Center for Mississippi Health Policy

ISSUE BRIEF

MEDICAID EXPANSION

An Overview of Potential Impacts in Mississippi

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The U.S. Supreme Court's June 2012 decision that upheld the Affordable Care Act (ACA) struck down a portion of the law that made continued federal Medicaid funding contingent on a state's participation in expanding Medicaid eligibility. States now have the option of deciding whether or not to implement the expansion. This brief provides background information on the program and outlines policy considerations associated with the potential expansion.

Medicaid is a cooperative federal and state effort to provide health benefits to certain low-income subsets of the population. In order to receive federal funding for Medicaid, states are required to cover certain groups. Optional federal funding is made available for covering other groups. Title XIX of the Social Security Act, which serves as Medicaid's federal mandate, lists over 50 potentially eligible population groups.

Currently, individuals who qualify for Medicaid must meet both financial and categorical requirements. In other words, a recipient must not just be poor, but also elderly, disabled, pregnant, a child, or a parent of a minor child. The ACA attempted to remove the categorical restrictions on Medicaid, and limit eligibility to financial status (at or below 133% of the federal poverty level (FPL), plus a 5% income disregard) regardless of other circumstances. As illustrated in Figure 1, the newly eligible group would consist primarily of low-income working age adults (19 – 64).

States can provide a different set of benefits for the newly eligible population, mirroring a "benchmark" benefit package, such as the coverage provided to state or federal employees. These benefits may not be as comprehensive as traditional Medicaid coverage.

FIGURE 1. MEDICAID ELIGIBILITY (NON-ELDERLY), PRE AND POST ACA

Groups	: Current Federal	: Mississippi	Federal	Post-2014 Optional Expansion
Pregnant Women	Up to 133% FPL	Up to 185% FPL	Up to 185% FPL*	Up to 185% FPL
Infants (< 1 year)	Up to 133% FPL	Up to 185% FPL	Up to 185% FPL	Up to 185%FPL
Children (1 - 5 years)	Up to 133% FPL	Up to 133%FPL	Up to 133% FPL	_
Children (6 - 18 years)	Up to 100% FPL	Up to 100% FPL	Up to 133% FPL	Up to 13
Working Low-income Parents	Up to 24% FPL	Up to 44% FPL	Up to 24% FPL**	133% FPL
Non-working Low-income Parents	Up to 24% FPL	Up to 24% FPL	Up to 24% FPL**	Г
Childless Adults (19 - 64 years)	None	None	None	

^{* 133%} FPL or "such higher income standard up to 185% FPL, if any, as the State had established as of December 19, 1989 for determining eligibility for pregnant women, or as of July 1, 1989, had authorizing legislation to do so." (77 Fed. Reg. 17205. March 23, 2012).

** "The minimum income standard is a State's AFDC income standard in effect as of May 1, 1988 for the applicable family size." (77 Fed. Reg. 17204. March 23, 2012).

133% OR 138%?

Federal law provides for the expansion of Medicaid to all individuals whose income is at or below 133% FPL. Because the law also includes a 5% "income disregard," the effective limit is 138% FPL.

ANNUAL INCOMES ASSOCIATED WITH 2012 FEDERAL POVERTY PERCENTAGES

% FEDERAL POVERTY LEVEL	SINGLE	FAMILY OF FOUR
24%	\$2,681	\$5,532
44%	\$4,915	\$10,142
100%	\$11,170	\$23,050
138%	\$15,415	\$31,809
185%	\$20,665	\$42,643

Source: The poverty guidelines updated periodically in the Federal Register by the U.S. Department of Health and Human Services under the authority of 42 USC 9002(2).

For the most part, other Medicaid eligibility categories (such as working individuals with disabilities, individuals eligible for Social Security Insurance (SSI), and Medicare buy-in groups) are not affected by the potential expansion, because their financial requirements are each set near or above 133% FPL. Mississippi children up to 200% FPL are eligible for coverage under the Children's Health Insurance Program (CHIP).

Changes to Medicaid Regardless of Expansion

The ACA impacts Medicaid in other ways. Whether or not a state chooses to participate in the expansion, additional changes will be required by the federal government. Some examples of these changes include the following:

Simplification of the eligibility requirements

Medicaid programs will be required to use the Modified Adjusted Gross Income (MAGI) standard set by the Internal Revenue Service (IRS) to determine financial eligibility for certain groups. The new requirement to use MAGI as a standard both simplifies and complicates eligibility determination and requires in-depth analysis to estimate the number of people who will be eligible for Medicaid.

Streamlining enrollment processes

The law requires use of a single application for Medicaid, CHIP, and the Health Insurance Exchange, and disallows mandatory face-to-face interview requirements for reauthorization.

Potentially increasing enrollment

As a result of increased outreach and education and the implementation of the individual mandate, there is a possibility that individuals currently eligible, but not enrolled, may join the program ("woodwork effect").

WOODWORK EFFECT

"Woodwork effect" is a term used to describe a potential increase in enrollment of a health program by people who are already eligible but not enrolled as a result of the implementation of a new service and related publicity, outreach and education. In this case, currently eligible but not enrolled individuals will qualify for Medicaid services paid at the current Federal Medical Assistance Percentage (FMAP), not the higher FMAP associated with the newly eligible enrollees (See FMAP for new eligibles on page 3).

Effects of Potential Medicaid Expansion

Coverage Impact

Expanding Medicaid would substantially reduce the number of uninsured Mississippians. Approximately 40 percent of adults 19 - 64 years of age and at or below 138 percent FPL in Mississippi are uninsured. Most of these individuals are workers who are either not offered insurance by their employer, not eligible for coverage (e.g. part-time workers), or cannot afford it. Nationally, only a third of low wage workers in small firms are eligible for health coverage through an employer. Most private employers in Mississippi do not offer health insurance to their employees. In 2011, only 26 percent of small employers (fewer than 50 employees) in Mississippi offered health insurance.

FIGURE 2. OCCUPATIONS IN MISSISSIPPI WITH MOST UNINSURED WORKERS AT OR BELOW 138% FPL

Cashiers	14,445	Medical Aides	4,084
Cooks	8,731	Laborers & Movers	3,984
Construction Workers	6,869	Store Clerks	3,915
Maids & Housekeeping	6,021	Retail Salespersons	3,092
Truck & Other Drivers	5,950	Food Service Managers	3,088
Waiters & Waitresses	5,280	Agriculture Workers	2,993
Janitors & Cleaners	5,178	Assemblers & Fabricators	2,954
Grounds Maintenance Workers	5,067	Childcare Workers	2,803
Other Production Workers	4,724	Painters & Maintenance	2,704
Carpenters	4,472	Retail Sales Supervisors	2,552

Source: American Community Survey, U.S. Census Bureau, 2010. Data compiled by C4MHP using IPUMS-ACS.

ENHANCED FEDERAL MEDICAL ASSISTANCE PERCENTAGES (FMAP) FOR NEW MEDICAID ELIGIBLES

The federal government will pay 100 percent of the medical costs for the expanded population in years 2014 through 2016, after which states will begin to assume part of the cost. The federal match for years 2020 and beyond will be 90 percent, with states picking up the other 10 percent.

	2014	100%	
	2015	100%	
	2016	100%	
	2017	95%	
	2018	94%	
	2019	93%	
	2020 +	90%	
Source:ACA § 2001(3) (B)			

DISPROPORTIONATE SHARE HOSPITAL (DSH) PAYMENTS

Hospitals have been receiving DSH payments to partially offset the cost of providing uncompensated care. In FY 2012, Mississippi hospitals received \$156.5 million in federal DSH funds. The ACA provides for a reduction in these payments beginning in 2014.

PROJECTED REDUCTIONS IN DSH PAYMENTS MISSISSIPPI, 2014 - 2020 (MILLIONS)

1331FF1, 2014 - A	2020 (MILLIONS)
2014	\$7.2
2015	\$8.7
2016	\$8.7
2017	\$26
2018	\$72.3
2019	\$81.0
2020	\$57.8
Total	\$261.8

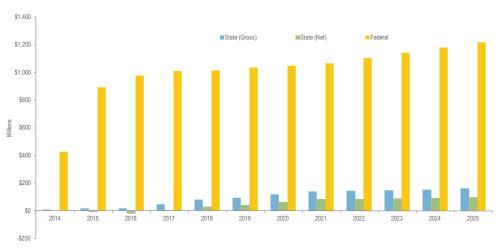
Source: Neal, B. (October 2012). The fiscal and economic impacts of Medicaid expansion in MIssissippi, 2014 - 2025. An Economic Brief from the University Research Center, Mississippi Institutions of Higher Learning.

Economic and Fiscal Impact

Researchers at the University Research Center of the Mississippi Institutions of Higher Learning (IHL) conducted an in-depth analysis of the potential effects of the Medicaid expansion in Mississippi from an economic perspective. The report, "The Fiscal and Economic Impacts of Medicaid Expansion in Mississippi, 2014-2025," projects the costs to the state for the first twelve years of the expanded program, as well as the direct and indirect economic benefits expected to accrue to the State, including additions to State General Fund revenue.

Assuming a high participation rate, the IHL study projects that approximately 280,000 - 310,000 persons would be enrolled under the expansion. The annual gross state Medicaid costs for expansion would range from approximately \$8.5 million in 2014 to \$159 million in 2025. Over the same period of time, the federal dollars flowing into the state for Medicaid Expansion would range from an estimated annual amount of \$426 million in 2014 to \$1.2 billion in 2025. The economic activity associated with the influx of federal dollars contributes to employment additions in the state that range from 4,178 jobs in 2014 to 8,860 jobs in 2025. The new jobs contribute additional revenue for the State General Fund which offsets some of the state costs for expansion. As a result, the state will not experience a net fiscal impact until 2017. The net fiscal impact is the gross state costs of Medicaid expansion minus additions to state general fund revenue associated expansion. The annual net fiscal impact will rise to \$96 million in 2025.

FIGURE 3. MEDICAID EXPANSION COST BY SOURCE, 2014 - 2025



Source: Neal, B. (October 2012). The fiscal and economic impacts of Medicaid expansion in MIssissippi, 2014 - 2025. An Economic Brief from the University Research Center, Mississippi Institutions of Higher Learning.

Private Insurance Impact

The American Academy of Actuaries examined the potential impact of the Medicaid expansion on private coverage and concluded that individual market premiums and Health Insurance Exchange premiums may increase in states that opt out of the Medicaid expansion due to adverse selection. The group also noted that employers with at least 50 workers may be at greater risk of penalties because low income employees who might otherwise enroll in Medicaid could request premium subsidies thereby triggering penalties for the employer.

State Agency Impact

Several state agencies provide medical services to low income populations. Some of these costs can be funded partially with federal dollars if Medicaid eligibility is expanded. Key agencies include the Departments of Health, Mental Health, Rehabilitation Services, and Corrections, as well as the University of Mississippi Medical Center.

Policy Considerations

Expanding Medicaid coverage to approximately 300,000 new adults would be a major undertaking for the state and have significant impacts:

- The annual cost to the state is projected to be approximately \$159 million by 2025, matched by \$1.2 billion in federal monies.
- Approximately 9,000 new jobs are projected to be created by new economic activity associated with the new federal funds coming into the state.
- Approximately 200,000 to 300,000 uninsured adults will be provided health coverage, improving their access to preventive and primary care.
- Increased demand for health care services will put pressure on the state's health care delivery system
 which already faces a shortage of primary care providers. Efforts to increase the availability of health care
 professionals will need to accelerate.
- Because employer-sponsored insurance is generally not available to low wage workers and since premium subsidies under the Health Insurance Exchange are only offered to persons above 100 percent FPL, individuals below 100 percent FPL have few options other than Medicaid.
- Uncompensated care under the Medicaid expansion is projected to drop 57 percent, offsetting the loss of federal DSH payments to hospitals which is scheduled to occur whether or not a state implements the Medicaid expansion. Without the Medicaid expansion hospitals will be faced with the need to find new sources of funds to replace DSH payments in order to cover the cost of providing uncompensated care to the uninsured.

Sources

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