

## Proposition Number 3

### Ballot Title

Shall a law be enacted to:

- expand the state Medicaid health coverage program to include coverage, based on income, for previously ineligible low-income adults;
- maintain the following as they existed on January 1, 2017:
  - eligibility standards, benefits, and patient costs for Medicaid and the Children’s Health Insurance Program (CHIP); and
  - the payment rate for healthcare providers under Medicaid and CHIP; and
- use the tax increase described below to pay for Medicaid and CHIP?

**This initiative seeks to increase the current state sales tax rate by 0.15%, resulting in a 3.191% increase in the current tax rate.**

### Impartial Analysis

Proposition Number 3 makes three main changes to state law relating to Medicaid and the Children’s Health Insurance Program (CHIP). First, it expands the state Medicaid program to include coverage, based on income, for previously ineligible low-income adults. Second, it preserves the existing scope of the state’s Medicaid and CHIP programs. Third, it increases the state sales tax rate from 4.70% to 4.85% and directs the resulting revenue toward paying for the changes to Medicaid and CHIP made by the Proposition.

### Background

Medicaid is a government-sponsored health insurance program for eligible low-income adults, children, pregnant women, elderly adults, and people with disabilities. Medicaid was established by the federal government but is administered by the states through state-run programs. Each state’s program must meet certain minimum federal requirements but can vary widely. The programs are funded in part by the federal government and in part by the state government.

Historically, an adult qualified for Medicaid coverage only if the adult had a low income and belonged to a designated eligibility category—pregnant, parent, aged, blind, or disabled. That changed with the federal government’s passage of the Patient Protection and Affordable Care Act. The Affordable Care Act gave states the option of expanding Medicaid eligibility in their state by allowing adults under 65 years of age with incomes below 138% of the federal poverty level to qualify for coverage based solely on their income, without belonging to a designated eligibility category. Individuals in this group are called “newly eligible.” To date, Utah has not expanded its Medicaid program to cover all newly eligible individuals.

Similar to Medicaid, CHIP is a government-sponsored health insurance program that was established by the federal government, is administered by the states, and is funded in part by the

federal government and in part by the state government. CHIP builds on Medicaid by providing health coverage to low-income children whose families earn too much money to qualify for Medicaid.

### **Effect of Proposition Number 3**

#### Expanding Medicaid

Beginning April 1, 2019, Proposition 3 expands eligibility for Medicaid to include all newly eligible individuals under the Affordable Care Act—adults under 65 years of age with incomes below 138% of the federal poverty level who are not currently eligible for Medicaid.

#### Preserving the Scope of Medicaid and CHIP

Proposition 3 preserves certain aspects of the state’s Medicaid and CHIP programs as they existed on January 1, 2017 to set a baseline for the scope of coverage and benefits available under each program going forward. By establishing the baselines, the Proposition prohibits future changes to the programs that would reduce the coverage or available benefits, but it allows changes that would expand them. More specifically, the Proposition provides that:

- the standards, methodologies, and procedures for determining eligibility for Medicaid and CHIP cannot be made more restrictive than they were on January 1, 2017;
- there cannot be any limits on Medicaid enrollment beyond those in place on January 1, 2017;
- the categories of care or services and the types of benefits provided under Medicaid and CHIP cannot be made more restrictive than they were on January 1, 2017;
- any premium, beneficiary enrollment fee, or cost sharing requirements, including co-payments, co-insurance, deductibles, or out-of-pocket maximums, cannot be increased from what they were on January 1, 2017; and
- Medicaid’s and CHIP’s payments to healthcare providers, like hospitals and physicians, cannot be made at a rate less than the rate paid on January 1, 2017, adjusting annually for inflation.

#### Funding Medicaid Expansion

Under the Affordable Care Act as it currently exists, the federal government will pay approximately 90% of the cost of the newly eligible individuals who gain Medicaid coverage under Proposition 3, and the state government must pay the remainder. Beginning April 1, 2019, Proposition 3 increases the state sales tax rate from 4.70% to 4.85% and directs the resulting revenue toward paying the state’s portion. The increase does not apply to groceries. The Proposition requires the revenue from the 0.15% increase to be used primarily for expanding Medicaid eligibility to the newly eligible, but it provides that any remaining revenue can be used to fund Medicaid or CHIP more generally.

### **Fiscal Impact**

The following fiscal impact statement is based on figures provided by the legislative fiscal analyst.

Proposition 3 may result in approximately 150,000 newly eligible individuals enrolling in the state Medicaid program in fiscal year 2020, and approximately 5,000 additional newly eligible individuals

enrolling each year thereafter. Additionally, approximately 20,000 children who are currently eligible for Medicaid but not enrolled may enroll once their parents become eligible.

The increase to the state sales tax rate contained in Proposition 3 will generate additional tax revenue for the state to direct toward the cost of expanding Medicaid coverage to the newly eligible. The chart below summarizes the anticipated cost associated with expanding Medicaid eligibility under Proposition 3 and the state revenue Proposition 3 is expected to generate. The figures in the chart assume the enrollment growth described above and no changes to federal law.

	<b>Total Cost of Medicaid Expansion Under Prop 3 (Federal and State Portions)</b>	<b>Utah's Portion of Total Cost of Medicaid Expansion Under Prop 3</b>	<b>Revenue from Increase to the State Sales Tax Rate</b>
<b>Fiscal Year 2020</b>	\$758 million	\$53 million	\$84 million
<b>Fiscal Year 2021</b>	\$846 million	\$78 million	\$88 million

The actual cost of Medicaid expansion under Proposition 3 and the amount of additional revenue the state collects from the increase to the state sale tax rate will vary based on numerous factors, including population growth, business investment, consumer behavior, economic conditions, and policy changes.