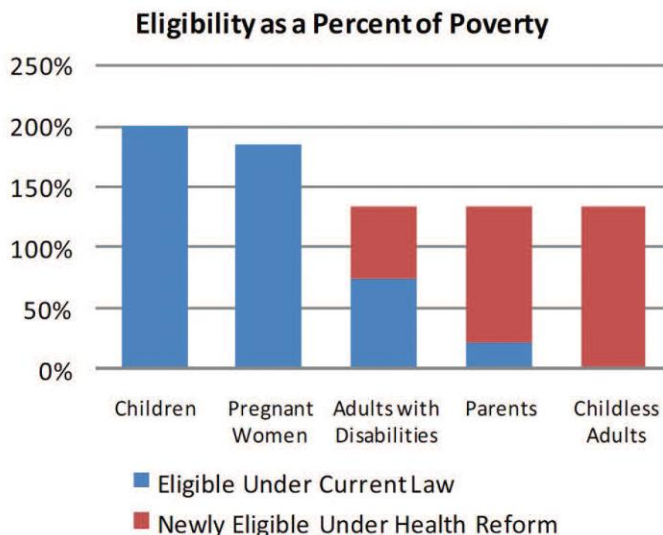August 2012

Medicaid Expansion

The 2010 Affordable Care Act included provisions that broadly expand Medicaid eligibility. On June 28, 2012, the U.S. Supreme Court ruled that the federal government could provide enhanced federal dollars to states that participate in the expansion – but it could not revoke existing federal Medicaid funding to states that do not participate. This decision removes the law's enforcement mechanism—essentially making the Medicaid expansion optional.

At least five states, including Florida, have said they will not expand Medicaid. This Brief will analyze the impact of that decision.

Affordable Care Act

The Medicaid expansion in the Affordable Care Act (ACA) expands the income limit for most programs to 133% of FPL (about $30,000 for a family of four) and adds childless non-disabled adults.

Eligibility as a Percent of Poverty

Legend:
- Eligible Under Current Law
- Newly Eligible Under Health Reform

Medicaid is jointly funded by state and federal governments. In Florida, the federal government currently funds 55% of the state's Medicaid program, and the state covers the rest. (Other states' matches range from 50-74 %.)

Under the expansion, the federal government would cover 100% of the costs for newly eligible Medicaid beneficiaries from 2014 to 2016. The federal contribution will scale down to 90% by 2020. The federal match for people who are currently eligible for Medicaid but not enrolled will stay at the lower rate unless Florida qualifies for a higher match in the future.

Medicaid in Florida

Medicaid provides free or low-cost health coverage to poor families, children, pregnant women, elderly and the disabled.

More than 3 million Floridians are covered by Medicaid.

Budget Impact

Medicaid makes up about a third of the entire state budget – $20.3 billion per year, but only 20% ($4.3 billion) comes from state general revenue. The balance is funded through federal matching money, hospital taxes, donations, and grants, etc.

Medicaid spending has increased by 50% since 2007 – mostly due to expanded enrollment during our nation's economic downturn.

Still, Florida has one of the lowest per-person spending rates in the nation. Florida spends $4,168 per patient vs. the national average of $5,535.

Stringent Eligibility

Florida's current Medicaid eligibility is "categorical." Enrollment is limited to very low-income women with children, children, pregnant women, and certain aged or disabled individuals. Childless, non-disabled adults do not qualify.

Working women with children can earn no more than 58% of the Federal Poverty Level ($13,369 for a family of four). Women who do not work can make no more than 20% of the FPL ($4,610 for a family of four). Pregnant women qualify if their income is less than 185% of the FPL ($20,664 for an individual).

As part of the expansion, states will be required to show how they have proactively enrolled newly eligible individuals. As a state, Florida has struggled enrolling those who qualify for Medicaid. For example, the Medicaid program for children called CHIP reports a 77% participation in 2009. Only three other states have a lower participation rate.

The Numbers

Currently, **3.8 million** people in Florida have no health insurance, the third highest rate in the country. The Kaiser Commission on Medicaid and the Uninsured predicts that a Medicaid expansion in Florida could add **1.6 million** to its rolls, and reduce the uninsured rate by **44.4%**.

2014-2019	Florida Costs	Federal Costs
Per Year	$205 Million	$3.3 Billion
Total Cost	$1.23 Billion	**$ 20.5 Billion**

According to the Florida Center for Fiscal and Economic Policy, during the first 10 years of expansion, for every dollar the state spends it will leverage an additional $9.51 in federal funding.

Implications

- Some experts contend that a non-expansion means uninsured residents will continue to forgo needed care or seek care they can't pay for in hospital ERs – the most expensive form of care. Florida Hospital collected just 3 cents on the dollar from these patients, and provided $120 million (in costs) in Charity Care in 2011. These costs ultimately are passed down in the form of higher insurance premiums for everyone else.

- Even with the ACA mandate, not all Americans will have insurance coverage. A 2011 *Urban Institute* study predicted that the number of non-elderly people without health insurance will drop from 18.9% to 8.7% – not to zero. As many as 16% of the currently uninsured population will be given "hardship waivers" if their incomes are very low, and the mandate will not apply to the undocumented residents who currently make up 25% of the nation's uninsured. Others will choose to pay the tax penalty rather than paying for coverage.

- A recent study published in the *New England Journal of Medicine* found that three states (New York, Maine and Arizona) that expanded their Medicaid programs reduced adult mortality rates by more than 6%, compared to similar states that did not broaden eligibility. Researchers noted that the expansions led to lower rates of delayed care and an increase in the rate of people reporting their health status as "excellent" or "very good" – both due to improved access to care for low-income adults.

"If states choose to not expand Medicaid, their state legislatures must look at alternatives for providing coverage to this vulnerable population," said Richard Morrison, senior vice president at Florida Hospital. "Expanding coverage to the very low-income population will help reduce health care costs, reduce the hidden tax on employers who provide coverage to their employees, and improve population health outcomes.

"As an organization that has provided health care for over 100 years," he continued, "Florida Hospital will continue to work with our state legislature and other policymakers to create a health care system that reduces the overall cost of health care, builds a healthier state, and improves outcomes and the patient experience."

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