

The federal healthcare reform law has been on a wild ride. From the contentious debates on the Hill prior to the law's passage, to the numerous lawsuits culminating in the Supreme Court's decision, and finally the November elections which held the potential to lead to repeal – there hasn't been a dull moment.

As the year draws to a close and we have a clear picture of the balance of power in Washington for the foreseeable future, we can say with near certainty that the implementation of the Affordable Care Act (ACA) will continue moving forward. Yet while we know the general direction that the reform movement is headed, there are still many details about how the law will be implemented that need clarification – chief among them is the fate of the Medicaid expansion in Ohio.

Medicaid Expansion Provision in ACA

A key goal of the ACA is decreasing the number of uninsured in the U.S. by expanding healthcare coverage. One of the primary mechanisms that the ACA uses to extend healthcare coverage to greater numbers of uninsured individuals is expanding the Medicaid program. Medicaid, the joint federal/state program that provides health insurance coverage to low-income and medically vulnerable populations, currently covers more than 63 million individuals nationwide including more than 2.3 million Ohioans.¹

As passed under the original law, all states would have had to expand their Medicaid programs to all people earning up to 133 percent of the federal poverty level (FPL) - essentially 138 percent with the 5 percent income disregard or \$31,809 for a family of four. States that chose not to expand their Medicaid program would not have received their federal Medicaid matching funds – federal dollars states rely on to help fund their Medicaid programs. However, the Supreme Court's ruling on the legality of the federal healthcare reform law changed the Medicaid expansion from a requirement to an option. With the threat of losing federal matching funds now gone, many states are questioning whether they will move forward with an expansion or not. (For a detailed description of the Supreme Court's ruling, please see The Center's [July Policy Snapshot: Federal Healthcare Reform – The Decision is In](#)).

Status in the States

The ACA's Medicaid expansion provision is significant because it provides states with an opportunity to extend healthcare coverage to low-income childless adults. Prior to the ACA, only a handful of states (Ohio not among them) provided coverage to low-income adults under age 65 who did not have a disability or live with an eligible child.²

With the expansion now a state option, it is unclear what states will do. Prior to the Supreme Court's ruling, the Congressional Budget Office (CBO) estimated that the Medicaid expansion as originally enacted would have added 17 million new Medicaid enrollees nationwide by 2022.³ There is no deadline for states to decide whether or not they will move forward with the Medicaid expansion and more than half of the states are still undecided.⁴



Spotlight on Ohio

Ohio Governor John Kasich has yet to signal whether or not the Medicaid expansion will move forward in the Buckeye state. Several state officials have suggested that the decision will likely be made early next year in the context of the state's upcoming biennial budget process.⁵

Ohio's Medicaid program currently covers parents living at or below 90 percent of the FPL, non-workers with disabilities and seniors at or below 64 percent of the FPL, workers with disabilities at or below 250 percent of the FPL, pregnant women and children at or below 200 percent of the FPL, and currently does not cover childless adults under age 65 without disabilities. If the state moves forward with the Medicaid expansion for all adults earning up to 138 percent of the FPL, between 667,000 and 901,000 adults are expected to become Medicaid beneficiaries by 2019. These figures include those newly eligible to enroll as well as those who were previously eligible for Medicaid coverage yet hadn't enrolled.⁶

Federal Medicaid Expansion Matching Rate is a Good Deal

While state officials across the country grapple with whether or not to expand their Medicaid programs, there are sound reasons in favor of an expansion. For one, expanding the Medicaid program is a good deal for states given the generous federal matching rate. While federal reimbursement for Medicaid averages 57 percent across the states (64 percent in Ohio); under the expansion, federal reimbursement for new enrollees is much higher.⁷ From 2014 through 2016 reimbursement for the newly eligible is 100 percent, then drops to 95 percent in 2017, 94 percent in 2018, and 93 percent in 2019.⁸ By 2020 and for all subsequent years, the federal government will pay 90 percent of the costs of covering these individuals.

Furthermore, state and local governments are already paying to provide care to this group of individuals. The Center on Budget and Policy Priorities suggests that in some states the modest increase in state Medicaid costs could be completely offset by the amount they were already paying in uncompensated care costs and other state-funded services to provide health services to this population.⁹

Massachusetts Case Study

Massachusetts enacted reforms in 2006 similar to those contained in the ACA, including a Medicaid expansion and subsidies to help low- and moderate-income individuals purchase insurance. Evidence shows that the state witnessed a 38 percent reduction in uncompensated care costs during the first full year of implementation.¹⁰

Research Suggests Medicaid Expansion Will Add Modest Increase in State Costs

Officials in some states have voiced concerns that they will see a large increase in individuals who were eligible for Medicaid coverage prior to passage of the ACA, but who did not sign up for one reason or another. As the 2014 deadline to purchase insurance or pay a financial penalty approaches, some state officials are worried they will be faced with a large influx of these previously eligible individuals – and a subsequent increase in state costs. The federal share of Medicaid costs for the previously eligible is the lower typical federal matching rate (which averages 57 percent across states), not the generous matching rate for the newly eligible.

State officials in Ohio share these concerns about Medicaid costs. State estimates suggest that by 2015 close to 400,000 Ohio adults who previously qualified for Medicaid coverage will sign up. The state estimates that the cost to the state stemming from this group of previously eligible adults signing up for Medicaid will be \$940 million from 2014 through 2015.¹¹ Some healthcare experts have disputed the figures produced by the state, suggesting, for example, that the state's assumption that 40 percent of those uninsured will "take-up" Medicaid coverage by 2014 is too high.¹²

Medicaid certainly consumes a large portion of most states' budgets, therefore it is natural for state officials to worry that Medicaid costs will grow over time. Fortunately, research suggests that the costs associated with the Medicaid expansion will not skyrocket. As passed under the original law, the Medicaid expansion is estimated to increase state costs just 2.8 percent more over the 2014 to 2022 time period than what they would have been absent federal healthcare reform, according to a Congressional Budget Office report.¹³ This figure includes the amount states will absorb from covering those who were previously eligible for Medicaid but who hadn't yet enrolled.

Also, for state officials concerned that expanding their Medicaid programs now will saddle them with the burgeoning costs of a new population of enrollees indefinitely – or that lawmakers might change the federal match rate in the future – the federal government has made clear that states can expand coverage now and choose to drop it later.¹⁴

Hospitals Favor Expanding Medicaid

Hospitals are among the healthcare providers who favor an expansion of the Medicaid program. Prior to passage of the federal healthcare reform law, hospitals agreed to billions of dollars in funding reductions with the understanding that greater numbers of individuals who had previously been uninsured would now be insured through expansions of both private coverage and Medicaid coverage. Yet, with Medicaid expansion no longer a requirement, some of these funding reductions could have serious financial consequences for hospitals.

One example of the funding reductions applied to hospitals under the law, was the reduction in disproportionate share hospital (DSH) funding. In the past, hospitals have received additional federal funding, known as DSH funding, to help cover the uncompensated costs that are associated with caring for uninsured and low-income patients. With the initially-mandated Medicaid expansion, it was assumed that most patients would have coverage and hospitals would experience a corresponding decline in uncompensated care costs, making the need for additional federal DSH funding unnecessary. As a result, the health reform law included language that reduced DSH funding significantly – totaling \$18.1 billion by 2020.

Now that the Medicaid expansion is a state option, rather than a requirement, hospitals face the possibility that many of the patients they will be taking care of might not have healthcare coverage – leaving them with the potential for large uncompensated care costs.

At the same time, hospitals will lose the federal aid that has helped them to care for uninsured and low-income patients in the past. Furthermore, patients without health coverage are still likely to arrive at the hospital sicker than they would have been if they had access to preventive healthcare – a situation with negative effects both for the patient and the healthcare system as a whole.

What The Center is Doing

The Center for Health Affairs has joined the Northeast Ohio Medicaid Expansion Coalition to advocate for the expansion of Medicaid in Ohio. The coalition met with Greg Moody, director of the Office of Health Transformation, on Oct. 22, 2012 to present the group's common goal of expanding Ohio's Medicaid program to 138 percent of the FPL. Given that Cleveland is Ohio's largest population center and one of America's poorest cities, expanding healthcare coverage to some of our area's most vulnerable residents is a top concern of this diverse group of coalition members. In the coming months the coalition will be discussing legislative action steps.

Conclusion

The importance of health coverage to a person's well-being has been proven in the literature. States that decide not to expand Medicaid coverage will be passing up generous federal financing and ensuring that healthcare costs for this group of low-income uninsured individuals get passed on to the state, local governments, hospitals and consumers through increased uncompensated care costs. The healthcare needs of uninsured individuals do not disappear when coverage is unavailable, they just reappear in the form of sicker patients, higher healthcare costs and lost productivity. As the leading advocate for Northeast Ohio hospitals, The Center for Health Affairs will continue to advocate for an expansion of the state's Medicaid program.

Endnotes

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