

## Affordable Care Act Medicaid Expansion: A Win for the State and Its Low-Income Residents

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**M**ichigan policymakers have a rare opportunity to improve the health of Michigan's population through a cost-effective expansion of Medicaid under the Affordable Care Act. It would provide health security and access to medical care for an estimated 400,000 to 600,000 uninsured Michigan residents, resulting in a win-win situation—for the state and its low-income residents.

The Medicaid expansion can be achieved without the investment of new state funds. State funds spent on healthcare services for low-income individuals not currently eligible for Medicaid could be redirected to serve as the state's Medicaid match. Initially, the federal government will pay 100% of the cost, resulting in significant General Fund savings to the state for the first several years. Modest savings will continue, from 2020 onward, with the very favorable match rate of 90%. An estimated \$2 billion per year in new federal revenue would not only pay for needed healthcare services but would also provide significant economic stimulus.

### Supreme Court Ruling

The ACA, upheld by the Supreme Court in June 2012, requires states to expand their Medicaid programs in 2014 to low-income parents and for the first time to childless individuals with incomes up to 133% of the federal poverty level (about \$15,000 for an individual). Children are already covered up to 200% of the FPL. The Supreme Court ruled that the penalty included in the Act for not complying with the Medicaid expansion, the withholding of all federal funds for the Medicaid program, was too harsh and unduly coercive. The remedy put forth by the Court was elimination of the penalty for not expanding Medicaid. However, the portion of the law mandating the Medicaid expansion was not changed by the ruling; **it is the law of the land.**

### Positive Fiscal Impact of Expansion in Michigan

Both the House and Senate Fiscal Agencies have released information documenting the fiscal benefits to the state for proceeding with the Medicaid expansion. The [House Fiscal Agency memorandum](#) concluded that the state would experience net savings in the first six years (2014 -2019), and the expansion would be "roughly cost-neutral in the subsequent years" with small savings projected in the seventh through tenth years. The preliminary state savings estimates include more than \$200 million in the first year and \$1.1 billion over the 10-year period 2014-2023. New federal revenue to the state would range from \$1.9 billion to \$2.2 billion per year over the 10-year period, for a total of \$20.5

billion. This report presents an unprecedented long-range analysis of the impact of the Medicaid expansion.

The [Senate Fiscal Agency memorandum](#) similarly concluded that the Medicaid expansion would result in state General Fund savings of at least \$200 million per year through the year 2017 when the state would be required to provide a 5% match. The memorandum asserts that the Medicaid expansion is “more of a policy issue than a fiscal issue.”

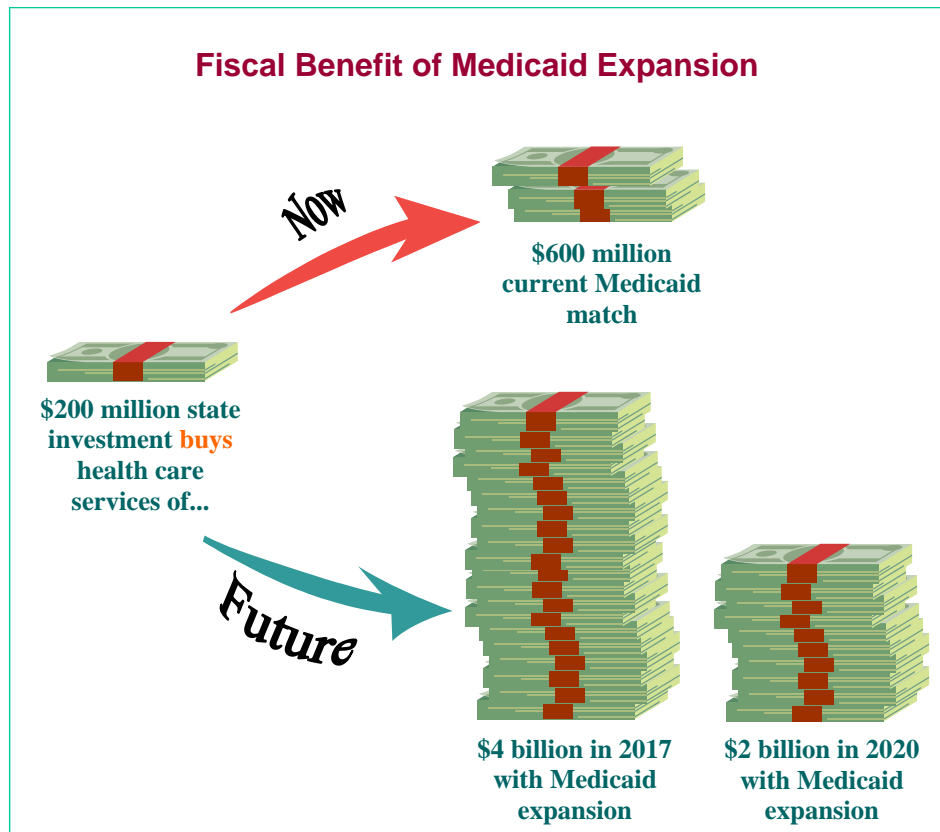
The savings projected by both fiscal agencies result from current state spending on limited healthcare services for individuals not currently Medicaid-eligible, but who would become eligible under the expansion. Their care would be financed by the federal government at 100% for the first three years, then phasing down to 90% by 2020. Key programs where savings would occur are community mental health services for those not eligible for Medicaid and the Adult Benefits Waiver, which provides ambulatory benefits to a very low-income (34% FPL) and limited population. There may be additional state and local savings in other program

areas, such a public health or corrections if the Medicaid expansion is implemented.

The federal Centers for Medicare and Medicaid Services have indicated that there is no deadline for states to determine whether to expand their Medicaid programs. However, the federal matching rates are set in the Affordable Care Act—100% federal funding 2014–2016, 95% in 2017, 94% in 2018, 93% in 2019, and 90% from 2020 onward. **States that choose to delay the Medicaid expansion will miss out on 100% federal funding in the early years.**

To provide a perspective of what the \$200 million in projected savings could buy in Medicaid healthcare services for the newly eligible population, the graphic below includes the federal match rates for 2017 and 2020 as specified in the law.

Both the House and Senate Fiscal Agencies estimate a total cost of about \$2 billion to cover the expanded population of about 400,000 in 2014. The House Fiscal Agency assumed a cost of \$5,000 per new enrollee in 2014, which is an average cost for



current full Medicaid benefits. Therefore, the state could readily expand Medicaid eligibility to 133% FPL in 2014, provide full benefits, and still experience significant General Fund savings. Because the current programs from which funds can be redirected are also projected to grow, the cost of the expansion in the seventh through tenth years, is projected to be “roughly cost neutral.”

### Federal Fiscal Impact of the Expansion

Because the law as initially enacted was paid for with increased revenue and spending reductions, the ACA was projected to result in a [federal budget deficit reduction](#) of \$210 billion over the period 2012-2021. **The Medicaid expansion will not add to the federal deficit.** The federal cost of the Medicaid expansion was recently lowered by the Congressional Budget Office, following the Supreme Court decision, based on the assumption some states would decline to expand their Medicaid programs.

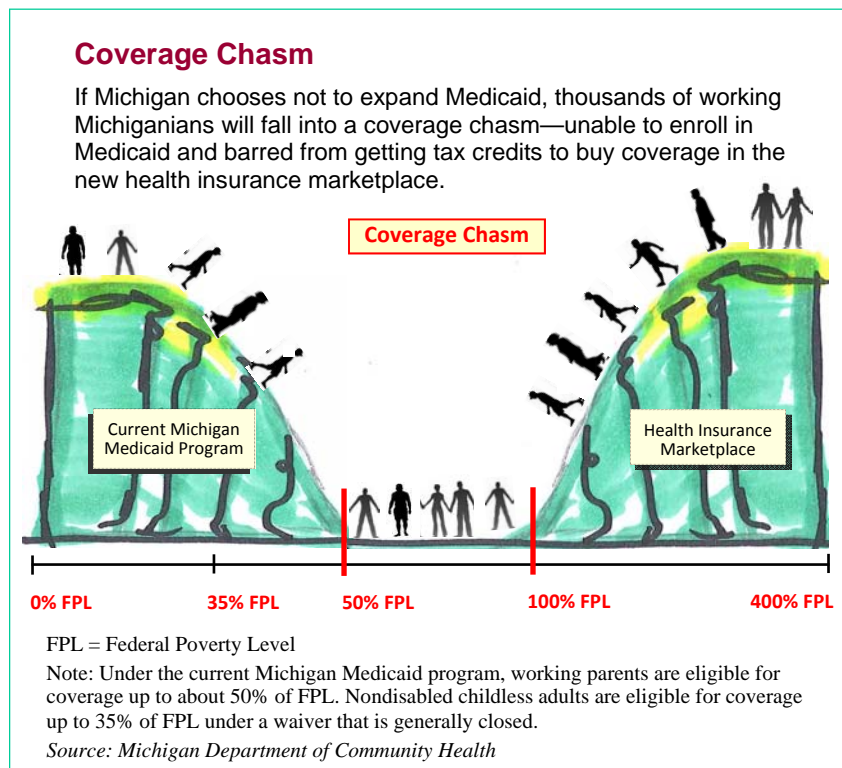
A recent [CBO analysis](#) of the bill passed by the U. S. House of Representatives (H.R. 6079) to repeal the ACA, indicates that the federal deficit would increase if that bill becomes law. The estimated federal deficit **increase** for repealing the ACA is \$109 billion over the period 2013-2022.

### Coverage Chasm without Expansion

Because the ACA expands Medicaid coverage for those with incomes up to 133% FPL, there is no other option in the law to provide affordable coverage to those with incomes below 100% FPL. For those with incomes between 100% – 400% FPL, premium and cost-sharing subsidies, on a sliding scale, will be available through the new healthcare marketplace, called the health insurance exchange.

For those with incomes between the state’s Medicaid eligibility level for childless adults and parents, both less than 50% FPL, there will be no opportunity for affordable coverage if the state chooses not to implement the Medicaid expansion. A coverage chasm would result. (See graphic below.)

A recent [Urban Institute report](#) estimates the number of uninsured parents in Michigan with incomes below 100% FPL at 48,000, and the number of childless adults at 382,000. More than 400,000 Michigan residents could be left without an opportunity for affordable coverage, while those with higher incomes would have access to federal subsidies for their premiums and cost sharing.



## Positive Health Impacts of the Expansion

The Medicaid program is designed to meet the needs of low-income populations who often have poorer health statuses and greater healthcare needs than the general population. The benefits are comprehensive to meet the healthcare needs with limited out-of-pocket expense. To provide optimum health outcomes, it is essential that the state provide the full range of Medicaid benefits to the new population. While a lesser benefit package is allowed under the ACA, it makes little sense to force individuals to go without needed care or be forced to seek care in the emergency room when benefits are not provided, but care is needed.

In addition to better health outcomes if full Medicaid benefits are provided, savings will accrue to those who purchase private coverage, when hospitals no longer pass uncompensated care costs on to them, a benefit to all Michiganians.

Recent studies have documented the positive health outcomes for populations enrolled in Medicaid. [A study](#) by Harvard researchers published in the *New England Journal of Medicine* found that in three states that voluntarily expanded Medicaid eligibility to nondisabled, low-income adults without children, fewer died compared to neighboring states that did not expand coverage. The study also found that those who enrolled in Medicaid reported better overall health status and fewer delays in seeking care because of cost concerns.

The landmark [Oregon Health Study](#) has also documented the benefits of enrollment in Medicaid. In a survey conducted one year after individuals were randomly selected from a waiting list to fill 10,000 slots in their Medicaid program for adults, researchers found that “enrollment in Medicaid substantially increases health care use, reduces financial strain, and improves self-reported health and well-being.”

## Positive Workforce Impacts of the Expansion

Both low-wage workers and their employers will experience significant benefits from the Medicaid expansion through a healthier workforce. In his [health message](#), the governor called on employers to implement health and wellness programs to improve the health and productivity of the workforce. While important, it is access to medical care and preventive services that are the key components to improving workforce health and

productivity. In addition, with employer-sponsored coverage continuing to decline, the expansion of Medicaid to those with incomes up to 133% FPL can fill a growing void.

In its report, [The Uninsured in Michigan](#), the Department of Community Health found that Michigan’s low-income, nonelderly adults with incomes below 200% FPL, represented 30% of underage 65 adults but 53% of the uninsured. In addition, the study found that the majority of the uninsured, 51%, are in working households.

## Conclusion

The ACA Medicaid expansion provides an unprecedented opportunity for Michigan to improve the health and health security of Michigan’s low-income residents. Last year, the Legislature passed nearly \$2 billion in tax cuts for business, shifting most of the [burden](#) to individuals, and disproportionately to lower-income individuals and families.

The ACA provides the opportunity to invest in Michigan residents to provide health security to low-income parents and individuals who may have lost their jobs and healthcare coverage or who may be working at jobs that do not provide affordable coverage or they do not qualify for coverage. **This critical investment can be accomplished with no new state funds.**

The Medicaid expansion provides a perfect opportunity to achieve many of the goals set forth in the [governor’s health message](#) in which he said: “Government and the private sector can and should empower Michiganders with the tools necessary to access quality health care and live a healthy lifestyle. We should act expeditiously and with compassion.”

We urge the governor to act expeditiously and provide the leadership and tools necessary to improve the health status of Michigan’s low-income residents, promote economic development and activity with no new state funds investment by:

- expanding Medicaid to 133% FPL, effective Jan. 1, 2014, with the full package of current Medicaid benefits to the newly eligible population,
- taking full advantage of the 100% federal funding, available in calendar years 2014, 2015, 2016 for the expanded population while saving state funds currently spent for limited services for this population,
- working with the Legislature to appropriate the federal funds needed to support the expansion.

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