that are currently insured through employer or other insurance.
  - 109,000 Children: This reflects 37,000 Children that are currently uninsured and 72,000 with insurance coverage.

The alternate participation scenario includes participation assumptions as noted below.

- Milliman assumed the following participation rates:
  - 75% for Insured Parents and Children
  - 85% for Uninsured Parents and Children
  - 50% for Insured Adults
  - 80% for Uninsured Adults

Participation rates for the uninsured are consistent with other independent analyses performed of the Medicaid Health Care Reform legislation. The participation rates for the insured were based on a review of the Children population participation and Parent and Childless Adult applications submitted for the Healthy Indiana Plan.

Additionally, the participation rates were reviewed for consistency with participation in the Medicare program which exceeds 95% and the Medicaid/CHIP programs for children which exceeds 85%. Actual participation in the Medicaid program after the expansion may exceed the participation rates noted in these other programs, since there will be an individual mandate for health insurance coverage under federal health care reform legislation.

- Increase Medicaid enrollment for the SSI eligible that are not currently eligible for Indiana Medicaid program by approximately 23,100 lives
- The Reconciliation Bill would maintain the CHIP program while receiving enhanced funding for October 2015 through September 2019
- Move 50,000 Healthy Indiana Plan enrollees to Medicaid (included in Adult assumptions identified above)
- Total Medicaid enrollment would increase to 1,420,100 under the alternate participation scenario or 1,554,100 under the full participation scenario

#### **Percentage increase in Medicaid in relation to the total number of Hoosiers**

- Calendar Year 2008 Indiana Census Estimate 6,377,000
- Increase would be approximately 5.6% (alternate participation) or 7.7% (full participation) more Hoosiers on Medicaid
- Increase from 16.7% to 22.3% (alternate participation) or 24.4% (full participation) - or nearly 1 in 4 Hoosiers
- Note, Milliman utilized population statistics prior to the full impact of the recession in the State of Indiana. While we have allowed for long-term growth rates in the population below the 138% FPL eligibility threshold, the actual population that will qualify due to the income threshold may be greater in 2014 depending on the impact of the economic recovery.

The remainder of this letter discusses each of the components shown in Table 1.

**a. Medicaid Assistance Expansion to 138% FPL**

The fiscal impact associated the Parent and Adult expansion to 138% includes both currently insured and uninsured individuals below the 138% FPL amount and children not currently covered under Medicaid, who are also below the 138% FPL. The 138% FPL reflects the 133% FPL indicated in the Act with the additional 5% allowance. The analysis presented in this report reflects modified participation assumptions.

Note, in prior analysis, the estimated fiscal impact reflected an offsetting savings associated with the current costs of the Healthy Indiana Plan. Under the scenario presented in this letter, the fiscal impact assumes that the Healthy Indiana Plan (HIP) will be terminated on December 31, 2012. Therefore, there are no savings associated with the termination of HIP.

The Bill reflects the following Federal Medical Assistance Percentages (FMAP) for the expansion populations.

- 100% FMAP in CY 2014, 2015, and 2016
- 95% FMAP in CY 2017
- 94% FMAP in CY 2018
- 93% FMAP in CY 2019
- 90% FMAP in CY 2020+

We have also illustrated the additional impact of the reduced FMAP on HIP eligibles. Although Indiana is not an early expansion state, CMS has informally indicated that the standard FMAP will apply to the first 36,500 expansion enrollees.

Milliman has not included any fiscal impact associated with the potential for some children to move from the higher enhanced federal match rate under CHIP to the standard federal match rate under Medicaid. Due to the new coverage provisions, movement between these populations may occur. This has not been included in our fiscal analysis.

**b. Spend-down and SSI Eligible Populations**

Currently, the State of Indiana performs the disability eligibility determination. In addition to the disability determination, Indiana provides eligibility on a spend-down basis. It is anticipated that Indiana would need to modify the eligibility provision for the disabled population and convert to SSI eligibility standards. Milliman has estimated an additional 23,100 lives would be enrolled in the program with this expansion. Additionally, approximately 75% of individuals currently classified as spend-down would convert to full Medicaid eligibility due to the increase to 138% FPL standard. The expenditures associated with the modification reflect an offset due to savings associated with the current spend-down eligible above 138% FPL.

**c. Pharmacy Rebate Modifications**

The Senate bill includes increasing the brand name and generic rebates. The bill indicates that the impact will be accrued 100% to the Federal government. The State of Indiana has estimated that this could reduce the State's rebates by up to 25% beginning on January 1, 2010. With the implementation timing

of the pharmacy consolidation program, it is anticipated that the rebate loss would be limited to 25% of the projected pharmacy rebates. This would include a loss on both fee-for-service enrollees and managed care enrollees. The revised fiscal impact of \$298.0 million is below our prior analysis of \$400 million due to the modification of the assumption related to HIP and other assumption modifications. The previous analysis included loss of rebates on the HIP program, as well. However, the updated analysis assumed termination of the HIP program as of January 1, 2013. This has reduced the fiscal associated with the pharmacy rebate loss.

**d. Increase Physician Fee Schedule to 80% of Medicare Physician Fee Schedule**

The current Indiana Medicaid fee schedule reimburses at approximately 60% to 65% of the Medicare fee schedule. It would be anticipated that OMPP would need to increase the physician fee schedule to assure access to physician care. We have estimated that the minimum increase for physicians would be to 80% of the current Medicare fee schedule. The House Reconciliation Bill includes 100% Federal funding to increase primary care physician reimbursement to 100% of Medicare for a limited set of primary and preventive care services. However, the 100% Federal funding is only available for 2013 and 2014. No additional funding is available for other physician specialists or the full set of physician services.

The increased cost would be an additional \$300 to \$350 million per year for the current Medicaid program and expansion populations. The increased cost would be estimated at \$2.2 billion (State and Federal) or \$0.6 billion (State only) for the period beginning on January 1, 2014.

As a point of further discussion with regard to access, physicians will be concerned with reimbursement due to the scheduled 21% reduction to the Medicare physician fee schedule beginning on June 1, 2010. With the significant reduction in the Medicare physician fee schedule, an increase in the Medicaid fee schedule will become even more important to assure access to care.

**e. Foster Children Expansion to Age 26**

Indiana currently provides Medicaid eligibility coverage to Foster Children to age 21. The Health Care Reform bill with House Reconciliation includes mandatory coverage for Foster Children to age 26 beginning on January 1, 2014. The annual cost has been estimated at \$6.5 million per year (State and Federal) or \$2.3 million per year (State only).

**f. Administrative Expenditures**

In addition to the expenditures associated with providing medical services, the State of Indiana will incur additional administrative expenditures. The expenditures for the initial modifications to the current administrative systems, as well as establishment of an Exchange, are estimated to be \$80 million (State and Federal) or \$40 million (State only). On-going costs for the coverage of the additional 388,000 enrollees are estimated to be \$55 million per year (State and Federal) or \$27.5 million per year (State only). The on-going costs were developed assuming approximately \$150 per recipient per year or approximately 3.75% of total expected medical expenditures. Based on my experience with Medicaid programs, the state Medicaid administrative costs range from 3.5% to 6.0% of the total medical costs. The administrative expenses would be anticipated to be incurred in 2012 and 2013 for the initial administrative expenditures and in 2014 forward for the on-going expenditures.

**g. CHIP Program Enhanced FMAP**

Under the Health Care Reform bill with House Reconciliation, the CHIP program is required to continue to 2019. However, the legislation provides additional Federal matching rate of 23% beginning on October 1, 2015 and ending September 30, 2019. The additional 23% FMAP will increase the total FMAP for the CHIP program to approximately 99.57%. The enhanced FMAP will decrease expenditures for Indiana and increase expenditures for the Federal share.

**h. Breast and Cervical Cancer Program**

The State of Indiana currently provides eligibility under the Breast and Cervical Cancer program. The total annual expenditures under the program are approximately \$7.0 million (State and Federal) or \$1.7 million (State only). It is not anticipated that this program will be required to be continued with the expansion requirements below 138% FPL and insurance reforms for individuals above 138% FPL. Therefore, we have estimated that this program may be terminated beginning on January 1, 2014; although, some of these individuals will become eligible under the new Medicaid eligibility requirements.

**i. Pregnant Women above 138% FPL**

The State of Indiana currently provides eligibility for pregnant women up to 200% FPL. As with the Breast and Cervical Cancer Program, it would be anticipated that the pregnant women between 138% FPL and 200% FPL will have access to care through the insurance exchange. We have estimated that 9.5% of the current expenditures for the pregnant women population will no longer be incurred by the Indiana Medicaid program. We have estimated the annual savings to be approximately \$18.5 million (State and Federal) per year or \$6.2 million (State only) per year beginning on January 1, 2014.

**j. Premium Assistance Program**

The fiscal analysis did not consider the implementation of a premium assistance program which is required under Federal Health Care Reform. The implementation of a premium assistance program may be expected to increase the fiscal analysis results presented in this report.

**KEY ASSUMPTIONS**

- Medicaid Expansion up to 138% FPL including Adults, Parents, Children, and Disabled.
- Implementation of expansion on January 1, 2014.
- Assumed that Indiana would cover all individuals eligible for SSI disability at the standard FMAP.
- Healthy Indiana Plan would be discontinued on January 1, 2013.
- Assumed that the current spend-down population for the Aged, Blind and Disabled eligibility categories below 138% FPL would be converted to full benefit Medicaid. Assumed that the spend-down population above 138% FPL would be transferred to the insurance exchange.



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## LIMITATIONS

The information contained in this correspondence, including any enclosures, has been prepared for the State of Indiana, Family and Social Services Administration, related Divisions, and their advisors. These results may not be distributed to any other party without the prior consent of Milliman. To the extent that the information contained in this correspondence is provided to any approved third parties, the correspondence should be distributed in its entirety. Any user of the data must possess a certain level of expertise in actuarial science and health care modeling that will allow appropriate use of the data presented.

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Milliman has relied upon certain data and information provided by FSSA and its vendors. The values presented in this correspondence are dependent upon this reliance. To the extent that the data was not complete or was inaccurate, the values presented will need to be reviewed for consistency and revised to meet any revised data. The data and information included in the report has been developed to assist in the analysis of the financial impact of Indiana Medicaid Assistance expenditures. The data and information presented may not be appropriate for any other purpose. It should be emphasized that the results presented in this correspondence are a projection of future costs based on a set of assumptions. Results will differ if actual experience is different from the assumptions contained in this letter.



If you have any questions or comments regarding the enclosed information, please do not hesitate to contact me at (317) 524-3512.

Sincerely,

A handwritten signature in black ink that reads 'Robert M. Damler'. The signature is written over a faint, light blue watermark that says 'ELECTRONIC SIGNATURE'.

Robert M. Damler, FSA, MAAA  
Principal and Consulting Actuary

RMD/lrb  
Enclosures



**ENCLOSURE 1**



STATE OF INDIANA  
 Family and Social Services Administration  
 Health Care Reform Projection - Senate Bill with House Reconciliation  
 Alternate Participation Scenario  
 (Values in Millions)

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| EXPENDITURES   | SFY 2011  | SFY 2012  | SFY 2013  | SFY 2014  | SFY 2015  | SFY 2016  | SFY 2017  | SFY 2018  | SFY 2019  | SFY 2020   | SFY 2011 - SFY2020 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|--------------------|
| <b>Medicaid</b>                                      |           |           |           |           |           |           |           |           |           |            |                    |
| Total (State and Federal)                            | \$6,723.8 | \$7,024.6 | \$7,341.1 | \$7,674.2 | \$8,025.0 | \$8,394.5 | \$8,783.7 | \$9,193.9 | \$9,626.2 | \$10,082.1 | \$82,869.2         |
| Federal Funds  | \$4,463.3 | \$4,673.4 | \$4,884.0 | \$5,105.7 | \$5,339.1 | \$5,584.9 | \$5,843.8 | \$6,116.7 | \$6,404.3 | \$6,707.6  | \$55,122.8         |
| State Funds  | \$2,260.5 | \$2,351.1 | \$2,457.1 | \$2,568.6 | \$2,686.0 | \$2,809.6 | \$2,939.9 | \$3,077.2 | \$3,221.9 | \$3,374.5  | \$27,746.4         |
| <b>CHIP</b>  |           |           |           |           |           |           |           |           |           |            |                    |
| Total (State and Federal)                            | \$142.8   | \$151.4   | \$160.5   | \$170.1   | \$180.3   | \$191.1   | \$202.6   | \$214.8   | \$227.7   | \$241.3    | \$1,882.6          |
| Federal Funds  | \$109.2   | \$115.9   | \$122.9   | \$130.3   | \$138.1   | \$146.4   | \$155.1   | \$164.4   | \$174.3   | \$184.8    | \$1,441.4          |
| State Funds  | \$33.6    | \$35.5    | \$37.6    | \$39.9    | \$42.2    | \$44.8    | \$47.5    | \$50.3    | \$53.3    | \$56.5     | \$441.2            |
| <b>Healthy Indiana Plan</b>                          |           |           |           |           |           |           |           |           |           |            |                    |
| Total (State and Federal)                            | \$314.3   | \$355.5   | \$195.7   | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0      | \$865.5            |
| Federal Funds  | \$208.7   | \$236.5   | \$130.2   | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0      | \$575.3            |
| State Funds  | \$105.7   | \$119.0   | \$65.5    | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0      | \$290.2            |
| <b>All Programs</b>                                  |           |           |           |           |           |           |           |           |           |            |                    |
| Total (State and Federal)                            | \$7,180.9 | \$7,531.4 | \$7,697.2 | \$7,844.4 | \$8,205.4 | \$8,585.6 | \$8,986.3 | \$9,408.7 | \$9,853.9 | \$10,323.4 | \$85,617.3         |
| Federal Funds  | \$4,781.1 | \$5,025.9 | \$5,137.1 | \$5,235.9 | \$5,477.1 | \$5,731.2 | \$5,999.0 | \$6,281.1 | \$6,578.6 | \$6,892.4  | \$57,139.5         |
| State Funds  | \$2,399.8 | \$2,505.6 | \$2,560.2 | \$2,608.4 | \$2,728.2 | \$2,854.4 | \$2,987.4 | \$3,127.5 | \$3,275.2 | \$3,431.0  | \$28,477.8         |
| <b>Parents / Adults Expansion (&lt; 138% FPL)</b>    |           |           |           |           |           |           |           |           |           |            |                    |
| Total (State and Federal) - Children                 | \$0.0     | \$0.0     | \$0.0     | \$103.4   | \$219.1   | \$232.3   | \$246.2   | \$261.0   | \$276.6   | \$293.2    | \$1,631.8          |
| Total (State and Federal) - Parents / Adults         | \$0.0     | \$0.0     | \$0.0     | \$744.4   | \$1,578.1 | \$1,672.8 | \$1,773.2 | \$1,879.6 | \$1,992.3 | \$2,111.9  | \$11,752.2         |
| Federal Funds  | \$0.0     | \$0.0     | \$0.0     | \$780.8   | \$1,655.2 | \$1,754.5 | \$1,821.2 | \$1,881.5 | \$1,977.0 | \$2,058.9  | \$11,929.2         |
| State Funds - Full Population Enhanced FMAP          | \$0.0     | \$0.0     | \$0.0     | \$32.4    | \$68.7    | \$72.8    | \$121.9   | \$186.1   | \$217.4   | \$273.0    | \$972.4            |
| State Funds - Impact of Reduced FMAP on HIP Eligible | \$0.0     | \$0.0     | \$0.0     | \$34.6    | \$73.3    | \$77.7    | \$76.2    | \$73.0    | \$74.6    | \$73.2     | \$482.5            |
| <b>Spend-down and SSI Eligible</b>                   |           |           |           |           |           |           |           |           |           |            |                    |
| Total (State and Federal)                            | \$0.0     | \$0.0     | \$0.0     | \$107.2   | \$228.4   | \$243.2   | \$259.0   | \$275.8   | \$293.8   | \$312.9    | \$1,720.3          |
| Federal Funds  | \$0.0     | \$0.0     | \$0.0     | \$71.3    | \$151.9   | \$161.8   | \$172.3   | \$183.5   | \$195.5   | \$208.2    | \$1,144.5          |
| State Funds  | \$0.0     | \$0.0     | \$0.0     | \$35.9    | \$76.4    | \$81.4    | \$86.7    | \$92.3    | \$98.3    | \$104.7    | \$575.8            |

STATE OF INDIANA  
 Family and Social Services Administration  
 Health Care Reform Projection - Senate Bill with House Reconciliation  
 Alternate Participation Scenario  
 (Values in Millions)

5/21/2010  
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| EXPENDITURES                                 | SFY 2011  | SFY 2012  | SFY 2013  | SFY 2014  | SFY 2015   | SFY 2016   | SFY 2017   | SFY 2018   | SFY 2019   | SFY 2020   | SFY 2011 - SFY2020 |
|--|-----------|-----------|-----------|-----------|------------|------------|------------|------------|------------|------------|--------------------|
| <b>Loss of Pharmacy Rebates (State only)</b> |           |           |           |           |            |            |            |            |            |            |                    |
| Total Impact (State and Federal)             | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0      | \$0.0      | \$0.0      | \$0.0      | \$0.0      | \$0.0      | \$0.0              |
| Federal Funds                                | (\$22.8)  | (\$24.6)  | (\$25.0)  | (\$25.3)  | (\$27.3)   | (\$29.5)   | (\$31.8)   | (\$34.4)   | (\$37.1)   | (\$40.1)   | (\$298.0)          |
| State Funds                                  | \$22.8    | \$24.6    | \$25.0    | \$25.3    | \$27.3     | \$29.5     | \$31.8     | \$34.4     | \$37.1     | \$40.1     | \$298.0            |
| <b>CHIP Program (Enhanced FMAP)</b>          | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0      | \$0.0      | \$0.0      | \$0.0      | \$0.0      | \$0.0      | \$0.0              |
| Federal Funds                                | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0      | \$33.0     | \$46.6     | \$49.4     | \$52.4     | \$13.9     | \$195.2            |
| State Funds                                  | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0      | (\$33.0)   | (\$46.6)   | (\$49.4)   | (\$52.4)   | (\$13.9)   | (\$195.2)          |
| <b>Breast &amp; Cervical Cancer</b>          | \$0.0     | \$0.0     | \$0.0     | (\$4.0)   | (\$8.4)    | (\$8.8)    | (\$9.2)    | (\$9.6)    | (\$10.1)   | (\$10.6)   | (\$60.8)           |
| Federal Funds                                | \$0.0     | \$0.0     | \$0.0     | (\$3.1)   | (\$6.4)    | (\$6.7)    | (\$7.1)    | (\$7.4)    | (\$7.7)    | (\$8.1)    | (\$46.6)           |
| State Funds                                  | \$0.0     | \$0.0     | \$0.0     | (\$0.9)   | (\$2.0)    | (\$2.1)    | (\$2.2)    | (\$2.3)    | (\$2.4)    | (\$2.5)    | (\$14.2)           |
| <b>Pregnant Women (&gt;138%)</b>             | \$0.0     | \$0.0     | \$0.0     | (\$9.3)   | (\$19.4)   | (\$20.3)   | (\$21.2)   | (\$22.2)   | (\$23.2)   | (\$24.3)   | (\$139.8)          |
| Federal Funds                                | \$0.0     | \$0.0     | \$0.0     | (\$6.2)   | (\$12.9)   | (\$13.5)   | (\$14.1)   | (\$14.8)   | (\$15.5)   | (\$16.2)   | (\$93.0)           |
| State Funds                                  | \$0.0     | \$0.0     | \$0.0     | (\$3.1)   | (\$6.5)    | (\$6.8)    | (\$7.1)    | (\$7.4)    | (\$7.8)    | (\$8.1)    | (\$46.8)           |
| <b>Phys Fee Schedule Inc (80% Medicare)</b>  | \$0.0     | \$0.0     | \$0.0     | \$144.3   | \$301.8    | \$315.7    | \$330.4    | \$345.8    | \$362.0    | \$379.2    | \$2,179.3          |
| Federal Funds                                | \$0.0     | \$0.0     | \$0.0     | \$105.7   | \$221.0    | \$231.2    | \$240.3    | \$249.4    | \$260.4    | \$271.2    | \$1,579.1          |
| State Funds                                  | \$0.0     | \$0.0     | \$0.0     | \$38.6    | \$80.8     | \$84.5     | \$90.1     | \$96.4     | \$101.6    | \$108.0    | \$600.1            |
| <b>Foster Children Increase</b>              | \$0.0     | \$0.0     | \$0.0     | \$3.3     | \$6.5      | \$6.5      | \$6.5      | \$6.5      | \$6.5      | \$6.5      | \$42.3             |
| Federal Funds                                | \$0.0     | \$0.0     | \$0.0     | \$2.1     | \$4.2      | \$4.2      | \$4.2      | \$4.2      | \$4.2      | \$4.2      | \$27.5             |
| State Funds                                  | \$0.0     | \$0.0     | \$0.0     | \$1.1     | \$2.3      | \$2.3      | \$2.3      | \$2.3      | \$2.3      | \$2.3      | \$14.8             |
| <b>Administrative Expenses</b>               | \$0.0     | \$40.0    | \$40.0    | \$55.0    | \$55.0     | \$55.0     | \$55.0     | \$55.0     | \$55.0     | \$55.0     | \$465.0            |
| Federal Funds                                | \$0.0     | \$20.0    | \$20.0    | \$27.5    | \$27.5     | \$27.5     | \$27.5     | \$27.5     | \$27.5     | \$27.5     | \$232.5            |
| State Funds                                  | \$0.0     | \$20.0    | \$20.0    | \$27.5    | \$27.5     | \$27.5     | \$27.5     | \$27.5     | \$27.5     | \$27.5     | \$232.5            |
| <b>All Programs - After Expansion</b>        |           |           |           |           |            |            |            |            |            |            |                    |
| Total (State and Federal)                    | \$7,180.9 | \$7,571.4 | \$7,737.2 | \$8,988.6 | \$10,566.5 | \$11,082.1 | \$11,626.2 | \$12,200.5 | \$12,806.9 | \$13,447.1 | \$103,207.5        |
| Federal Funds                                | \$4,758.4 | \$5,021.3 | \$5,132.1 | \$6,188.8 | \$7,490.4  | \$7,893.7  | \$8,258.1  | \$8,620.1  | \$9,035.3  | \$9,411.8  | \$71,809.9         |
| State Funds                                  | \$2,422.6 | \$2,550.2 | \$2,605.2 | \$2,799.8 | \$3,076.1  | \$3,188.3  | \$3,368.1  | \$3,580.4  | \$3,771.6  | \$4,035.3  | \$31,397.6         |
| <b>All Programs - Fiscal Impact</b>          |           |           |           |           |            |            |            |            |            |            |                    |
| Total (State and Federal)                    | \$0.0     | \$40.0    | \$40.0    | \$1,144.2 | \$2,361.1  | \$2,496.4  | \$2,639.8  | \$2,791.8  | \$2,953.0  | \$3,123.8  | \$17,590.2         |
| Federal Funds                                | (\$22.8)  | (\$4.6)   | (\$5.0)   | \$952.9   | \$2,013.3  | \$2,162.5  | \$2,259.1  | \$2,339.0  | \$2,456.6  | \$2,519.5  | \$14,670.4         |
| State Funds                                  | \$22.8    | \$44.6    | \$45.0    | \$191.4   | \$347.9    | \$333.9    | \$380.7    | \$452.9    | \$496.3    | \$604.3    | \$2,919.8          |



**ENCLOSURE 2**

STATE OF INDIANA  
 Family and Social Services Administration  
 Health Care Reform Projection - Senate Bill with House Reconciliation  
 Full Participation Scenario  
 (Values in Millions)

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| EXPENDITURES   | SFY 2011  | SFY 2012  | SFY 2013  | SFY 2014  | SFY 2015  | SFY 2016  | SFY 2017  | SFY 2018  | SFY 2019  | SFY 2020   | SFY 2011 - SFY2020 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|--------------------|
| <b>Medicaid</b>                                      |           |           |           |           |           |           |           |           |           |            |                    |
| Total (State and Federal)                            | \$6,723.8 | \$7,024.6 | \$7,341.1 | \$7,674.2 | \$8,025.0 | \$8,394.5 | \$8,783.7 | \$9,193.9 | \$9,626.2 | \$10,082.1 | \$82,869.2         |
| Federal Funds  | \$4,463.3 | \$4,673.4 | \$4,884.0 | \$5,105.7 | \$5,339.1 | \$5,584.9 | \$5,843.8 | \$6,116.7 | \$6,404.3 | \$6,707.6  | \$55,122.8         |
| State Funds  | \$2,260.5 | \$2,351.1 | \$2,457.1 | \$2,568.6 | \$2,686.0 | \$2,809.6 | \$2,939.9 | \$3,077.2 | \$3,221.9 | \$3,374.5  | \$27,746.4         |
| <b>CHIP</b>  |           |           |           |           |           |           |           |           |           |            |                    |
| Total (State and Federal)                            | \$142.8   | \$151.4   | \$160.5   | \$170.1   | \$180.3   | \$191.1   | \$202.6   | \$214.8   | \$227.7   | \$241.3    | \$1,882.6          |
| Federal Funds  | \$109.2   | \$115.9   | \$122.9   | \$130.3   | \$138.1   | \$146.4   | \$155.1   | \$164.4   | \$174.3   | \$184.8    | \$1,441.4          |
| State Funds  | \$33.6    | \$35.5    | \$37.6    | \$39.9    | \$42.2    | \$44.8    | \$47.5    | \$50.3    | \$53.3    | \$56.5     | \$441.2            |
| <b>Healthy Indiana Plan</b>                          |           |           |           |           |           |           |           |           |           |            |                    |
| Total (State and Federal)                            | \$314.3   | \$355.5   | \$195.7   | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0      | \$865.5            |
| Federal Funds  | \$208.7   | \$236.5   | \$130.2   | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0      | \$575.3            |
| State Funds  | \$105.7   | \$119.0   | \$65.5    | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0      | \$290.2            |
| <b>All Programs</b>                                  |           |           |           |           |           |           |           |           |           |            |                    |
| Total (State and Federal)                            | \$7,180.9 | \$7,531.4 | \$7,697.2 | \$7,844.4 | \$8,205.4 | \$8,585.6 | \$8,986.3 | \$9,408.7 | \$9,853.9 | \$10,323.4 | \$85,617.3         |
| Federal Funds  | \$4,781.1 | \$5,025.9 | \$5,137.1 | \$5,235.9 | \$5,477.1 | \$5,731.2 | \$5,999.0 | \$6,281.1 | \$6,578.6 | \$6,892.4  | \$57,139.5         |
| State Funds  | \$2,399.8 | \$2,505.6 | \$2,560.2 | \$2,608.4 | \$2,728.2 | \$2,854.4 | \$2,987.4 | \$3,127.5 | \$3,275.2 | \$3,431.0  | \$28,477.8         |
| <b>Parents / Adults Expansion (&lt; 138% FPL)</b>    |           |           |           |           |           |           |           |           |           |            |                    |
| Total (State and Federal) - Children                 | \$0.0     | \$0.0     | \$0.0     | \$131.8   | \$279.4   | \$296.2   | \$314.0   | \$332.8   | \$352.8   | \$373.9    | \$2,081.0          |
| Total (State and Federal) - Parents / Adults         | \$0.0     | \$0.0     | \$0.0     | \$1,033.0 | \$2,190.0 | \$2,321.4 | \$2,460.6 | \$2,608.3 | \$2,764.8 | \$2,930.7  | \$16,308.7         |
| Federal Funds  | \$0.0     | \$0.0     | \$0.0     | \$1,086.1 | \$2,302.6 | \$2,440.7 | \$2,531.8 | \$2,613.3 | \$2,745.2 | \$2,857.2  | \$16,576.9         |
| State Funds - Full Population Enhanced FMAP          | \$0.0     | \$0.0     | \$0.0     | \$44.1    | \$93.5    | \$99.1    | \$166.6   | \$254.8   | \$297.8   | \$374.3    | \$1,330.3          |
| State Funds - Impact of Reduced FMAP on HIP Eligible | \$0.0     | \$0.0     | \$0.0     | \$34.6    | \$73.3    | \$77.7    | \$76.2    | \$73.0    | \$74.6    | \$73.2     | \$482.5            |
| <b>Spend-down and SSI Eligible</b>                   |           |           |           |           |           |           |           |           |           |            |                    |
| Total (State and Federal)                            | \$0.0     | \$0.0     | \$0.0     | \$107.2   | \$228.4   | \$243.2   | \$259.0   | \$275.8   | \$293.8   | \$312.9    | \$1,720.3          |
| Federal Funds  | \$0.0     | \$0.0     | \$0.0     | \$71.3    | \$151.9   | \$161.8   | \$172.3   | \$183.5   | \$195.5   | \$208.2    | \$1,144.5          |
| State Funds  | \$0.0     | \$0.0     | \$0.0     | \$35.9    | \$76.4    | \$81.4    | \$86.7    | \$92.3    | \$98.3    | \$104.7    | \$575.8            |

STATE OF INDIANA  
 Family and Social Services Administration  
 Health Care Reform Projection - Senate Bill with House Reconciliation  
 Full Participation Scenario  
 (Values in Millions)

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| EXPENDITURES                                 | SFY 2011  | SFY 2012  | SFY 2013  | SFY 2014  | SFY 2015   | SFY 2016   | SFY 2017   | SFY 2018   | SFY 2019   | SFY 2020   | SFY 2011 - SFY2020 |
|--|-----------|-----------|-----------|-----------|------------|------------|------------|------------|------------|------------|--------------------|
| <b>Loss of Pharmacy Rebates (State only)</b> |           |           |           |           |            |            |            |            |            |            |                    |
| Total Impact (State and Federal)             | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0      | \$0.0      | \$0.0      | \$0.0      | \$0.0      | \$0.0      | \$0.0              |
| Federal Funds                                | (\$22.8)  | (\$24.6)  | (\$25.0)  | (\$25.3)  | (\$27.3)   | (\$29.5)   | (\$31.8)   | (\$34.4)   | (\$37.1)   | (\$40.1)   | (\$298.0)          |
| State Funds                                  | \$22.8    | \$24.6    | \$25.0    | \$25.3    | \$27.3     | \$29.5     | \$31.8     | \$34.4     | \$37.1     | \$40.1     | \$298.0            |
| <b>CHIP Program (Enhanced FMAP)</b>          | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0      | \$0.0      | \$0.0      | \$0.0      | \$0.0      | \$0.0      | \$0.0              |
| Federal Funds                                | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0      | \$33.0     | \$46.6     | \$49.4     | \$52.4     | \$13.9     | \$195.2            |
| State Funds                                  | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0      | (\$33.0)   | (\$46.6)   | (\$49.4)   | (\$52.4)   | (\$13.9)   | (\$195.2)          |
| <b>Breast &amp; Cervical Cancer</b>          | \$0.0     | \$0.0     | \$0.0     | (\$4.0)   | (\$8.4)    | (\$8.8)    | (\$9.2)    | (\$9.6)    | (\$10.1)   | (\$10.6)   | (\$60.8)           |
| Federal Funds                                | \$0.0     | \$0.0     | \$0.0     | (\$3.1)   | (\$6.4)    | (\$6.7)    | (\$7.1)    | (\$7.4)    | (\$7.7)    | (\$8.1)    | (\$46.6)           |
| State Funds                                  | \$0.0     | \$0.0     | \$0.0     | (\$0.9)   | (\$2.0)    | (\$2.1)    | (\$2.2)    | (\$2.3)    | (\$2.4)    | (\$2.5)    | (\$14.2)           |
| <b>Pregnant Women (&gt;138%)</b>             | \$0.0     | \$0.0     | \$0.0     | (\$9.3)   | (\$19.4)   | (\$20.3)   | (\$21.2)   | (\$22.2)   | (\$23.2)   | (\$24.3)   | (\$139.8)          |
| Federal Funds                                | \$0.0     | \$0.0     | \$0.0     | (\$6.2)   | (\$12.9)   | (\$13.5)   | (\$14.1)   | (\$14.8)   | (\$15.5)   | (\$16.2)   | (\$93.0)           |
| State Funds                                  | \$0.0     | \$0.0     | \$0.0     | (\$3.1)   | (\$6.5)    | (\$6.8)    | (\$7.1)    | (\$7.4)    | (\$7.8)    | (\$8.1)    | (\$46.8)           |
| <b>Phys Fee Schedule Inc (80% Medicare)</b>  | \$0.0     | \$0.0     | \$0.0     | \$164.6   | \$344.2    | \$360.0    | \$376.7    | \$394.3    | \$412.9    | \$432.4    | \$2,485.1          |
| Federal Funds                                | \$0.0     | \$0.0     | \$0.0     | \$109.5   | \$229.0    | \$239.5    | \$250.6    | \$262.3    | \$274.7    | \$287.7    | \$1,653.4          |
| State Funds                                  | \$0.0     | \$0.0     | \$0.0     | \$55.1    | \$115.2    | \$120.5    | \$126.1    | \$132.0    | \$138.2    | \$144.7    | \$831.8            |
| <b>Foster Children Increase</b>              | \$0.0     | \$0.0     | \$0.0     | \$3.3     | \$6.5      | \$6.5      | \$6.5      | \$6.5      | \$6.5      | \$6.5      | \$42.3             |
| Federal Funds                                | \$0.0     | \$0.0     | \$0.0     | \$2.1     | \$4.2      | \$4.2      | \$4.2      | \$4.2      | \$4.2      | \$4.2      | \$27.5             |
| State Funds                                  | \$0.0     | \$0.0     | \$0.0     | \$1.1     | \$2.3      | \$2.3      | \$2.3      | \$2.3      | \$2.3      | \$2.3      | \$14.8             |
| <b>Administrative Expenses</b>               | \$0.0     | \$40.0    | \$40.0    | \$75.0    | \$75.0     | \$75.0     | \$75.0     | \$75.0     | \$75.0     | \$75.0     | \$605.0            |
| Federal Funds                                | \$0.0     | \$20.0    | \$20.0    | \$37.5    | \$37.5     | \$37.5     | \$37.5     | \$37.5     | \$37.5     | \$37.5     | \$302.5            |
| State Funds                                  | \$0.0     | \$20.0    | \$20.0    | \$37.5    | \$37.5     | \$37.5     | \$37.5     | \$37.5     | \$37.5     | \$37.5     | \$302.5            |
| <b>All Programs - After Expansion</b>        |           |           |           |           |            |            |            |            |            |            |                    |
| Total (State and Federal)                    | \$7,180.9 | \$7,571.4 | \$7,737.2 | \$9,345.9 | \$11,301.0 | \$11,858.9 | \$12,447.8 | \$13,069.6 | \$13,726.3 | \$14,419.9 | \$108,659.0        |
| Federal Funds                                | \$4,758.4 | \$5,021.3 | \$5,132.1 | \$6,508.0 | \$8,155.7  | \$8,598.3  | \$8,989.0  | \$9,374.9  | \$9,827.7  | \$10,236.6 | \$76,601.9         |
| State Funds                                  | \$2,422.6 | \$2,550.2 | \$2,605.2 | \$2,838.0 | \$3,145.3  | \$3,260.6  | \$3,458.8  | \$3,694.7  | \$3,898.5  | \$4,183.3  | \$32,057.2         |
| <b>All Programs - Fiscal Impact</b>          |           |           |           |           |            |            |            |            |            |            |                    |
| Total (State and Federal)                    | \$0.0     | \$40.0    | \$40.0    | \$1,501.6 | \$3,095.7  | \$3,273.2  | \$3,461.5  | \$3,660.9  | \$3,872.4  | \$4,096.5  | \$23,041.7         |
| Federal Funds                                | (\$22.8)  | (\$4.6)   | (\$5.0)   | \$1,272.0 | \$2,678.6  | \$2,867.1  | \$2,990.1  | \$3,093.7  | \$3,249.1  | \$3,344.2  | \$19,462.4         |
| State Funds                                  | \$22.8    | \$44.6    | \$45.0    | \$229.5   | \$417.1    | \$406.2    | \$471.4    | \$567.2    | \$623.3    | \$752.3    | \$3,579.4          |