Florida's Medicaid Choice:
Understanding Implications of Supreme Court Ruling on Affordable Health Care Act

Key Points *As a result of the recent U.S. Supreme Court ruling, Florida must decide whether or not to extend Medicaid coverage to persons with incomes below 133 percent of the federal poverty level – a decision that has significant consequences:*

- *An estimated 800,000 to 1,295,000 uninsured adults and children in Florida will gain coverage if the state moves forward.*
- *The state can expand coverage without assuming any new net costs by achieving savings in other areas of the state's budget. In fact, overall state costs are likely to be reduced by some $100 million annually because some safety net programs will become less necessary.*
- *If the state does not expand coverage, Florida's hospitals will lose federal revenue without offsetting gains in coverage for their patients.*

Florida's Experience with
MEDICAID REFORM

OVERVIEW

On June 28, 2012, the U.S. Supreme Court handed down its much-anticipated decision on the constitutionality of the Patient Protection and Affordable Care Act, the major health care reform law passed by Congress in 2010.[1] Much to the surprise of most observers, the Court ruled that the entire act was constitutional with one exception – the federal Department of Health and Human Services' authority to enforce the Act's mandatory expansion of Medicaid coverage benefits.[2] This feature of the Act extends Medicaid coverage to adults with incomes less than 133 percent of the federal poverty level (FPL) -- equivalent to $14,856 for a single person or $25,390 for a three-person family.

The practical consequence of the Court's ruling is that states now have a choice as to whether to extend coverage to these low-income adults.

Reducing the number of uninsured Americans is a key aim of the Affordable Care Act as the United States moves toward a system of universal coverage on January 1, 2014.

The Act includes two principal means to reduce the number of uninsured Americans:

- Federally funded tax credits for insurance premiums to be offered to individuals to purchase coverage through health insurance exchanges, which the Congressional Budget Office estimates will cover between 20 million and 25 million persons;
- An expansion of the Medicaid program to adults with incomes below 133 percent of the federal poverty level, which, prior to the Supreme Court decision, was estimated to cover 16 million to 17 million persons.[3]

In Florida, an estimated 1.295 million uninsured adults would be newly eligible to gain coverage if the state elects to extend coverage.[4] In addition, adults and children who are currently eligible but not enrolled in Medicaid are more likely to gain coverage should the state take up the Medicaid option – 500,000 children and 250,000 adults in Florida fall into this category.[5] Many of these children and adults are likely to sign up for Medicaid in 2014 even if the state opts against extending new coverage.

The new Medicaid coverage comes with an unprecedented infusion of federal matching dollars – the federal government picks up 100 percent of the cost for the newly eligible population from 2014 to 2016, and federal support tapers down to 90 percent in 2020.[6] The state's own estimates show no costs for the newly eligible adults for the first three years and comparatively modest costs through 2023.[7]

The federal government has made clear that states can opt in and out of covering this newly eligible population at any time. Thus, Florida could pick up the expansion population in 2014 and withdraw from participation when the state had to start putting up matching dollars.

Under Florida law, any major change to Medicaid requires action by the Legislature. An extension of Medicaid eligibility to new populations and any other modification of program eligibility clearly fall under this requirement.

JESSIE BALL DUPONT FUND

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WINTER PARK HEALTH FOUNDATION

WHAT DOES THE SUPREME COURT'S DECISION MEAN FOR FLORIDA'S MEDICAID PROGRAM?

No doubt constitutional legal scholars and courts will debate the legal implications of the Supreme Court decision in decades to come. For the purposes of thinking about Florida's implementation of the Affordable Care Act, however, the ruling has two key outcomes specific to Medicaid:

1) ***It appears that other Medicaid provisions of the Act remain intact with important consequences – especially for Florida's children.***

The Act also requires that eligibility levels for children covered by Florida Medicaid and the Children's Health Insurance Program (CHIP) must remain stable until October 1, 2019. Florida currently covers these children at a combined Medicaid/CHIP eligibility level of 200 percent FPL and thus cannot lower this threshold. And the state cannot make it harder for children to enroll during this time period; for example, states may not add new premiums, as Florida attempted to do in 2011.[8]

The Act includes a requirement that the state must align and simplify eligibility for all children in Medicaid, regardless of age, at 133 percent of FPL as of January 1, 2014. In Florida, this means that children over age 5 who are currently covered in Healthy Families between 100 and 133 percent of the federal poverty level must be transferred to Medicaid by January 1, 2014. The state will continue to receive the higher CHIP match rate for these children, often called the "stairstep kids," after they move to Medicaid. (Figure 1)

The state also needs to adopt a new nationally uniform and simpler way of calculating income, known as Modified Adjusted Gross Income (MAGI), for the purposes of determining Medicaid and CHIP eligibility for all non-disabled populations by January 1, 2014. This will affect primarily children and parents who are currently covered. Persons over 65 and those who are disabled are not affected by this change.

2) ***Florida must make a choice on whether or not to extend Medicaid coverage to adults with incomes less than 133 percent of the poverty level – a decision with important consequences for low-income individuals and Florida's health system.***

If Florida chooses not to move forward with this new Medicaid option, a gap in coverage will ensue for some of the poorest adults. (Figure 2)

The Affordable Care Act offers tax credits for insurance premiums to those with incomes between 100 percent and 400 percent of FPL if they are not otherwise eligible for Medicaid. No credits are provided if income is less than 100 percent of FPL, since the law assumed this group would be eligible for Medicaid.

But Florida has relatively parsimonious Medicaid coverage for adults, and does not currently provide Medicaid coverage for most adults with incomes below 100 percent of FPL.

FIGURE 1: CHILDREN'S COVERAGE IN FLORIDA, 2014

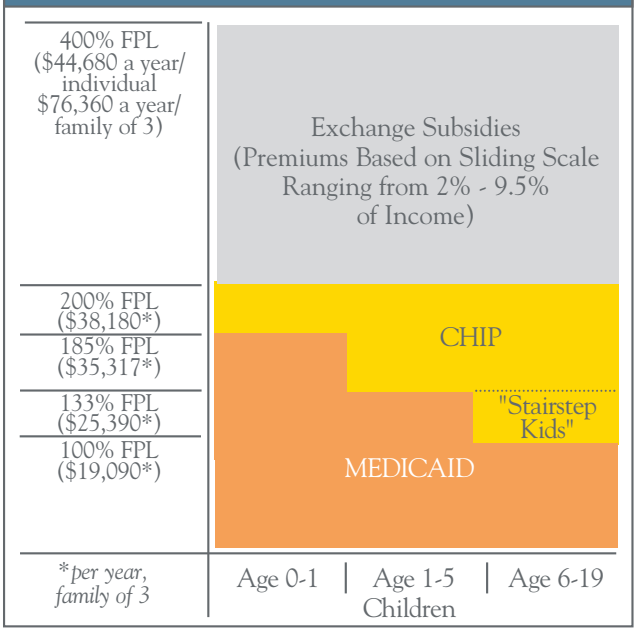
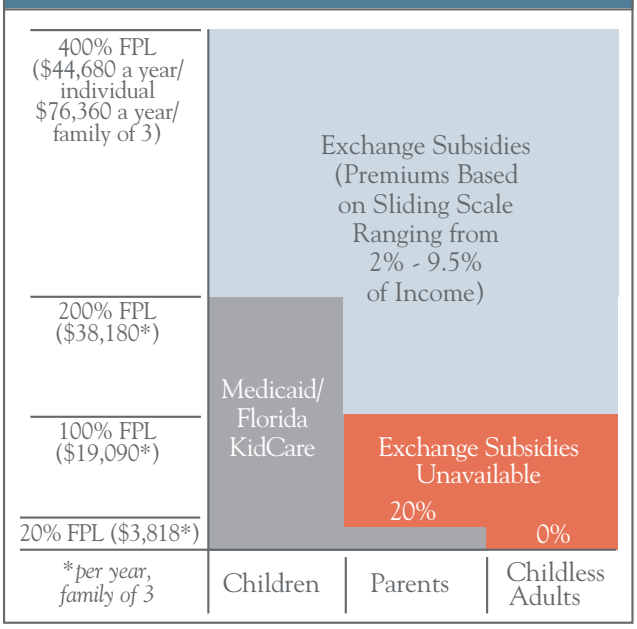


FIGURE 2: WHO WILL REMAIN UNCOVERED WITHOUT BROADER MEDICAID COVERAGE?



The result of rejecting the Medicaid expansion will be that childless adults with incomes between 0 percent and 100 percent FPL would have no affordable coverage while those at higher incomes would have access to federal tax credits.[9]

Florida currently only covers parents with incomes of 20 percent FPL or less.[10] Thus a hole in coverage between 20 percent and 100 percent of FPL would exist. The Urban Institute estimates that just fewer than a million Floridians - 995,000 - would fall into this gap and remain uninsured.[11] The vast majority of those would gain insurance should the state choose to extend Medicaid coverage

WHAT DOES THE SUPREME COURT DECISION MEAN FOR FLORIDA'S HOSPITALS?

The Supreme Court's decision places hospitals, particularly those serving large numbers of uninsured persons, at significant new risk in states where Medicaid coverage is not extended.

The Affordable Care Act included significant cuts to payments under the Medicare and Medicaid Disproportionate Share Hospital (DSH) funding programs, which are designed to provide funding for hospitals that provide a high level of uncompensated care to patients without insurance coverage.

The Act stipulates that $22 billion[12] must be cut from Medicaid DSH between FY2014 and FY2022 – a reduction of approximately 50 percent. The Act also cuts Medicare DSH payments by approximately 75 percent starting in FY2014.[13]

The Secretary of HHS has broad discretion in determining how the Medicaid DSH cuts will be allocated to states; as of yet no guidance has been issued by HHS to address this question. However, it is clear from the size of the cut in federal dollars that Florida's hospitals can expect to see significant reductions.

The theory behind the cuts, which helped to pay for the new coverage, was that the move to universal coverage – especially to those populations that would be newly served by the Medicaid program – would result in significantly less uncompensated care for hospitals.

Hospitals in states that choose not to move ahead with the extension of Medicaid are now at significant risk because the DSH cuts will occur regardless.

While precise estimates on the impact on Florida's hospitals cannot be determined until further regulatory guidance becomes available, the combined impact of federal Medicare and Medicaid DSH cuts may reduce income from this source by about two-thirds – in the range of $640 million annually.

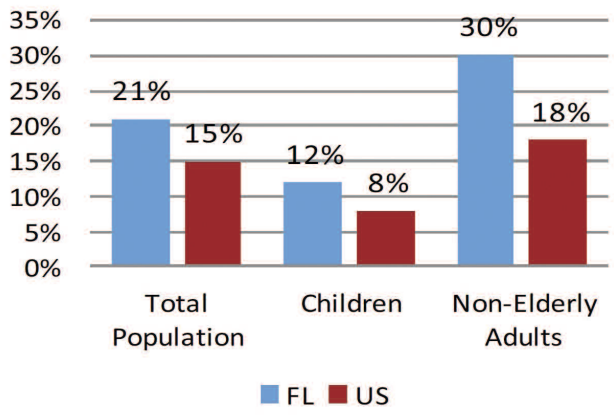
Florida's hospitals face another unique challenge should the state not move forward with the Medicaid expansion.

Currently the state's Section 1115 Medicaid Research and Demonstration waiver, which is operating in five counties, contains a statewide fund of federal dollars known as the Low Income Pool (LIP). Many hospitals (and some other safety net providers) currently receive approximately $2 billion from the LIP – these dollars are primarily intergovernmental transfers from local governments that are matched by federal dollars.

This waiver agreement is scheduled to expire on June 30, 2014. Since the intent of the LIP is to provide additional support to hospitals providing uncompensated care, whether the federal government would continue matching these funds for Florida should the state choose not to pick up the Medicaid expansion at 100 percent federal cost in 2014 is highly uncertain.

FIGURE 3: RATE OF UNINSURED IN FLORIDA COMPARED TO THE UNITED STATES

2011 American Community Survey



WHICH FLORIDIANS WILL BE COVERED IF THE STATE CHOOSES TO EXTEND MEDICAID?

Florida has much to gain from enacting the Medicaid expansion as the state's uninsurance rate is the fourth highest in the country and considerably higher than the national average for both children and adults. (Figure 3)

Nearly 4 million Floridians do not have health insurance today. It is estimated that 1,295,000 uninsured adult Floridians would become newly eligible for coverage if the state chooses to extend coverage. (Figure 4) Parents and children currently eligible also would be more likely to enroll.[14]

FIGURE 4: PROJECTED MEDICAID COVERAGE FOR FLORIDA'S ADULTS AND CHILDREN UNDER DIFFERENT ASSUMPTIONS				
	ADULTS NEWLY ELIGIBLE FOR MEDICAID	ADULTS CURRENTLY ELIGIBLE FOR MEDICAID	CHILDREN CURRENTLY ELIGIBLE FOR MEDICAID	TOTAL
Total uninsured	1,295,000	257,000	500,000	2,052,000
Projected take-up rate (low assumption)	57%	10%	10%	
Number projected to gain Medicaid coverage (low assumption)	740,000	25,000	50,000	815,000
Projected take-up rate (high assumption)	75%	40%	40%	
Number projected to gain Medicaid coverage (high assumption)	970,000	100,000	200,000	1,270,000

THE NEWLY ELIGIBLE

Adults are more likely than children to lack insurance coverage today as a result of the decline in employer-sponsored insurance, the increasing costs of health insurance and, most importantly, lower levels of Medicaid eligibility.

Florida's Medicaid and CHIP eligibility level for children is 200 percent of the FPL. However, Florida's eligibility threshold for parents is just 20 percent of the FPL (less than $4,000 annually for a family of three in 2012).

Some pregnant women and some adults with disabilities are eligible for Medicaid at higher income levels. But for the most part, Florida offers no coverage to non-disabled adults without dependent children.

Between 57 and 75 percent of newly eligible adults are expected to enroll in an expanded Medicaid program, based on estimates from the Urban Institute, relying in part on assumptions made by the Congressional Budget Office.

The higher participation rate generally assumes a more aggressive state effort to enroll the population.[15] The lower rates could be more realistic for Florida, given that Florida's participation rate is low by national standards. (For example, enrollment of eligible children in Florida is 77 percent, well below the national average of 85 percent, in fact, the fourth lowest of all states.)[16]

Based on the Urban Institute participation rates, 740,000 to 970,000 newly eligible adults would gain coverage.[17] (Figure 4)

THOSE CURRENTLY ELIGIBLE BUT NOT ENROLLED

Implementation of the Affordable Care Act is also expected to spur enrollment among those who currently are eligible for Medicaid, but have not yet enrolled.

This projection is driven by a new "culture of coverage" that is likely to develop as new tax penalties start creating a greater incentive for uninsured Americans to acquire insurance as of 2014, whether or not the state chooses to extend Medicaid benefits. The changing climate is expected to motivate some current non-participants to enroll themselves and their children – even though very low-income families are not subject to the tax penalty.[18]

Most of those who benefit from this culture change are expected to be children, since eligibility criteria for adults are limited under current law.

Because these eligible adults and children are not currently enrolled in Medicaid, they are assumed to sign up at a lower rate than those who are newly eligible.[19] Based on participation rates in the Urban Institute analysis, about 25,000 to 100,000 currently eligible adults and 50,000 to 200,000 currently eligible children would be added to Medicaid. (Figure 4)

FAMILIES AND CHILDREN HAVE MUCH AT STAKE IN THE STATE'S MEDICAID CHOICE

There currently are 883,000 parents who are uninsured in Florida, and 223,000 of these uninsured parents – the most vulnerable among them – would become newly eligible for Medicaid should the state decide to extend coverage.[28]

Florida also has a significant number of parents (approximately 145,000) who currently are eligible for Medicaid but not enrolled.[29]

Covering parents clearly improves the lives of those parents, but there also are many tangible benefits for their children. Parents' health has a positive impact on a child's health and well-being, such as the child's ability to do better in school. Children are also more likely to be insured and have access to preventive care and receive other health care services when their parents are insured.[30] Fully insured families also gain financial stability as medical debt is a leading cause of bankruptcy.

Covering parents also would lead to more eligible children enrolling in Medicaid and CHIP and accessing coverage themselves.

An estimated 500,000 children in Florida are eligible for Medicaid/CHIP but not enrolled.[31] The average Medicaid/CHIP participation rate in the United States for children is 85 percent and Florida's Medicaid/CHIP **participation** rate is well below that at 77 percent.

If Florida's participation rate increased to the national average, about 175,000 children would gain coverage.

THE COMBINED IMPACT

After calculating the impact of full implementation of the Affordable Care Act on both groups of beneficiaries (the newly eligible and the currently eligible but not enrolled), between 815,000 and 1,295,000 children and adults in Florida with no health insurance today are projected to gain coverage from Medicaid expansion and the Affordable Care Act. (Figure 4)

MEDICAID COVERAGE SAVES LIVES AND IMPROVES HEALTH

Numerous studies have shown the value of Medicaid coverage.

A 2012 study examined adults in three states that extended Medicaid to childless adults, five years before and after the change. The research found that mortality rates for these adults declined by more than 6 percent.[32] The study also found that the number of people who delayed care due to costs declined after gaining Medicaid coverage and that individuals who self-reported their health as "very good" or "excellent" increased.

Similarly, a new and very comprehensive study looking at Oregon found that having Medicaid coverage for one year improved the lives of those enrolled.[33]

Access to care was improved, as those with Medicaid were more likely than the uninsured to have a regular source of care and access to prescription drugs. Those with Medicaid coverage also reported more financial security and had fewer unpaid medical bills. Lastly, the individuals with Medicaid coverage, compared to the uninsured, were less likely to indicate that their health status had declined over the previous six months and were less likely to be depressed.

WHAT IS THE IMPACT OF FLORIDA'S MEDICAID CHOICE ON ITS BUDGET?

In an April 2011 policy brief, we presented information on the costs of broader Medicaid coverage required under the Affordable Care Act.[20] At that time, we concluded that the state's cost projection for implementing the Act's Medicaid provisions was based on unrealistic assumptions. We found that more realistic assumptions generated a much lower cost estimate and the possibility that offsetting savings might be greater than the new costs to the state.

In August, Florida's Social Services Estimating Conference released new figures on the projected cost of Medicaid expansions – figures that are much closer to those presented in our earlier brief.[21]

The estimates presented in this brief rely on the best available information on the impact on Florida's budget of the Medicaid expansion and other Medicaid changes resulting from the Affordable Care Act. Although we rely primarily on these new state cost estimates, we also look at some potential offsetting savings for state and local support of the health safety net and the changing landscape in 2014 – factors not considered by the Estimating Conference. A more comprehensive look is important for Florida policymakers to consider as implementation of many aspects of the Affordable Care Act begin in 2014

Should Florida choose to extend Medicaid coverage to adults with incomes up to 133 percent of FPL, federal funding will be available to cover a large share of costs for this new coverage. Florida would not need any state funds for newly eligible adults between 2014 and 2016 and no more than 10 percent of these costs into the future.

According to the state's Estimating Conference, over a 10-year period through state fiscal year 2022-2023, the total cost to the state if it chooses to extend coverage would fall below $300 million per year from 2017 forward – about 3 percent more than the state currently spends each year on Medicaid.

These estimates may be high, however.

For example, the state assumes that about 80 percent of the newly eligible population would enroll in Medicaid – well above the current rate of enrollment for eligible adults and higher than the assumptions of between 57 percent and 75 percent made in the Urban Institute's analysis.[22] Achieving 80 percent enrollment, as the state assumes, would be a significant increase when compared to Florida's past performance.

The state's Estimating Conference opted not to issue "official" enrollment projections or cost estimates for those already eligible but not enrolled in Medicaid – the increase in enrollment that would be a likely response to a new "culture of coverage." While this new enrollment should be encouraged as increasing access to health care, it will come with some new costs to the state.

For this population, neither the full federal funding for 2014 through 2016 nor the high matching funds rate thereafter would apply. Normal federal matching funds, however, would be available for these new enrollees.

Even if all eligible children and adults were to enroll – a highly improbable outcome – new costs to the state would be in the range of $325 million per year, according to numbers issued by the Estimating Conference. Based on the Urban Institute enrollment assumptions described above, it is probably realistic to expect no more than one-third of these new costs or about $100 million per year.

Thus, total new costs to the state for all newly covered or enrolled likely represent no more than a 1 percent increase in the state share of Medicaid spending in 2014 to 2016, and no more than a 4 percent increase in later years.

There are several other factors that may lead to state costs being lower than the estimates made by the state's Estimating Conference.

The Estimating Conference assumes that the average newly eligible enrollee will cost Medicaid $315 per person per month – about 8 percent below the current rate for adults enrolled based on receiving Temporary Assistance for Needy Families, a generally comparable population.

According to a 2010 study, adults who enroll in Medicaid under reform are likely to be less expensive than those already in Medicaid (although more expensive than those who remain uninsured).[23] This is because the sickest, most costly beneficiaries are likely already enrolled in Medicaid by virtue of a disability or because a health care provider has taken steps to make sure they are enrolled as a way to ensure payment. It remains unclear whether the 8 percent lower average spending assumed by the state fully reflects this group's better health – and thus whether an even lower per-person rate would be appropriate.

Although some adjustments might lower the Estimating Conference estimate, other sources of potential costs could increase the estimate modestly.

For example, state administrative expenses could rise as a result of having more people in the program, pushing total spending up somewhat. The impact of some other health reform provisions, such as changes to how prescription drugs are paid for, also have not been considered.

HOW WOULD MORE INSURANCE COVERAGE CREATE OFFSETTING SAVINGS?

Florida's Estimating Conference looks at new state costs for covering a larger Medicaid population, but it does not take into account any potential offsetting savings for the state.

More insurance coverage, through both Medicaid coverage and the health insurance exchanges, will change the nature of the health care safety net.

Today people without insurance typically receive at least some health services through clinics, safety-net hospitals and other community programs that make primary care and other health services available. Persons with mental health problems likely receive some services through state funded programs. When patients lack any means of payment, services are supported by payments from a variety of state and local programs.

IMPROVING ACCESS TO PRIMARY CARE

One additional possible source of new costs to the state comes from a provision in the Affordable Care Act that increases payments to physicians for primary care services.

These higher payments are intended to ensure that an adequate number of physicians will be available to treat both current and new Medicaid beneficiaries.

The most recent available data show that primary care rates paid by Florida Medicaid are only 55 percent of Medicare rates, compared to a national average of 66 percent (only six states rank lower).[34] The federal government has committed to paying the entire cost of higher payments at the full Medicare rate in 2013 and 2014.

Florida will face a decision on whether to continue these higher payment rates or to revert to the rates in place today – or somewhere in between.

If the state chooses to keep the higher rates, normal federal matching rates will apply. But new costs to the state could be as high as about $375 million annually, using the most extreme assumptions about enrollment, but lower based on more realistic participation rate assumptions.

New sources of insurance coverage should reduce the burden on these programs.

Nationally, an analysis by the Lewin Group found that, collectively, state and local governments will save $198 billion over the 10 years between 2014 and 2023 from a reduced need for safety-net programs.[24] If true, these savings would dwarf the $21 billion to $45 billion in new state costs throughout the country as identified by the Urban Institute study.

Some of these savings were presumably captured in the Affordable Care Act through the cuts to both Medicaid and Medicare DSH payments that are made to hospitals serving a low-income population. (As mentioned previously, these cuts will occur even if Florida opts not to extend Medicaid eligibility.)

In addition to DSH funds and payments from the LIP, Florida's safety net providers rely on other sources of state and local funding to pay a portion of the cost of care for those without health insurance.

For example, 12 Florida counties currently operate 16 independent hospital taxing districts with authority to levy taxes. In 2007 (the most recent available numbers), these districts collected about $600 million in taxes, a 75 percent increase over 2002.[25] Typically, these districts support local hospitals that care for poor and uninsured county residents.

If coverage expansions substantially lower the number of uninsured patients, the hospitals, doctors and others who treat them may have less need for support from public dollars – even after taking into account cuts made to DSH and LIP payments. This in turn could allow Florida counties to lower these special taxes.

Although hospital care is probably the largest source of offsetting savings, state funds also support many mental health and substance abuse service programs aimed at people with no source of payment. It is likely that many who use these services today will gain coverage through Medicaid, federal premium tax credits used in the exchange, or through private insurance that no longer imposes pre-existing condition requirements.

It is reasonable to assume that new Medicaid coverage could allow the state to scale back state-funded mental health and substance abuse service programs considerably, thus freeing up a substantial share of the $500 million to $600 million of state appropriated funds currently spent by the state and substituting federal or private insurance dollars.

A similar (but smaller) source of savings might be the state's current $10 million contribution to federal AIDS Drug Assistance Program (ADAP), a portion of which would become unnecessary if more people with HIV/AIDS gained private insurance, tax credits or Medicaid coverage.[26]

The state of Florida has submitted a Section 1115 Medicaid Research and Demonstration waiver request to begin a premium-based system for its "medically needy" program, which includes people whose incomes are too high to qualify for regular Medicaid but who experience catastrophic medical expenses. Nearly 50,000 people qualify each month for the program; a total of 250,000 people use the program at least one month out of the year.

These people have the highest average per-person costs of any group in Medicaid and collectively cost more than $1 billion in 2011-12,[27] using nearly $500 million in state general revenues. Many in this group today lack other sources of insurance.

Once health insurance exchanges are created and subsidies go into effect in 2014, some of these individuals should be able to purchase private insurance using tax credits in the exchange, and some might become eligible at 100 percent federal cost if the state extends Medicaid coverage. The result could be considerable savings if the state alters or eliminates its Medically Needy program without any loss of access to health services.

In fact, a proposal in the state's budget submission for state FY 2013-14 would drop Medicaid coverage for some medically needy individuals, based on their ability to get coverage through the new insurance exchanges in 2014. The state has a similar proposal for some pregnant women now covered by Medicaid. Together, these proposals would reduce state spending by about $60 million, a recognition on the state's part that the Act has the potential to save state funds.

WHAT IS THE BOTTOM LINE ON THE COSTS OF EXTENDING MEDICAID IN FLORIDA?

The financial impact for the state of the various changes under way in Medicaid will depend on a variety of factors. These include the decisions by the state on whether to exercise the option to extend Medicaid coverage to many people not currently eligible, as well as further decisions about the future role for various safety-net programs that could become less important as more people obtain coverage from private insurance or Medicaid.

FIGURE 5: IMPACT ON FLORIDA'S BUDGET	BEST ESTIMATE
NEW STATE COSTS PER YEAR	
Cost of Medicaid Coverage for Newly Eligible Population	$300 million
Cost of Medicaid Coverage for New Enrollment by Currently Eligible Population	$100 million
Cost of Continuing Higher Primary Care Payment Rates for Physicians	$200 million
TOTAL NEW STATE COSTS PER YEAR	**$600 million**
OFFSETTING STATE SAVINGS PER YEAR	
State Support for Safety Net Providers	$200 million
State Mental Health, Substance Abuse Programs	$250 million
Medicaid Eligibility Changes, for example, to the Medically Needy Program	$250 million
TOTAL OFFSETTING STATE SAVINGS PER YEAR	**$700 million**
NET STATE SAVINGS PER YEAR	**$100 million**

NOTE: Estimates are based on a single year after 100 percent federal funding is phased out. New state costs will be lower in earlier years, especially from 2014 through 2016.

The financial impact on the state will also be affected by the decisions of individual Florida citizens in responding to new opportunities for health insurance.

Figure 5 represents our best estimate of this financial impact for the later years after full federal support for the new group phases down. Our estimate shown here illustrates possible costs and savings, but exact numbers will vary based on state, federal and individual decisions.

Our estimate relies on the newest estimates by the state Estimating Conference for the cost of coverage for the newly eligible Medicaid population, although we suspect that actual costs may be somewhat lower than the estimate. Although the Estimating Conference did not present a final estimate for the cost of new coverage for the currently eligible, but uninsured, population, we include what we think is a realistic estimate for those costs. We also include an estimate for higher payment rates to physicians for primary care services, even though the state could decide not to continue these higher payments after 2014 or the federal government could extend them. The estimate here is about half the maximum potential cost, reflecting a possible state decision to continue higher physician payment rates, but at a lower level than in 2013 and 2014 at full federal cost.

It is also important to recognize that improved insurance coverage, as of 2014, will result in offsetting savings in several of the ways that the state supports the health care safety net (some of which already are recognized in the state's latest budget documents). Because some Floridians will continue to require safety net services, even after the expansion of coverage, we generally assume no more than a 50-percent reduction in state support for these programs. But even with these conservative assumptions, the cost of new Medicaid coverage should be more than offset by these savings.

The bottom line for Florida is that the state should incur no net costs for taking up the optional extension of Medicaid coverage even after accounting for the state covering more people who are currently eligible but not enrolled.

In fact, overall state costs may well be reduced by an estimated $100 million per year because some safety net programs will become less necessary.

Furthermore, extending Medicaid coverage to Florida citizens should have positive effects in terms of lower mortality, less illness, improved economic stability and a higher quality of life for those gaining coverage. In turn, improved health may well lead to lower overall health costs for both these individuals and the state.

ENDNOTES

(1) The case in which the Court rendered its verdict is National Federation of Independent Business v. Sebelius.

(2) In particular the Court ruled that HHS could not withhold all of a state's Medicaid funds for not extending coverage to the new mandatory adult coverage group.

(3) The CBO is now estimating that the higher number of 25 million persons will be enrolled in exchanges as a consequence of the Supreme Court decision. The estimate also suggests that Medicaid coverage will drop to 11 million as a result of the decision although as the estimate points out there are many unknowns. Congressional Budget Office, July 24, 2012. Estimates for the Insurance Coverage Provisions of the Affordable Care Act Updated for the Recent Supreme Court Decision.

(4) Estimates for adults are based on G. Kenney et al., Opting in to the Medicaid Expansion under the ACA: Who Are the Uninsured Adults Who Could Gain Health Insurance Coverage? Urban Institute August, 2012. Estimates include both those eligible under expanded Medicaid coverage and those current eligible for Medicaid.

(5) Estimates for eligible children are derived from G. Kenney et al., August 2012, and G. Kenney et al., Making the Medicaid Expansion an ACA Option: How Many Low-Income Americans Could Remain Uninsured, June 2012, Urban Institute.

(6) For more on the matching rate and related issues see our previous brief in this series, J. Hoadley and J. Alker, Understanding Florida Medicaid Today and the Impact of Federal Health Care Reform, Georgetown University Health Policy Institute, April 2011.

(7) Social Services Estimating Conference, Estimates Related to Federal Affordable Care Act: Title XIX (Medicaid) & Title XXI (CHIP) Programs, August 14, 2012.

(8) An effort to charge a $10 monthly premium regardless of income or age was passed by the Legislature and included in the state's Section 1115 Medicaid Research and Demonstration request and was rejected by the federal Department of Health and Human Services because it violated the "MOE" provisions. See letter from CMS to AHCA, February 9, 2012. These premiums would have resulted in large numbers of children losing coverage. See J. Alker and J. Hoadley, Proposed Medicaid Premiums Challenge Coverage for Florida's Children and Parents, Georgetown University Health Policy Institute, December 2011.

(9) There is currently much speculation about whether a state could do a partial expansion – for example to 100 percent of FPL - through use of Section 1115 waiver authority. As of this writing HHS has not opined on this matter, but there are reasons to believe this will not be a viable avenue – chief among them that permitting states to go this route would incur very substantial costs to the federal government.

(10) If they are working, parents can disregard earned income bringing their eligibility level to 58 percent FPL. However this exclusion will disappear in 2014 regardless of whether or not the state expands coverage.

(11) Kenney et al., August 2012.

(12) CBO estimate, p. 10 footnote 17.

(13) The ACA also provides for additional Medicare payments where evidence shows that hospitals continue to have an uncompensated care burden.

(14) Kenney et al., August 2012.

(15) J. Holahan and I. Headen, Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133 percent FPL, Kaiser Commission on Medicaid and the Uninsured, May 2010.

(16) G. Kenney et al., "Gains for Children: Increased Participation in Medicaid and CHIP in 2009," Urban Institute, August 2011.

(17) These estimates (and those for the currently eligible) are based on the take-up rate proposed by Holahan and Headen, May 2010, and the number of uninsured from Kenney et al., August 2012.
(18) The penalty will not apply to persons who do not have enough income to file taxes and there will be a "hardship exemption," which has not yet been defined in regulation.
(19) Among those who are currently eligible for Medicaid, but have not enrolled, it is assumed that from 10 percent to 40 percent will choose to enroll during the period when other new coverage begins. Holahan and Headen, May 2010.
(20) J. Hoadley and J. Alker, Understanding Florida Medicaid Today and the Impact of Federal Health Care Reform, Georgetown University Health Policy Institute, April 2011.
(21) Social Services Estimating Conference, Estimates Related to Federal Affordable Care Act
(22) Holahan and Headen, May 2010.
(23) J. Holahan et al., The Health Status of New Medicaid Enrollees Under Health Reform, Urban Institute, August 2010.
(24) Lewin Group, Patient Protection and Affordable Care Act (PPACA): Long Term Costs for Governments, Employers, Families and Providers, Staff Working Paper #11, June 8, 2010.
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