

Budget Neutrality

The provision of family planning services directly results in substantial savings - in both human and financial terms. According to the Alan Guttmacher Institute, if all publicly funded family planning services were no longer available, the women who rely on them would have 1.2 million additional unintended pregnancies each year. (Forrest, J.D., et al. 1996, p. 88).

Since a large percentage of women receiving publicly funded family planning services are Medicaid recipients *or would become eligible if they became pregnant*, “every public dollar spent on contraception saves \$3.00 that would otherwise have to be spent for pregnancy-related and newborn medical care *alone*.” (Forrest, J.D., et al. 1996, p. 188). This savings estimate does not account for welfare benefits and other publicly funded social services consumed by low-income women and their children. When considering other public expenses like welfare and nutritional services, the average government savings is \$4.40 for every \$1.00 spent on family planning services. (Forrest, J.D., et al., 1990, p. 6).

The outcomes sought for Oregon’s Family Planning Expansion Project were originally envisioned in terms of the above cost-benefit statistics. Since then, we have developed a detailed budget neutrality model based specifically on the experience of the first three years of Oregon’s Project. Expenditures have been below budget limits for every year of the Project. By the end of the original Project period, there will be substantial savings to both the State of Oregon and the federal Medicaid program, and savings will continue through the proposed three-year extension.

Key Assumptions

Savings

When a woman at 185 percent of poverty becomes pregnant, one person is added to her family size. This added person pushes the family below 170 percent of poverty, the 1998 Oregon level of Medicaid coverage for pregnancy care. Thus, all pregnancies averted by the Project result in Medicaid program savings. (If Oregon’s prenatal care coverage decreases to 133 percent of poverty due to budgetary constraints and FPEP follows suit with a decrease of eligibility down to 150 percent of poverty under this extension, the same principle will apply.)

1999 savings per averted pregnancy were calculated as follows: For the Total Costs Analysis, an average of \$3,921 for prenatal care, delivery, routine medical care for a mother; one year of savings for a young child’s health care at \$1,683. We project this amounts to remain about the same for subsequent years. Additional savings for children one through five years of age are currently being calculated in anticipation that they may be approved for use by Oregon as they have been for other states. Oregon’s regular Medicaid match for each year is assumed for all of these savings.

Pregnancies Averted

Several sources estimate that the approximate ratio of pregnancies averted among family planning clients served is 1 to 10, or 10%, for births alone. (DHHS Region X Family Planning Information System, 1996; Trussel et al., 1995; and Forrest et al, 1990). In our 1998 proposal, we adjusted the estimate downward and projected that six percent of our clients would avert an unintended pregnancy each year. Applied to our projected client base of 66,500, this would result in 3,990 unintended pregnancies averted each year. We made the adjustment from ten percent down to six percent in order to reflect the fact that some of the proposed Expansion clients might have already been receiving contraceptive services elsewhere prior to the Expansion. In addition, the 3,990 estimate was a reasonable goal in light of the number of unintended pregnancies among Oregon's target population.

Since that time, Oregon's **base fertility rate** was approved by CMS, with an unadjusted rate of 208 pregnancies per 1,000 in the population at risk. The actual client fertility rate in the first year was calculated at only 35 Medicaid pregnancies per 1,000 clients. After age adjustment, the difference between the first year clients' rate and the base rate showed 9,345 pregnancies averted. Since this was more than double the original estimate, the Project determined that the original base fertility rate was an inappropriate comparator. When revised to include only Medicaid pregnancies among the population at risk, the unadjusted base rate was calculated at 173 Medicaid pregnancies per 1,000 in the population, and the pregnancies averted for the first year were estimated at 7,130.

Number of Clients

Actual clients numbers are recorded for 1999 through 2002. The FPEP caseload has growth potential to 100,000 clients with incomes less than 185% FPL by the end of the original Project period. (An estimated 93,000 clients will have incomes less than 150% FPL.)

Cost Per Client

Family planning services costs, including contraceptive supplies, are known for the first few Project years and are projected at \$239 for the remaining years. We assume 90/10 match on these expenditures.

Budget Neutrality Worksheets

Oregon's budget neutrality model is in worksheet form, with one worksheet showing **TOTAL COSTS**, and a second worksheet showing **FEDERAL COSTS**. Considering the possibility that FPEP eligibility may be reduced due to budget constraints, one set of worksheets has been prepared showing the original eligibility level of 185% FPL, and a second set has been prepared showing the reduced eligibility level of 150% FPL. The following narrative serves to describe the mechanics of both worksheet sets:

TOTAL COSTS Worksheets

The main row headings of the **ALL COSTS** worksheet are **WITHOUT WAIVER**, **WITH WAIVER**, and **REAL-TIME SAVINGS**. There is a column for each year for the original Project and a 5-year subtotal. Then there is a column for each year of the proposed extension and a 3-year subtotal. In recognition of the fact that gestation is nine months long, pregnancies are not projected as averted nor savings accrued until at least nine months after the project begins. To simplify the presentation, we conservatively used a one-year lag period. Therefore, savings for **1999** are shown in **2000**, savings for **2000** are shown in **2001**, etc. This means there is a column for the **Post-Project Year**, and the **Grand Total** for the project is calculated over a nine-year period.

WITHOUT WAIVER

Per Capita costs for **Care for Pregnant Women & Children** are estimated for 1999 and projections are made for the Project remainder. Adding health care costs for children age one through age five would increase costs by an amount currently being calculated.

The number of pregnant women covered by Medicaid in the year prior to the waiver was about 20,000. That number is used to represent what would have happened without the waiver. (If Medicaid reduces eligibility to pregnant women <133% FPL for 2004, the number of pregnant women without waiver is estimated to be 18,000.) These numbers do not impact the overall budget neutrality calculation, since they are included in both the **WITH** and **WITHOUT WAIVER** sections.

WITH WAIVER

Per capita costs are estimated at \$239. The number of **Persons** is actual for 1999 through 2002 and projected for the remaining Project years.

Pregnancies are not expected to be averted until at least nine months after the project begins. To simplify the presentation, used a conservative one-year lag period. A reduction in **Care for Pregnant Women** and therefore **Children** is therefore shown beginning in **2000**. The reduction below the **WITHOUT WAIVER** level is based on the pregnancy averted methodology described above.

REAL-TIME SAVINGS

This line is simply the subtraction of the ***WITH WAIVER*** line from the ***WITHOUT WAIVER*** line. An additional line shows cumulative real-time savings for each year.

BUDGET MONITORING

The **TOTAL COSTS** worksheet also includes a **Budget Monitoring** section. The budget limit for each Project year is based on the cost per birth times the births averted during the year after FPEP services. By subtracting the FPEP expenditures, the result is the savings attributed to the services. For each year this calculation shows that Oregon has been and is projected to be within budget limits.

FEDERAL COSTS Worksheets

The **FEDERAL COSTS** worksheet is organized in the same way as the **TOTAL COSTS** worksheet. The only differences in this worksheet are that **Per Capita** costs are based on the annual federal match rates.

OTHER SAVINGS

As shown on the **TOTAL COST** worksheet, the expansion expenditures have been below the budget limit for every Project year. By the end of the original Project, there will be substantial savings for both the State of Oregon and the federal Medicaid Program, with savings continuing through the three-year extension.

Although more difficult to estimate and therefore not shown in the tables, additional savings are expected to accrue to the Medicaid program:

Child health care costs incurred beyond the first year of life. Costs through age five are permitted under budget neutrality Project terms and conditions approved later than Oregon's.

Unintended births are more likely to be low birth weight and have higher medical costs, including long-term disability costs.

Family planning provider capacity to see clients not specifically eligible for the waiver has increased. This adds to the number of averted births among women who might have otherwise qualified for Medicaid emergency assistance for delivery and Medicaid coverage for their children.

On-going routine health care costs for women who would not have been on the Oregon Health Plan rolls had they not had an unintended pregnancy.

Additional non-Medicaid federal savings are expected to accrue but have not been estimated; including WIC, TANF, food stamps, etc. Savings in terms of decreased social costs are incalculable.