With Gains to Be Had, What Explains States’ Unwillingness to Sign On?

- A Quick Overview of Current Conditions

**Figure 1**
State decisions on the Medicaid expansion will have implications for reductions in the uninsured.

Reduction in the Uninsured Due to Medicaid Expansion by the Status of State Medicaid Expansion:

- States Moving Forward at this Time (24)
  - 3.6 Million (36%)
- States Not Moving Forward at this Time (21)
  - 4.9 Million (49%)
- Debate Ongoing States (6)
  - 1.5 Million (15%)

Incremental Reduction in the Uninsured Due to Medicaid Expansion in 2016: 10 Million

SOURCE: Urban Institute Analysis, HPSM 2012
NOTES: 1 - Exploring an approach to Medicaid expansion likely to require waiver approval.

SOURCES: State decisions on the Medicaid expansion as of November 22, 2013. Based on data from the Centers for Medicare and Medicaid Services, available at: http://medicaid.gov/AffordableCareAct/Medicaid-Moving-Forward-2014/Medicaid-and-CHIP-Eligibility-Levels/medicaid-chip-eligibility-levels.html. Data have been updated to reflect more recent activity.
Who Benefits from the Affordable Care Act Coverage Expansions?

Percentage of the Nonelderly Population With Income Up to Four Times the Poverty level Who Were Uninsured or Purchasing Individual Coverage, 2010

NOTES: healthreform.kff.org/coverage-expansion-map.aspx
SOURCE: Kaiser Family Foundation Analysis of the IPUMS American Community Survey, 2010
Share of Women Age 18-44 Who Are Uninsured, by State, 2011-2012

U.S. Average = 22%

NOTE: Uninsured rates of women ages 18 to 64, 2011 – 2012.

Executive Summary

As states wrap up legislative sessions and make decisions about whether to implement the Medicaid expansion included in the Affordable Care Act (ACA), this new analysis highlights the implications of these decisions for coverage, state finances and providers. As of July 2013, 24 states were moving forward with the Medicaid expansion, 21 states were not moving forward with the expansion and debate was ongoing in the remaining 6 states. The decisions by as many as 27 states not to adopt the Medicaid expansion will leave a major hole in the health reform effort. Key findings from this analysis include:

» There would be fewer people enrolled in Medicaid and many more uninsured. Nearly two-thirds of those who were originally expected to be covered by the Medicaid expansion are in these 27 states. As many as 6.4 million uninsured will not be covered if all 27 states do not adopt the Medicaid expansion. Texas, Florida and Georgia account for half of the uninsured in the states not moving forward. (Figure 1)

» The 21 states that are not expanding Medicaid would forgo $35 billion in federal funds in 2016 and $345.9 billion over the 2013 to 2022 period while the 6 states still currently debating would forgo $15.2 billion in 2016 and $151.2 billion over the 2013 to 2022 period. These states would have experienced larger percentage increases in federal funds relative to the states moving forward with the expansion.

» For states that move forward with the expansion, reductions in uncompensated care costs help to mitigate increases in state costs or increase estimated savings. There are also many other state specific setting savings due to the expansion that could result in net benefits. These vary state to state and cannot be included in this analysis which uses national data sets.

» For states that move forward with the expansion, increases in federal funding will greatly outweigh any potential increases in state expenditures and will have positive economic effects, increasing employment and state general revenues.

» The decision not to adopt the Medicaid expansion will create inequities in coverage. Those with incomes below 100 percent will not be eligible for subsidies in exchanges or for Medicaid coverage beyond current eligibility levels. This leaves considerable gaps in coverage and will also result in substantially less revenue for hospitals. Under the ACA, hospitals in these states will still face cutbacks in Medicare and Medicaid disproportionate share hospital payments as well as lower Medicare payment rates independent of whether or not a state adopts the Medicaid expansion. And they will still be faced with serving a large uninsured population. Based on this analysis we conclude that the economic case for Medicaid expansion for state officials is extremely strong.
The Cost of Not Expanding Medicaid

Without the Medicaid expansion, the ACA’s other provisions would lower the number of uninsured by 14.7 million or 28.3 percent (31.0 percent in the states not moving forward, 30.3 percent reduction in the states with debate, and a 25.1 percent reduction in the states moving forward).

If all states expanded Medicaid, the number of uninsured would fall by another 10 million. Adding Medicaid expansion to the remainder of the ACA would further lower the number of uninsured, compared to pre-ACA levels, by 47.6 percent nationally (52.5 percent in the states that have decided to expand, by 54.1 percent in those that are still undecided, and 40.9 percent in those that are not moving forward). (Figure 6)

Accordingly, the states that would see the greatest reductions in uninsurance resulting from the Medicaid expansion tend to be the states that are not currently planning to expand eligibility.

Federal Funding

The Medicaid expansion could significantly increase federal funds to states. If all states expanded Medicaid, there would be an increase of $80.6 billion in federal funds in 2016 and of $800.2 billion over the 2013-2022 period. (Table 3) States that do not expand stand to forego a large amount of federal dollars. In 2016, states that are not moving forward would turn down $35.0 billion and states with debate ongoing could forego $15.2 billion. These amounts increase to $345.9 billion and $151.0 billion over the 2013-2022 period. The states that are moving forward would see increases in federal funds. (Figure 7)

There is considerable variation within each group of states in the increase in federal funding. States like Massachusetts, Minnesota, New York, and Vermont, are expected to see lower percentage increases in federal funding because they already cover a large share of the expansion populations.

Figure 6

States not moving forward with the Medicaid expansion would have experienced the largest reduction in the uninsured.

Percentage Reduction in the Uninsured

- **Without the Medicaid Expansion**
  - US Total: 28.3%
  - Not Moving Forward: 31.0%
  - Debate Ongoing: 30.3%
  - Moving Forward: 25.1%

- **With the Medicaid Expansion**
  - US Total: 47.6%
  - Not Moving Forward: 52.5%
  - Debate Ongoing: 54.1%
  - Moving Forward: 40.9%

SOURCE: Urban Institute Analysis, HIPSM 2012
We estimate that there would be an increase of $314 billion, or a 17.8 percent increase in Medicaid reimbursement, to US hospitals if all states adopted the Medicaid expansion. (Table 6) In the states that are moving forward, there would be an increase of $103.7 billion, or 11.8 percent, in hospital payments. In the not moving forward states, hospitals will receive $145.0 billion less than they would have with the expansion, or 24.8 percent less than they otherwise would have received. In the debate ongoing states, hospitals in these states will receive $65.2 billion less, or 21.6 percent less than they otherwise would have received. (Figures 11 and 12)

Figure 12

States not moving forward with the Medicaid expansion would have experienced larger increases in Medicaid payments to hospitals.

Percentage Increase in Medicaid Payments to Hospitals With Expansion Relative to No Expansion

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Total</td>
<td>17.8%</td>
</tr>
<tr>
<td>Not Moving Forward</td>
<td>24.8%</td>
</tr>
<tr>
<td>Debate Ongoing</td>
<td>21.6%</td>
</tr>
<tr>
<td>Moving Forward</td>
<td>11.8%</td>
</tr>
</tbody>
</table>

SOURCE: Urban Institute Analysis, HIPSM 2012
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Accordingly, the states that would see the greatest reductions in uninsured resulting from the Medicaid expansion tend to be the states that are not currently planning to expand eligibility.

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SOURCE: Urban Institute Analysis, HIPSM 2012

Figure 7

States not moving forward with the Medicaid expansion would have experienced the largest increases in federal funds.

2016 ($80.6 Billion)

- Moving Forward: $30.3
- Not Moving Forward: $35.0
- Debate Ongoing: $15.2

2013-2022 ($800.2 Billion)

- Moving Forward: $303,401
- Not Moving Forward: $345.9
- Debate Ongoing: $151.0

SOURCE: Urban Institute Analysis, HIPSM 2012
Triple Threat: Too Poor to Qualify, Large Gaps in Coverage and Higher Costs for Hospitals

The decision not to adopt the Medicaid expansion will create inequities in coverage.

Those with incomes below 100 percent will not be eligible for subsidies in exchanges or for Medicaid coverage beyond current eligibility levels.

This leaves considerable gaps in coverage and will also result in substantially less revenue for hospitals.

Under the ACA, hospitals in these states will still face cutbacks in Medicare and Medicaid disproportionate share hospital payments as well as lower Medicare payment rates independent of whether or not a state adopts the Medicaid expansion.

And they will still be faced with serving a large uninsured population. Based on this analysis we conclude that the economic case for Medicaid expansion for state officials is extremely strong.