

# *Memo*

*From the House Appropriations Committee (D)*



TO: House Democratic Members and Interested Parties

FROM: Rep. Joseph Markosek, Chairman

SUBJECT: Affordable Care Act Savings Exceed \$590 Million in the 2014/15 Budget

DATE: June 23, 2014 - Updated June 24, 2014

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In recent media interviews, the Corbett administration has begun to blame the federal government, specifically the Affordable Care Act (ACA), for some of its budgetary problems. When in fact, **the ACA will already generate more than \$590 million in savings for Pennsylvania's proposed 2014/15 budget**, and if Gov. Corbett would immediately opt-in to Medicaid expansion, those savings would increase.

**Gov. Corbett's proposed 2014/15 budget includes more than \$590 million in state savings from the ACA:**

- **\$339 million savings** in the Department of Public Welfare (DPW)'s HealthChoices managed care program. The savings are due to ACA provisions that began in 2010 to extend federal drug rebates to managed care.
- **\$75 million savings** in DPW home and community-based programs that serve elderly and individuals with disabilities. The savings are due to a two percent enhancement in federal matching funds provided through the ACA's Balancing Incentive Program. Had the Corbett administration applied for the program when it began in October 2011, there would have been additional savings in previous fiscal years.
- **\$60 to \$70 million savings** in the Department of Aging's PACE, low-cost prescription drug program. The savings are due to ACA provisions that began in 2010 to close the "donut hole" in Medicare Part D and increase federal drug rebates.
- **\$109 million savings** in DPW's Medical Assistance Program, pending federal approval of Gov. Corbett's Healthy PA waiver, which would begin Jan. 1, 2015. The savings are due to 100 percent federal matching funds for health coverage provided to adults, with incomes under 138 percent of the federal poverty level, who currently receive state-funded coverage through the General Assistance program.

Even considering the additional costs the Corbett administration attributes to the ACA for compliance and administration, **the net savings from the ACA for Pennsylvania's 2014/15 budget easily exceed \$250 million.**

Most of the ACA costs incurred by DPW will happen regardless of whether the state expands Medicaid; however, it is fiscally irresponsible to pay these costs and not take full advantage of the additional savings under Medicaid expansion.

- By not expanding Medicaid on Jan. 1, 2014, Pennsylvania missed out on estimated state budget savings of \$90.8 million in 2013/14 and \$320 million in 2014/15.
- If we begin expansion immediately, we could still save more than \$240 million in 2014/15 - which is \$127 million more in savings than under Gov. Corbett's Healthy PA plan.

Pennsylvania is one of only 11 states to face a revenue shortfall in 2014, while the majority of states will meet or exceed their revenue estimates. This is Gov. Corbett's fourth budget. It is time for the governor to take responsibility for the budget situation and stop blaming the previous administration and the federal government.