

# Medicaid Expansion: How It Affects Montana's State Budget, Economy, and Residents

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*Prepared by Manatt Health for the Montana Healthcare Foundation*

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# Montana's Medicaid Expansion

- On January 1, 2016, Montana expanded Medicaid to adults with incomes up to 138% of the federal poverty level (FPL).
- Nearly **9 in 10** of Montana's expansion enrollees have incomes below the federal poverty level (\$12,140 per year for a single individual in 2018, with \$4,320 added for each additional person in the household).
- More than **96,000** Montanans have enrolled in the expansion group to date.
- The federal government pays most expansion costs, with **100%** funding in 2016 that phases down and levels off at **90%** in 2020 and beyond.
- All but the lowest income enrollees pay premiums for their coverage, and most have copayments for the services they use.

- State budget savings

- Medicaid expansion allowed Montana to receive enhanced federal match for some existing Medicaid populations and gain access to federal match that replaces State spending for some other services and populations. Savings to date have exceeded **\$36 million**.

- Economic impacts

- Health care is Montana’s largest source of private sector income and its second largest source of jobs, with growth accelerating in the wake of expansion. Hospitals and other health care providers rely on Montana Medicaid as a critical revenue source, with expansion helping to reduce hospitals’ uncompensated care costs by more than **\$100 million** in 2016.

- A healthier Montana

- Medicaid expansion has provided low-income adults with access to affordable preventive, mental health, substance use disorder treatment and other services that promote individual and family health, as well as a healthy Montana workforce. More than **65,000** expansion adults have accessed preventive services to date.

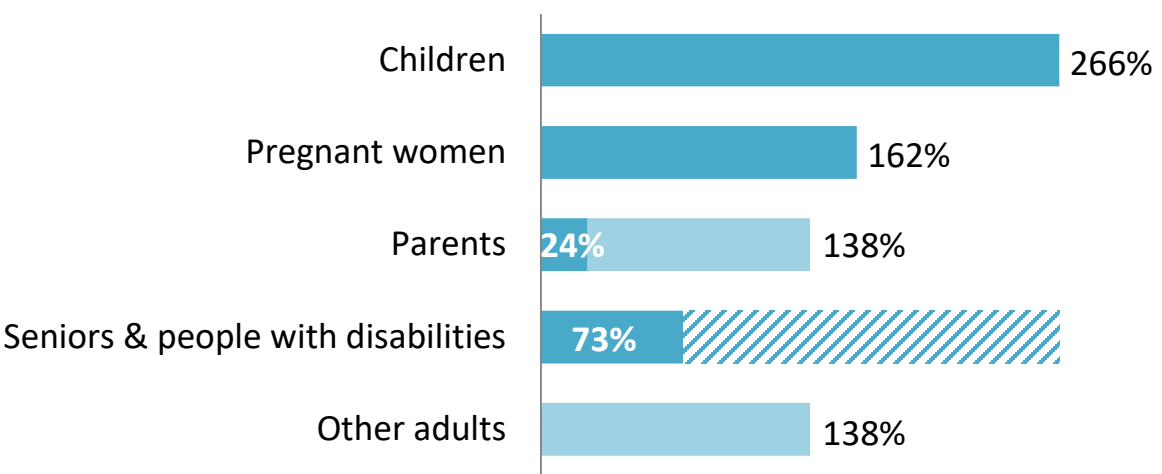
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# Background

# Medicaid Expansion Improved Coverage and Brought New Federal Funding to Montana

- Montana’s Health and Economic Livelihood Partnership (HELP) Act**
  - Effective January 1, 2016, expanded Medicaid to cover adults with incomes up to 138% FPL (\$16,753 for an individual in 2018).
  - Increased federal funding of health care in Montana and reduced some categories of existing State spending.

## Montana Medicaid/CHIP Eligibility Levels Pre- and Post-Expansion



Federal poverty level (FPL) income amounts, 2018				
FPL	Family size			
	1	2	3	4
24%	\$2,914	\$3,950	\$4,987	\$6,024
73%	\$8,862	\$12,016	\$15,169	\$18,323
138%	\$16,753	\$22,715	\$28,676	\$34,638
162%	\$19,667	\$26,665	\$33,664	\$40,662
266%	\$32,292	\$43,784	\$55,275	\$66,766

■ Pre-Expansion   ■ Post-Expansion   ▨ Varies based on Medicare and long-term care status

# Most Expansion Enrollees Have Incomes Below the Federal Poverty Level

Montana  
Medicaid  
total  
enrollment,  
Jan. 2018

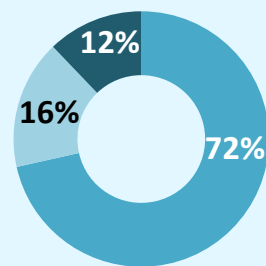
254,817\*

Expansion  
enrollment,  
Jan. 2018

96,056\*

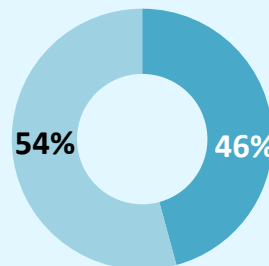
- More than 96,000 Montanans have enrolled in the expansion group.
- Nearly 9 in 10 expansion enrollees have incomes below the federal poverty level (\$12,140 per year for single individual in 2018).
- Expansion enrollees are disproportionately female (54%).
- Nearly a quarter of expansion enrollees are ages 50 to 64, slightly more than a quarter are 35 to 49, and almost half are 19 to 34.
- Approximately 1 in 6 expansion enrollees are Native American.

Income % of FPL



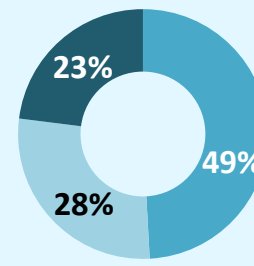
■ 0-50% FPL  
■ 51-100% FPL  
■ 101-138% FPL

Gender



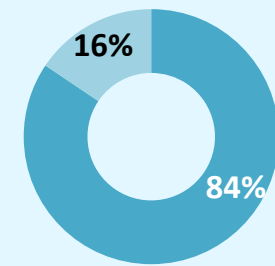
■ Male  
■ Female

Age Group



■ 19-34  
■ 35-49  
■ 50-64

American Indian/  
Alaska Native



■ No  
■ Yes

\* Enrollment figures may vary slightly across sources (e.g., due to differences in how individuals with retroactive eligibility are counted).

# Expansion Enrollees Contribute Toward the Cost of Their Coverage

- Montana’s Medicaid expansion includes a “shared responsibility” commitment.
- Premiums
  - Most expansion adults with incomes at or above 51% FPL (\$6,191 per year for an individual) are required to pay premiums equal to 2% of income.
  - Those above 100% FPL are dis-enrolled if they fail to pay, and unpaid premiums for all enrollees are subtracted from future state tax refunds.
- Total cost sharing
  - Most enrollees also have copayments for the services they use.
  - Premiums and copayments together may be up to 5% of income.



2%

of income for  
premiums

5%

of income for  
premiums +  
copayments



# Total Cost Sharing Obligations Vary by Income Level and Family Size

## Premium and Copayments Required for Montana Medicaid Expansion Enrollees

Family size	51% FPL		100% FPL		138% FPL	
	Annual income	Maximum required premiums + copays	Annual income	Maximum required premiums + copays	Annual income	Maximum required premiums + copays
1	\$6,191	\$310	\$12,140	\$607	\$16,753	\$838
2	\$8,395	\$420	\$16,460	\$823	\$22,715	\$1,136
3	\$10,598	\$530	\$20,780	\$1,039	\$28,676	\$1,434
4	\$12,801	\$640	\$25,100	\$1,255	\$34,638	\$1,732

- For example, a family of four (two parents, two children) with annual income of \$34,638 pays \$1,386 in premiums.



- They are also liable for up to \$346 in copayments each year, for a total responsibility of \$1,732.

Medicaid enrollees have paid more than **\$7.4 million** in premiums as of March 1, 2018.

# Medicaid Copayments Are Higher for Those With Incomes Above the Federal Poverty Level

- Montana’s lowest income enrollees (100% of the FPL or less) pay fixed dollar copayments for each service or item.
- Those above the federal poverty level have higher copayments.
- Copayments do not apply to certain groups and services (for example, services for pregnant women; emergency care; family planning; immunizations and other preventive care; and generic drugs).

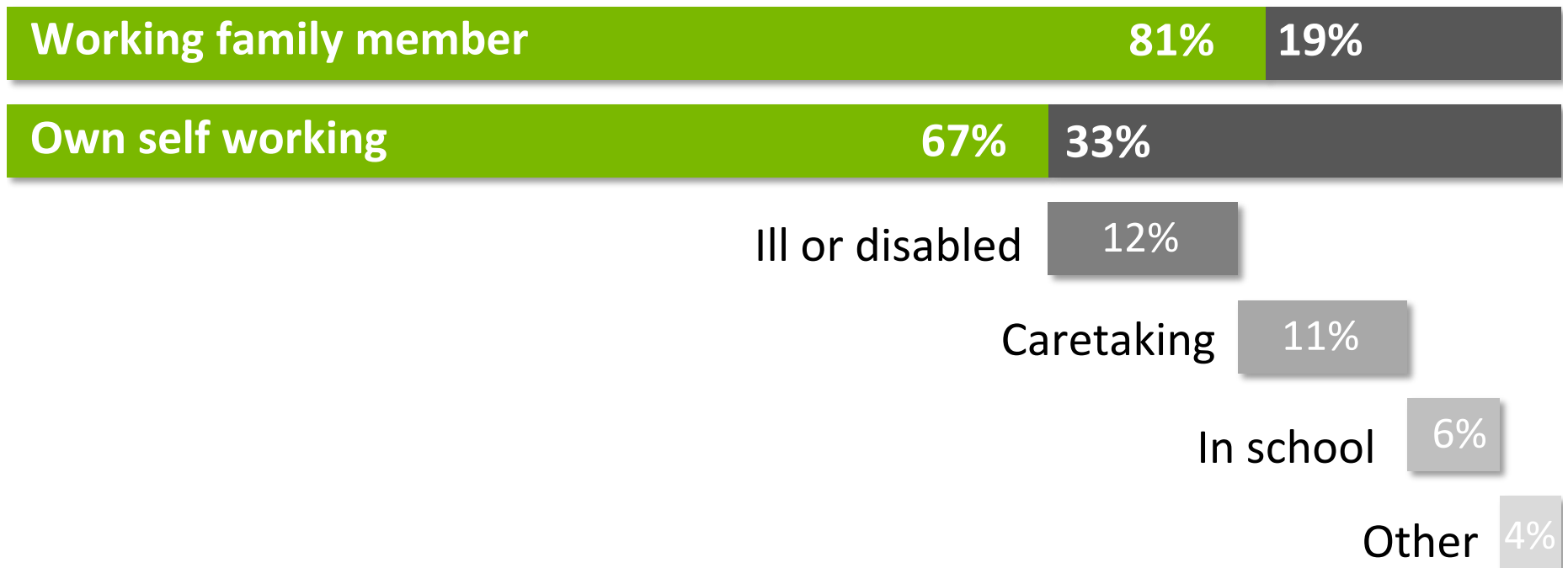
Montana Medicaid Copayments		
Service	Income	
	100% FPL or less	More than 100% FPL
Inpatient hospital	\$75 per discharge	10% of provider fee
Nonemergency care in emergency room	\$8	
Pharmacy	\$4 preferred brand \$8 non-preferred brand	
Physician and other professional	\$4	10% of provider fee
Outpatient facility	\$4	10% of provider fee
Durable medical equipment	\$4	10% of provider fee
Lab and radiology	\$4	10% of provider fee

Groups exempt from copays are those who are under age 21; pregnant women; American Indians/Alaska Natives eligible for or receiving a service through a Tribal/Indian provider; institutionalized and required to spend towards the cost of care; terminally ill and receiving hospice; eligible based on breast/cervical cancer.

Some services are exempt from cost sharing, and a family’s cost sharing may not exceed 5% of income. For enrollees that pay premiums (2% of income), those amounts are credited toward the 5% limit.

# Most Expansion Enrollees Live in Working Families

- Among adults with Medicaid coverage\* in Montana:
  - More than **8 in 10** live in working families.
  - Nearly **7 in 10** are themselves working, ranking Montana in the top 10 for all states.
  - Of those not working, more than **1 in 3** are ill or disabled; the remainder reported that they were taking care of family or home, in school, or had another reason (e.g., were looking for work but could not find it).



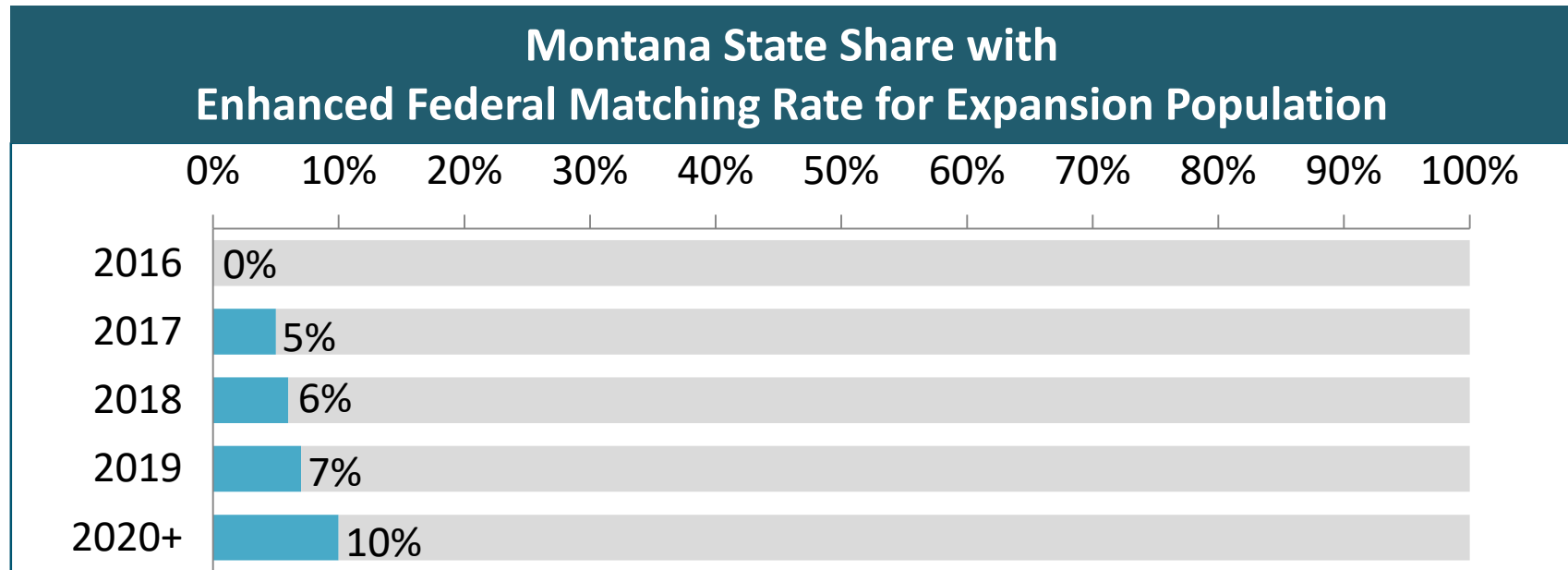
\* Excluding individuals with disabilities who are enrolled on the basis of receiving Supplemental Security Income (SSI).

- **HELP-Link** is a job services program administered by Montana's Department of Labor and Industry that **connects expansion enrollees with workforce training, employment services, and job openings.**
- As of March 2, 2018:
  - Over **22,000** had received employment services.
  - Over **11,500** expansion enrollees had completed HELP-Link surveys.
  - Over **2,500** had received intensive, one-on-one services through HELP-Link.
- Outcomes:
  - **78%** of HELP-Link participants who were unemployed during 2016 found employment after completing the program.
  - **72%** of employed participants who did not need extensive services had higher wages after completing HELP (average increase was \$1,680 in 2016).
  - Among the top occupations pursued, the health care industry (nurses, medical assistants, and other jobs) accounted for **half** of HELP-Link participants.

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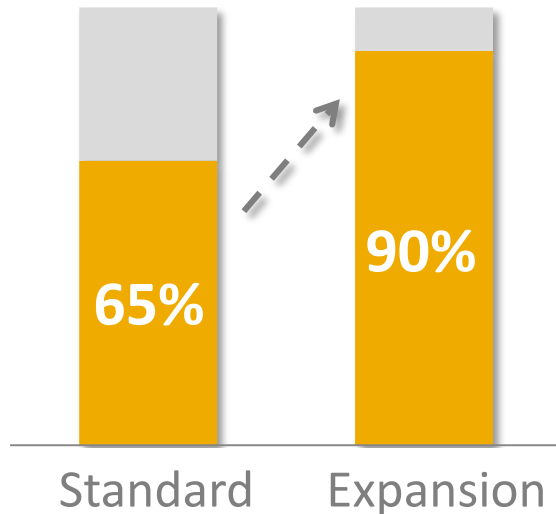
# State Budget Savings

# Montana Receives At Least 90% Federal Funding for Medicaid Expansion Costs



- In 2017, Montana benefits from a 95% federal match rate for its expansion enrollees, including existing populations moving to the expansion group.
- In 2020 and beyond, the federal match rate levels out at 90% for expansion enrollees (25 points higher than Montana’s regular federal match rate).
- For both expansion and non-expansion enrollees, care provided through Indian Health Service facilities always receives 100% federal match.

# Medicaid Expansion Generates State Budget Savings in Two Ways



1

Montana receives higher federal “match rates” for some existing Medicaid populations

**Match rate or federal medical assistance percentage (FMAP):** The proportion of covered state Medicaid service costs eligible for federal reimbursement. The higher the match rate for a population or service type, the more the federal government will contribute to service cost payment.

2

Montana gains access to new federal dollars that replace State spending for some other services and populations



# 1 Expansion Saved Montana Nearly \$20 Million by Moving Some Populations to Enhanced Federal Match 15

Populations with savings from moving to enhanced federal match include:



**Certain enrollees with limited coverage under a waiver**

–Savings of **\$9.8 million** through SFY 2017



**Pregnant women**

–Savings of **\$5.0 million** through SFY 2017



**Medically needy**

–Savings of **\$4.0 million** through SFY 2017



**Breast & cervical cancer enrollees**

–Savings of **\$1.0 million** through SFY 2017



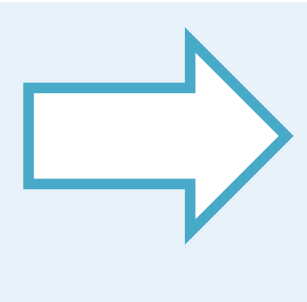
# 2

## Expansion Saved Montana More Than \$16 Million by Replacing Some State Spending with Federal Dollars

### Mental Health Services = Savings of \$3.1 million

#### Pre-Expansion

The Montana Mental Health Services Program (MHSP) served Montanans up to 150% FPL who would otherwise lack coverage.



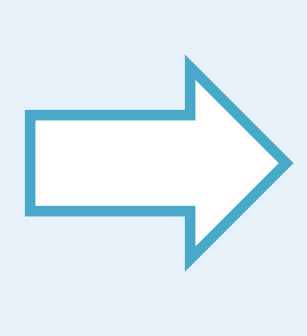
#### Post-Expansion

A substantial portion of individuals served by the MHSP transferred to full Medicaid coverage of their mental health and other service needs.

### Substance Use Disorder (SUD) Treatment = Savings of \$3.0 million

#### Pre-Expansion

Montana Medicaid did not play central role, and SUD treatment services were funded by a patchwork of federal block grant, State alcohol tax and State general funds.



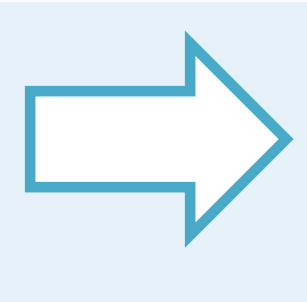
#### Post-Expansion

Many people receiving State-funded SUD treatment gained Medicaid coverage of those services. State alcohol tax and general funds were freed up as a result of the new federal Medicaid dollars.

### Health Care for Inmates = Savings of \$10.5 million

#### Pre-Expansion

The State paid for 100% of costs for most inmate hospitalizations, at commercial rates.



#### Post-Expansion

Many inmates now qualify for Medicaid, which covers their hospitalizations (over 24 hours) at Medicaid rates.



# Montana Medicaid Expansion Has Saved the State More than \$36 Million Through SFY 2017

## State Savings from Medicaid Expansion (millions)

	Total	Moving some Medicaid populations to enhanced federal match				Replacing some State spending with federal match		
		Waiver	Pregnant women	Medically needy	Breast & cervical cancer	Mental health services	SUD treatment	Inmate care
<b>Total</b>	<b>\$36.5</b>	<b>\$9.8</b>	<b>\$5.0</b>	<b>\$4.0</b>	<b>\$1.0</b>	<b>\$3.1</b>	<b>\$3.0</b>	<b>\$10.5</b>
<b>SFY 2016</b>	\$11.3	\$2.8	\$0.7	\$1.9	\$0.2	\$1.3	\$1.5	\$2.9
<b>SFY 2017</b>	\$25.2	\$7.0	\$4.3	\$2.1	\$0.8	\$1.8	\$1.5	\$7.7

## State Costs for Medicaid Expansion\*

<b>Total</b>	<b>\$29.4 million in state spending (remaining \$706.0 million funded by federal government)</b>
<b>SFY 2016</b>	\$5.0 million in state spending (remaining \$153.6 million funded by federal government)
<b>SFY 2017</b>	\$24.5 million in state spending (remaining \$552.4 million funded by federal government)

Note: Sum of components may not equal total due to rounding.

\* Excludes premium revenues, which are shared with the federal government at existing federal matching rates. Includes benefit and administrative spending.

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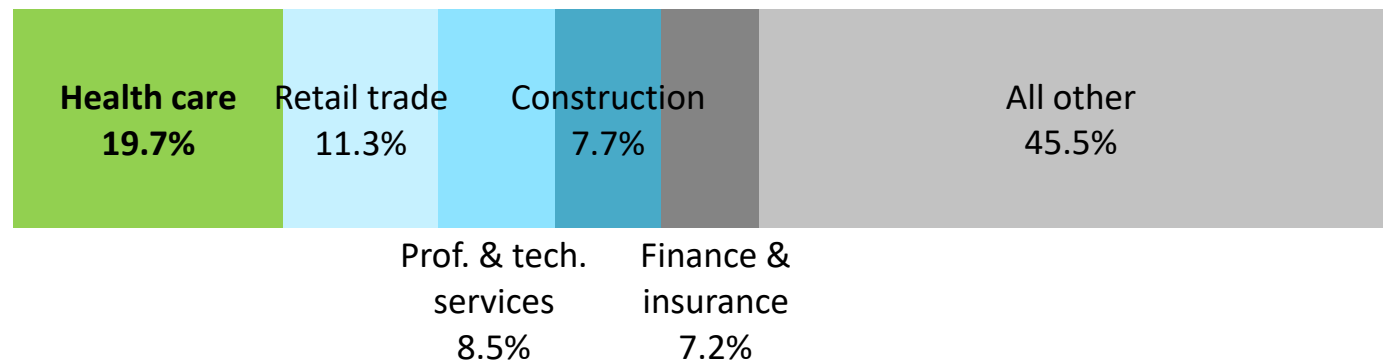
# Economic Impacts

# Health Care Is Montana's Largest Source of Private Sector Income and Its Second Largest Source of Jobs

- Montana's Medicaid program—including its recent expansion—provides **economic benefits** by generating employment, income, and tax revenues.

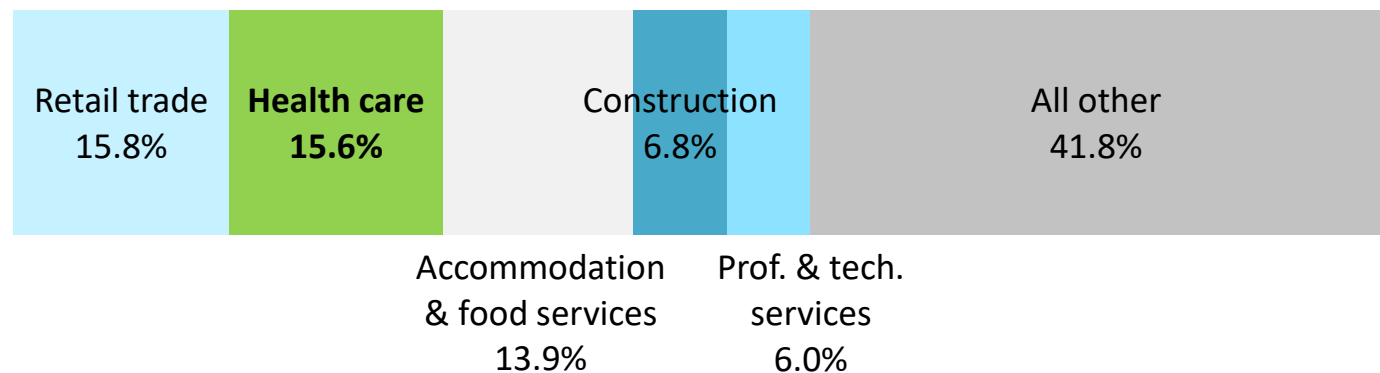
### Montana Private Sector Income by Industry, First Quarter of 2017

- Health care is the largest source of private sector income in Montana, with 1 in 5 dollars earned from health care jobs.



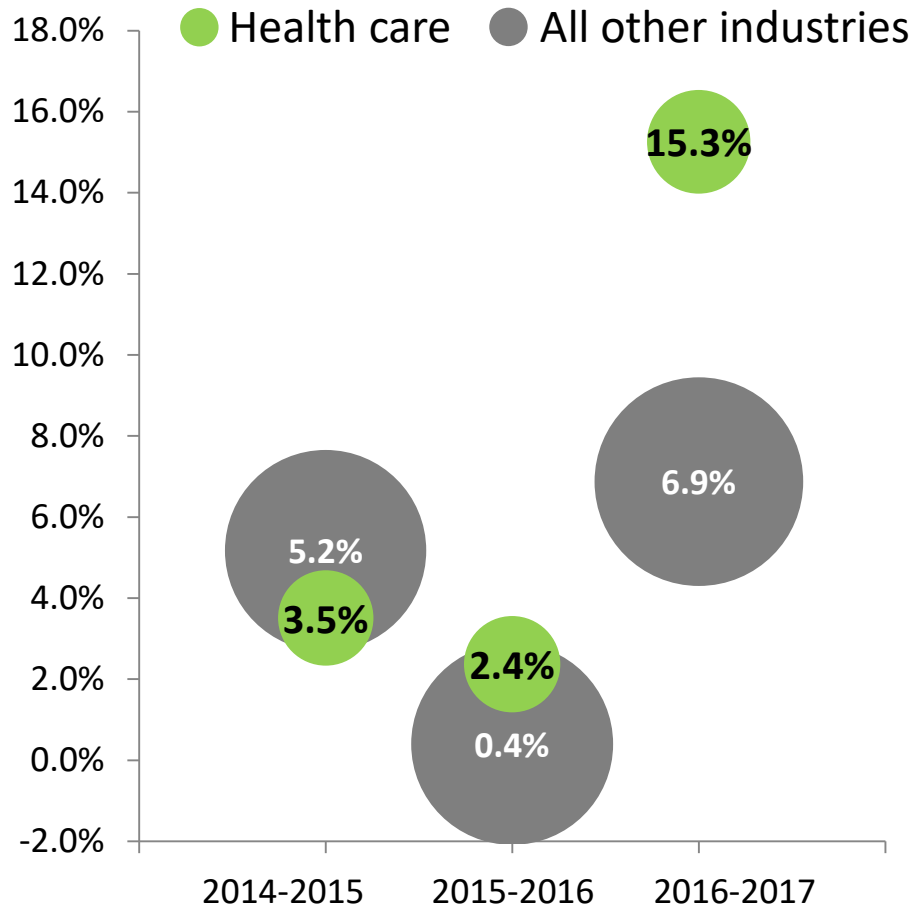
### Montana Private Sector Jobs by Industry, First Quarter of 2017

- Health care is Montana's second largest source of private sector employment.

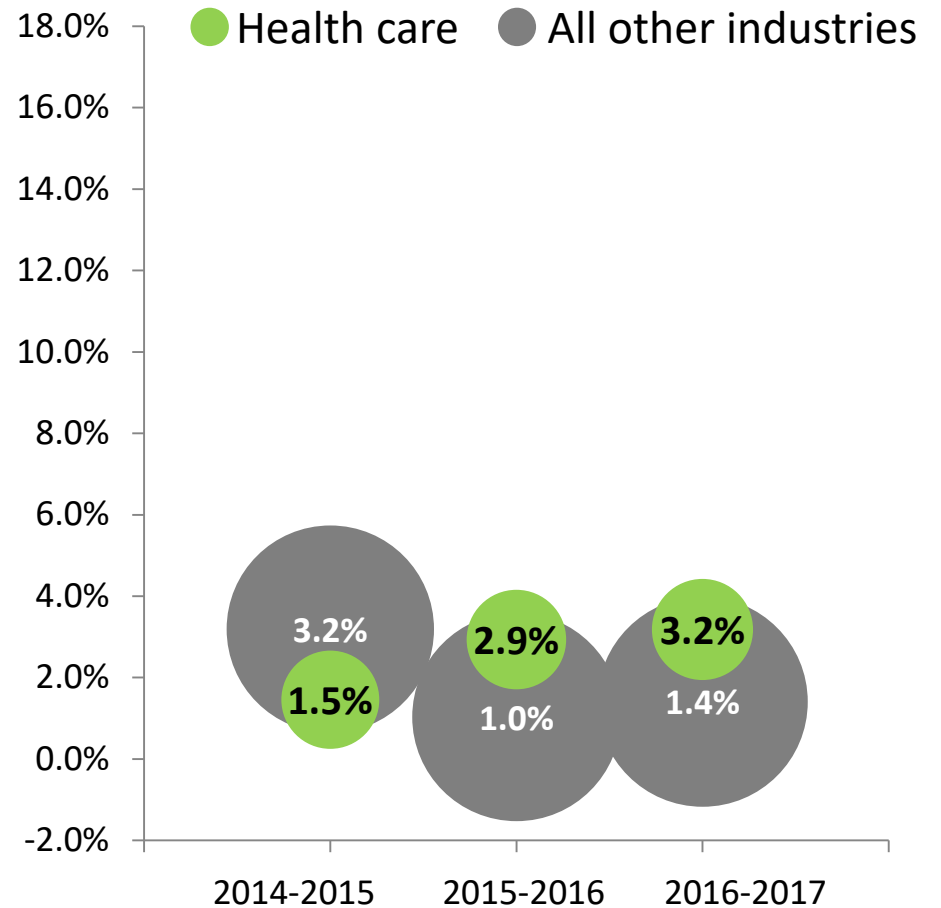


# Following Expansion, Montana's Growth in Health Care Income and Jobs Has Exceeded That of Other Industries

### Growth in Montana Private Sector Income, First Quarters of 2014 – 2017



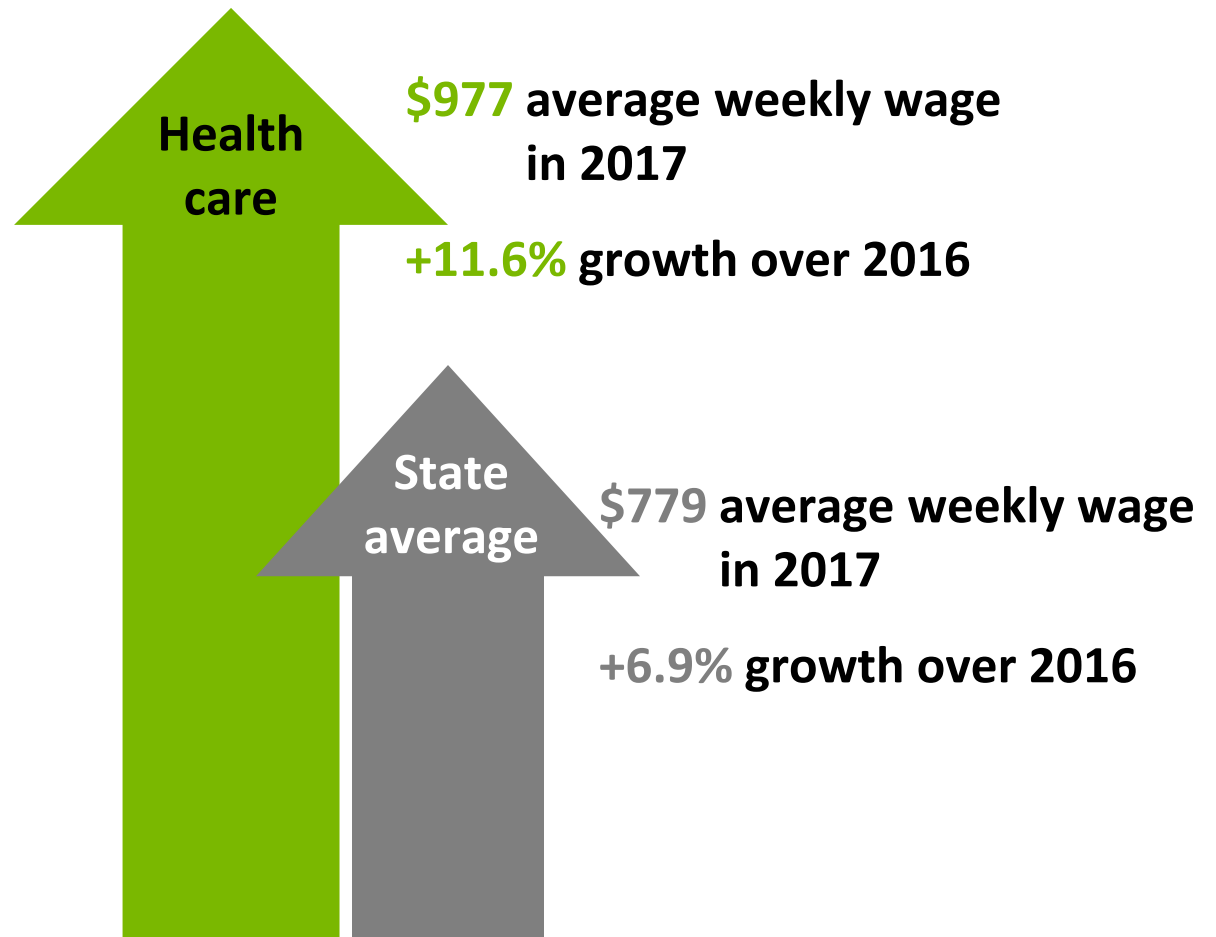
### Growth in Montana Private Sector Jobs, First Quarters of 2014 – 2017



# Montana's Health Care Jobs Have Higher Wages and Are Growing Faster Than Statewide Average Wages

- Private sector health care jobs in Montana have an average weekly wage of \$977, which is 25% higher than the statewide average.
- Between 2016 and 2017, health care wages grew at a rate of nearly 12%, compared to the statewide average of 7%.

Montana Private Sector Wages and Growth, First Quarters of 2016 – 2017



# Medicaid Expansion Has Reduced the Financial Burden of Uncompensated Care for Montana's Hospitals

- Hospitals' uncompensated care costs continue to decrease in Montana.
  - For calendar year 2016 (the first year of expansion), these costs fell by **\$103 million** (44.9%) relative to calendar year 2015.
  - For the 12-month period ending Sep. 2017, these costs fell by **\$35 million** (-29.0%) relative to the 12-month period ending Sep. 2016.
- Net patient revenues from all sources increased by **\$216 million** (11.6%) between 2016 and 2017, and hospital profitability increased.
- Individual hospital experience varies based on a variety of factors.
  - Some expansion gains are offset by patients moving from other coverage to Medicaid, which typically pays less than commercial or Medicare rates.
  - However, hospitals overall have benefitted from Medicaid expansion. This is consistent with findings from other states that have shown improved hospital financial performance and substantially lower likelihoods of closure, especially in rural areas and counties with high uninsurance prior to expansion.

# Montana's Medicaid Expansion Has Improved Financial Stability of Community Health Centers

- Montana's 17 community health centers play a key role in ensuring access to primary care throughout the state, particularly in rural areas.
- Between 2015 and 2016, Medicaid revenues for these providers nearly doubled, from \$12.2 million to **\$23.9 million** (23% of all revenues).
- The number of Medicaid patients served also increased substantially, from 19,000 to more than **35,000** (33% of all patients). The number of uninsured patients decreased by a nearly equivalent amount.
- Medicaid expansion has provided financial stability at a time when health centers are facing substantial uncertainty.
  - Delayed federal action to extend grant funding and loan repayment raises possibility of closures or consolidations and hampers ability to recruit staff.
  - Stability of Medicaid expansion funding would enable health centers to provide Montana's local communities with additional mental health, substance use disorder, dental, and other high-demand services.

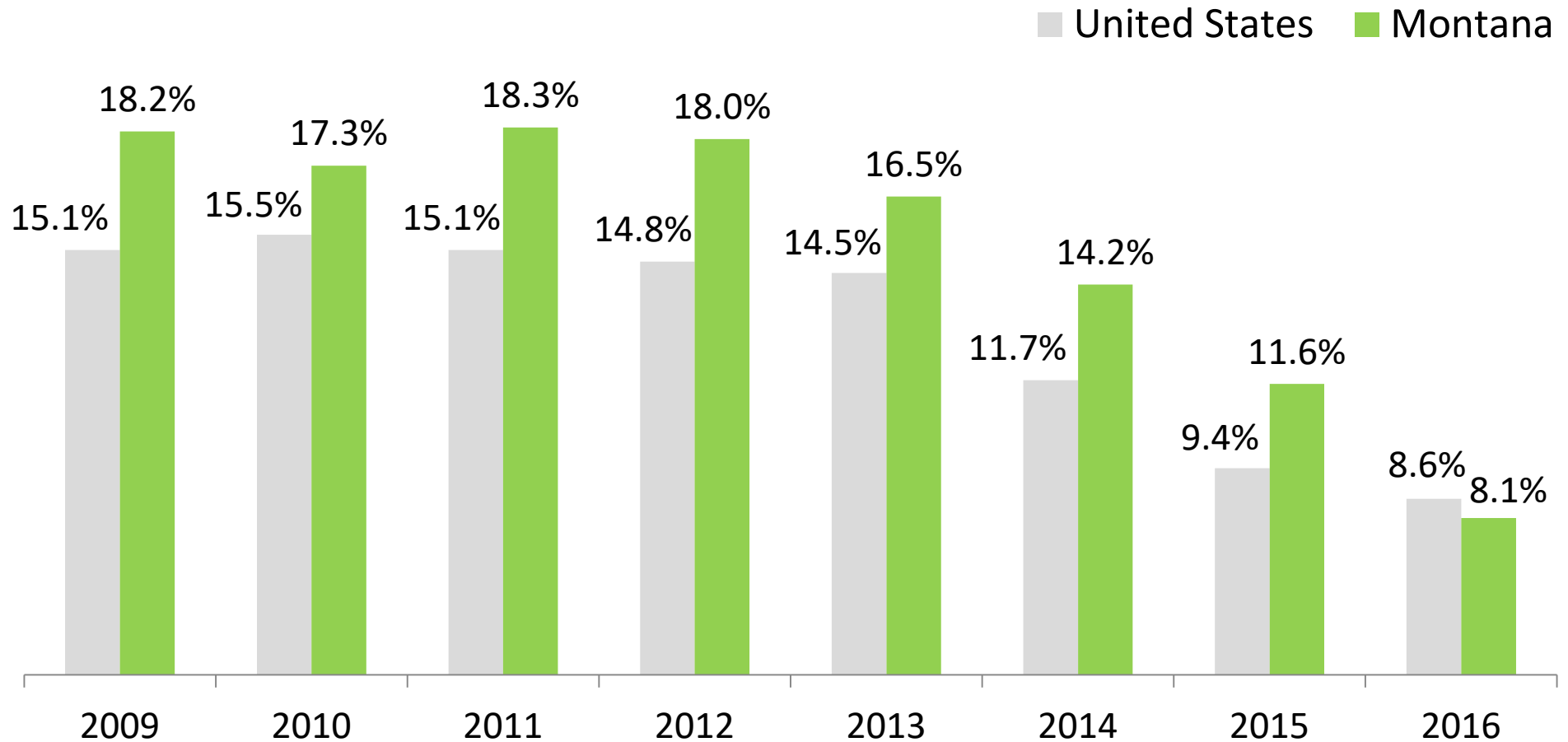


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# A Healthier Montana

# Montana's Uninsured Rate Has Fallen by More Than Half Since 2013

## Percentage of Population Uninsured, 2009 – 2016\*



\* Figures are from the Census Bureau's American Community Survey. A report by the Montana Commissioner of Securities and Insurance places Montana's uninsurance rate at 7.4% in 2016, down from 20% in 2012.

# Medicaid Expansion Promotes Individual, Family, and Workforce Health in Montana

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## Medicaid enables access to a wide range of services

- Access to affordable drugs, for example, makes adherence to prescribed treatment more likely. In addition to seeing better health outcomes, long-term medical costs may be reduced as well.
  - Pharmacy has been one of the largest spending categories for Medicaid expansion enrollees.
- Medicaid expansion promotes more than just physical health. It also enables access to mental health and substance use disorder treatment services, for which the need is high in Montana.
  - Mental health and SUD treatment services account for **1 in 10 dollars** spent on services for Medicaid expansion enrollees to date.

“A prosperous economy [is] tied to a healthy population”

Dr. Greg Holzman, Montana Chief Medical Officer

Medicaid Expansion (HELP Act) Oversight Committee meeting (Sep. 27, 2017)

# Montana's Medicaid Expansion Has Enabled Access to Critical Preventive Services

## Preventing problems before they occur



- Expansion enrollees have received over 15,500 vaccines, 17,600 wellness visits, and 41,200 dental exams.
- High use of dental care suggests that a large number of low-income adults previously did not have access to these services. Community health centers report that the demand for dental services continues to be high.

## Preventing problems from worsening

- Over 195,000 screenings have been received by expansion enrollees, for health issues that range from cholesterol and diabetes to cancer and sexually transmitted diseases.
- Screenings help to identify harmful conditions early, maximizing treatment success and minimizing long-term treatment costs.

Over **65,000** Montana Medicaid expansion adults accessed preventive services in CYs 2016-2017.\*

### Top Ten Preventive Services Among Expansion Adults, CYs 2016-2017

Preventive service	Number using
Dental preventive	41,269
Cholesterol screening	20,284
Preventive or wellness exam	17,637
Vaccines	15,573
Diabetes screening	14,375
Colorectal cancer screening	13,935
Chlamydia screening	13,298
Cervical cancer screening	12,787
Gonorrhea screening	12,611
Abdominal aortic aneurysm screening	6,676

\* Expansion enrollment as of Jan. 2018 is more than 96,000; however, the percentage using preventive services cannot be calculated with this figure because the number ever enrolled since CY 2016 is higher.

# A Wide Range of Services Have Been Provided Under Montana's Medicaid Expansion

## Medicaid Expansion Spending As of Mar. 1, 2018

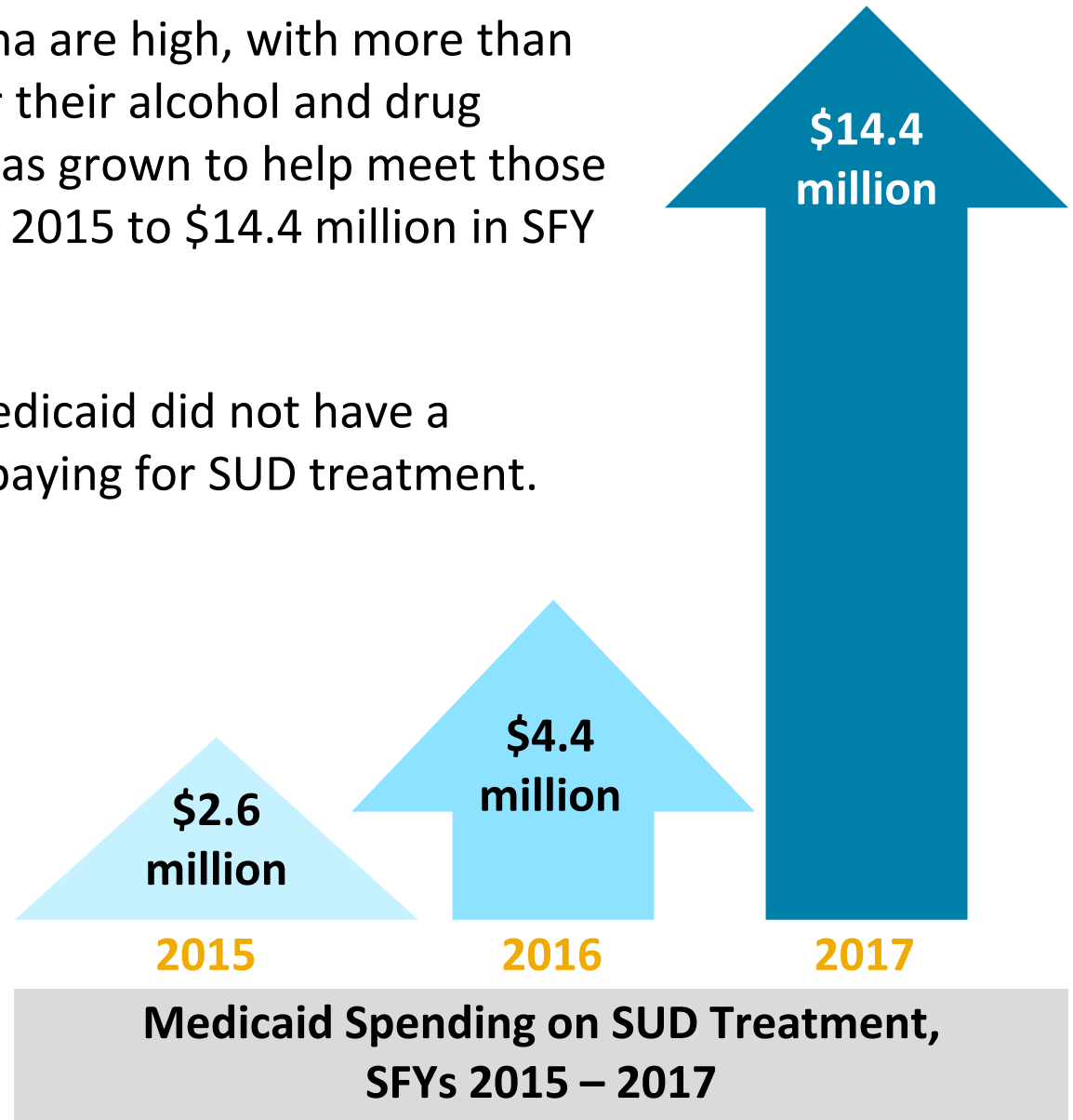
Provider	\$	%
Hospital	\$ 389,084,150	43.1%
Pharmacy*	\$ 187,987,020	20.8%
Physician & psychiatrist	\$ 93,449,785	10.4%
Other acute services	\$ 92,192,494	10.2%
Mental health & substance use disorder	\$ 77,740,948	8.6%
Dental	\$ 36,578,807	4.1%
Long-term care & other supplemental services	\$ 25,486,134	2.8%
<b>Total</b>	<b>\$ 902,519,228</b>	<b>100.0%</b>

- Nearly two-thirds of expansion spending to date has gone to Montana hospitals, physicians, and other acute service providers.
- Nearly 10% of expansion spending was used to provide enrollees with needed mental health and substance use disorder services (a figure that would be even higher if drugs were included).

\* Excludes rebates from manufacturers, which, on average, reduce the cost of Medicaid drugs by two-thirds in Montana.

# Medicaid Spending Has Allowed Montanans Needed Access to Substance Use Disorder Treatment

- SUD treatment needs in Montana are high, with more than 90% not receiving treatment for their alcohol and drug problems. Medicaid spending has grown to help meet those needs—from \$2.6 million in SFY 2015 to \$14.4 million in SFY 2017.
- Prior to expansion, Montana Medicaid did not have a significant role in covering and paying for SUD treatment.
- Nearly **10,000** Montana Medicaid enrollees had a diagnosed SUD in SFY 2017. In addition to SUD treatment for these individuals, Medicaid covers mental and physical health care services that help to enable recovery.



# Use of Health Care Services Increased When Montana Expanded Medicaid

- Hospitals have seen an increase in the number of people seeking care. Some of this likely reflects elective services (for example, knee replacements) that would otherwise be unaffordable for people who gained coverage under Montana's Medicaid expansion.
  - Between 2015 and 2016, inpatient acute hospital admissions increased by **3.4%**, and most of the increase appeared to be for Medicaid enrollees. Emergency department visits increased by **3.9%** and other hospital outpatient visits increased by **2.6%**. Ambulatory surgery visits increased by **12.1%**.
  - For the 12-month period ending Sep. 2017, inpatient acute admissions increased by **1.7%** relative to the prior 12 months. Emergency department visits increased by **2.3%** and other hospital outpatient visits decreased by **2.1%**. Ambulatory surgery visits increased by **16.1%**.
- As shown earlier, inpatient and outpatient hospital care accounts for more than **4 in 10 dollars** spent on services for Medicaid expansion enrollees to date.

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# References



## Notes:

- For groups other than seniors and people with disabilities, income eligibility levels as a percentage of FPL include an income disregard equal to 5% FPL (e.g., 162% FPL eligibility for pregnant women is 157% + 5% disregard).

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## Notes:

- Waiver savings reflect enrollment and per enrollee benefit costs provided by Montana DPHHS.
- Because a figure with full claims-run out (i.e., including payments to providers that occur after the year ends) was not readily available, SFY 2017 savings for MHSP were conservatively estimated using a high spending assumption. Savings for the Medicaid pregnant woman, medically needy, and breast/cervical cancer groups were estimated with spending data reflecting more than 6 months of claims run-out.
- Savings for SUD treatment were conservatively estimated with an assumption that they remain at the SFY 2016 level (see A. Grady et al. in list of sources below).
- Department of Corrections SFY 2016 savings were estimated based on SFY 2017 average savings per hospitalization, multiplied by the increase in Medicaid-funded inmate hospitalizations between SFY 2015 and SFY 2016.

## Sources:

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## Sources:

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- Montana DPHHS, unpublished data provided to Manatt Health (2017 and 2018).

## Notes:

- Health care jobs, income, and average wage figures were calculated by subtracting “social assistance” from the “health care and social assistance” category in Bureau of Labor Statistics data.
- Between the first quarters of 2016 and 2017, health care income growth was largely attributable to the hospital industry.

## Sources:

- Bureau of Labor Statistics, U.S. Department of Commerce, “Quarterly Census of Employment and Wages,” [https://data.bls.gov/cew/apps/data\\_views/data\\_views.htm#tab=Tables](https://data.bls.gov/cew/apps/data_views/data_views.htm#tab=Tables).
- Bureau of Business and Economic Research, University of Montana, “The Economic Impact of Medicaid Expansion in Montana,” Prepared for the Montana Healthcare Foundation and Headwaters Foundation (Apr. 2018), [https://mthcf.org/wp-content/uploads/2018/04/BBER-MT-Medicaid-Expansion-Report\\_4.11.18.pdf](https://mthcf.org/wp-content/uploads/2018/04/BBER-MT-Medicaid-Expansion-Report_4.11.18.pdf).
- Montana Hospital Association, Communication with Manatt Health (Oct. 2017).
- Montana Hospital Association, Memorandum to MHA Board (Aug. 11, 2017).
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- R. Lindrooth et al., “Understanding The Relationship Between Medicaid Expansions And Hospital Closures,” *37 Health Affairs* (Jan. 2018), <https://www.healthaffairs.org/doi/pdf/10.1377/hlthaff.2017.0976>.

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- Health Resources & Services Administration, U.S. Department of Health and Human Services, “2016 Health Center Data: Montana Data,”  
<https://bphc.hrsa.gov/uds/datacenter.aspx?q=tall&year=2016&state=mt&fd>.
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<https://bphc.hrsa.gov/uds/datacenter.aspx?q=tall&year=2015&state=mt&fd>.

## Notes:

- Certain service categories are aggregated. “Hospital” includes inpatient, outpatient, critical access hospital, and other hospital and clinical services; “Other Acute Services” includes Indian Health Service providers, other practitioners, other acute services, other managed care services, and school-based services; and “Long-term care & other supplemental services” includes nursing facilities, durable medical equipment, other home-based services, intellectual and developmental disability facilities, and personal care.
- SUD treatment spending reflects amounts paid for SUD fee schedule codes and for medication-assisted treatment (MAT) drugs prior to application of drug manufacturer rebates.

## Sources:

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