



MEDICAID EXPANSION: ADMINISTRATIVE EXPENSES

Summary:

This document outlines administrative expenses related to Medicaid expansion as projected in SFY 2015 compared to those realized in SFY 2024. In addition to historical figures, this document outlines the methodology applied in recording Medicaid expansion administrative costs as separate from traditional Medicaid administrative expenses and the potential reduction in administrative expenses should Medicaid expansion sunset on 06/30/2025.

Background:

Per Member Per Month - Per the Senate Bill 405 fiscal note in 2015, administrative costs for Medicaid expansion were estimated to be \$28.17 per member per month (PMPM). After SFY 2016, PMPMs were projected to decline as more members enrolled, decreasing to \$25.48 by SFY 2019.

Actual administrative costs for Medicaid expansion in SFY 2024 were \$12.91 PMPM. Most administrative costs were associated with the Medicaid Enterprise System in the Technology Services Division (TSD), personnel costs within the Human and Community Services Division (HCSD), and prior authorization and utilization review contracts housed in the Health Resources and Medicaid and Health Services Divisions.

Administrative Allocation Methodology – When Medicaid expansion was authorized in SFY 2016, the department analyzed administrative cost centers to determine which would experience increased administrative costs associated with adding Medicaid expansion as an eligibility group. The cost centers identified as having a projected increase due to additional administrative activities include:

Cost Center	Division	Original Administrative Expense Category	Current Administrative Expense Category
Eligibility Specialists and Administration	HCSD	Eligibility determination, enhancements to eligibility system specific to Medicaid expansion	Eligibility determination, enhancements to eligibility system specific to Medicaid expansion
Legal Services	DO	Legal activity, waiver review, administrative rules	Legal activity, waiver review, administrative rules
Medicaid Finance Unit	BFSD	CMS reporting and <i>premium billing</i>	CMS reporting
Medicaid Eligibility Quality Control	OIG	MEQC	MEQ
MPATH and Internal Support	TSD	Programming, system changes	Programming, system changes and claims processing PMPM
Administration	HRD	Utilization review, <i>TPA, premium federal reimbursement</i>	Utilization Review
Administration	MHSM	Level of care, quality improvement organization (HRD, SLTC, BHDD), claims	Level of care, quality improvement organization (HRD, SLTC, BHDD)



Two divisions, Behavioral Health and Developmental Disabilities (BHDD) and Senior and Long-Term Care (SLTC), did not have a projected increase in Medicaid administration due to the addition of a new eligibility group.

In addition, the Medicaid Enterprise System experienced increased costs associated with claims processing, but other expenditure components of the MES supported Medicaid in total with no anticipated increases due to the addition of a new eligibility group.

Administrative Expense History 2016-2024:

Division	Lookup	Fund Type	2016	2017	2018	2019	2020	2021	2022	2023	2024
HCS			875,164	1,929,741	1,972,348	2,106,758	2,340,897	1,910,987	1,664,831	2,085,636	2,545,338
	Expansion Admin		875,164	1,929,741	1,972,348	2,106,758	2,340,897	1,910,987	1,664,831	2,085,636	2,545,338
		01 General	234,046	517,609	559,953	564,055	619,835	512,059	452,816	734,253	734,863
		03 Fed/Other Spec Rev	641,118	1,412,132	1,412,395	1,542,703	1,721,062	1,398,928	1,212,015	1,351,383	1,810,475
Legal			34,662	43,297	41,993	77,043	33,223	34,828	48,035	73,542	126,963
	Expansion Admin		34,662	43,297	41,993	77,043	33,223	34,828	48,035	73,542	126,963
		01 General	16,803	20,796	20,069	21,628	15,135	16,348	23,044	35,951	61,396
		03 Fed/Other Spec Rev	17,859	22,501	21,924	55,416	18,088	18,479	24,991	37,591	65,568
BFSD			4,338	56,194	205,639	289,764	286,116	255,299	291,753	247,158	237,447
	Expansion Admin		4,338	56,194	205,639	289,764	286,116	255,299	291,753	247,158	237,447
		01 General	2,169	28,097	102,739	144,858	143,038	127,629	145,862	123,512	118,548
		03 Fed/Other Spec Rev	2,169	28,097	102,900	144,906	143,078	127,670	145,890	123,647	118,899
TSD			1,508,334	3,226,177	204,539	134,702	73,840	58,554	10,113,713	10,645,891	7,755,270
	Expansion Admin		1,508,334	3,226,177	204,539	134,702	73,840	58,554	10,113,713	10,645,891	7,755,270
		01 General	170,427	334,739	67,788	52,045	34,002	27,633	2,615,849	2,744,607	2,019,193
		03 Fed/Other Spec Rev	1,337,907	2,891,438	136,751	82,657	39,838	30,921	7,497,864	7,901,284	5,736,077
HRD			7,889,854	10,475,681	13,458,729	6,817,525	7,242,897	7,310,221	6,907,148	4,664,456	2,164,188
	Expansion Admin		7,889,854	10,475,681	13,458,729	6,817,525	7,242,897	7,310,221	6,907,148	4,664,456	2,164,188
		01 General	2,864,025	6,667,298	7,415,973	5,617,957	1,004,333	685,184	355,602	244,107	366,762
		02 State/Other Spec Rev					4,841,515	5,184,799	5,249,406	2,868,589	616,840
		03 Fed/Other Spec Rev	5,025,829	3,808,383	6,042,756	1,199,568	1,397,049	1,440,238	1,302,139	1,551,761	1,180,586
MHSM			1,362,270	3,858,059	6,389,857	8,057,669	8,793,854	9,927,699	1,192,861	1,360,680	1,037,848
	Expansion Admin		1,362,270	3,858,059	6,389,857	8,057,669	8,793,854	9,927,699	1,192,861	1,360,680	1,037,848
		01 General	351,448	983,208	2,479,681	2,231,506	2,449,604	2,532,582	326,068	334,646	259,462
		03 Fed/Other Spec Rev	1,010,822	2,874,852	3,910,176	5,826,163	6,344,250	7,395,117	866,792	1,026,034	778,386
Grand Total			11,674,621	19,589,150	22,273,105	17,483,460	18,770,826	19,497,587	20,218,341	19,093,387	13,867,055
TOTAL Fundng			11,674,621	19,589,150	22,273,105	17,483,460	18,770,826	19,497,587	20,218,341	19,093,387	13,867,055
		01 General	\$ 3,638,918	\$ 8,551,746	\$ 10,646,203	\$ 8,632,048	\$ 4,265,946	\$ 3,901,435	\$ 3,919,243	\$ 4,217,076	\$ 3,560,223
		02 State/Other Spec Rev	\$ -	\$ -	\$ -	\$ -	\$ 4,841,515	\$ 5,184,799	\$ 5,249,406	\$ 2,868,589	\$ 616,840
		03 Fed/Other Spec Rev	\$ 8,035,703	\$ 11,037,403	\$ 11,626,902	\$ 8,851,412	\$ 9,663,365	\$ 10,411,353	\$ 11,049,692	\$ 11,991,699	\$ 9,689,992

Notes:

1. HCS - expenses related to eligibility function. FY 2024 expenses are higher than average due to PHE unwind. NOTE: Eligibility is cost allocated based on a time study of federal benefitting programs. Employees work on multiple assistance applications and renewals, and a time study is utilized to apportion costs to benefit programs.
2. TSD - in 2022, through reorganization, the M&O associated with the Medicaid Enterprise System (MES) moved from MHSM to TSD. The expense increase in TSD is due to PMPM associated with claims processing. Subsequent drop in 2024 due to reduction in enrollment.
3. BFSD - Expenses primarily related to the federal reporting function for Medicaid expansion.
4. HRD - Reduction in 2024 due to reduced administrative contracts and no longer sending federal share of premiums to CMS.
5. MHSM - drops in 2022 due to the shift of MES to TSD.

Analysis:

The table below shows that total SFY 2024 administrative expenses attributable to Medicaid expansion were \$13,867,055. The federal share of these expenses was 69.9%. Regarding total program expenditures, administrative costs were 1.44% of the \$962,439,484 total Medicaid expansion expenditures in SFY 2024.



Total administrative expenses for traditional Medicaid and Medicaid expansion in SFY 2024 reached \$40,932,700. While Medicaid expansion represented approximately 39% of all Medicaid enrollment in SFY 2024, Medicaid expansion enrollees accounted for 33% of all Medicaid administrative expenses.

SFY 2024 Expenditures			Fund Type			
Expenditure Category	Division	Division #	General	State/Other Spec Rev	Fed/Other Spec Rev	Grand Total
Benefits	BHDD	10	\$6,819,068	\$1,116,174	\$72,547,237	\$80,482,480
Benefits	HRD	11	\$24,062,759	\$54,860,858	\$775,142,812	\$854,066,429
Benefits	SLTC	22	\$1,227,914	-	\$12,795,607	\$14,023,521
Benefits Total			\$32,109,741	\$55,977,032	\$860,485,656	\$948,572,429
Admin	HCSD	02	\$734,863	-	\$1,810,475	\$2,545,338
Admin	DO	04	\$61,396	-	\$65,568	\$126,963
Admin	BFSD	06	\$118,548	-	\$118,899	\$237,447
Admin	TSD	09	\$2,019,193	-	\$5,736,077	\$7,755,270
Admin	HRD	11	\$366,762	\$616,840	\$1,180,586	\$2,164,188
Admin	MHS	12	\$259,462	-	\$778,386	\$1,037,848
Admin Total			\$3,560,223	\$616,840	\$9,689,992	\$13,867,055
Grand Total			\$35,669,965	\$56,593,872	\$870,175,648	\$962,439,484

2027 Biennial Budget for Medicaid Expansion – Sunset Administration

The table below depicts the 2025 base starting point and the SFY 2026 and SFY 2027 budget requests. A sunset of Medicaid expansion would decrease about \$4.4 million in general funds, \$1.59 million in state special funds, and \$12.9 million in federal funds in administrative authority in each year of the 2027 Biennium.

Division	RL	RL_DESCRIPTION	Fund Type	2025 Starting Point	2026	2027	
	2	69010-02-20-04	EXPANSION ADMIN HCSD	1	\$311,796	\$191,130	\$192,216
				3	\$934,358	\$813,692	\$814,778
HCSD				\$1,246,154	\$1,004,822	\$1,006,994	
	4	69010-04-04-06	Med Expansion Admin	1	\$22,791	\$110,659	\$110,792
				3	\$22,654	\$110,521	\$110,654
DO				\$45,445	\$221,180	\$221,446	
	6	69010-06-06-07	Med Expansion Admin	1	\$64,000	\$473	\$474
				3	\$64,000	\$473	\$473
BFSD				\$128,000	\$946	\$947	
	8	69010-08-20-06	EXPANSION ADMIN	1	\$33,618	\$43,802	\$43,802
				3	\$33,618	\$43,803	\$43,803
OIG				\$67,236	\$87,605	\$87,605	
	9	69010-09-20-04	EXPANSION ADMIN TSD	1	\$3,589,152	\$3,589,152	\$3,589,152
				3	\$11,026,330	\$11,026,330	\$11,026,330
TSD				\$14,615,482	\$14,615,482	\$14,615,482	
	11	69010-11-20-04	EXPANSION ADMIN HRD	1	\$565,964	\$469,634	\$469,884
				2	\$2,388,739	\$2,388,739	\$2,388,739
				3	\$1,194,919	\$1,090,563	\$1,090,831
HRD				\$4,149,622	\$3,948,936	\$3,949,454	
	12	69010-12-20-04	EXPANSION MHSM	1	\$0	\$0	\$0
				3	\$0	\$0	\$0
MHSM				\$0	\$0	\$0	
Grand Total				\$20,251,939	\$19,878,971	\$19,881,928	