



States Lose When They Push Aside Health Reform

States See More Money in Medicaid Under Reform

Emma Sandoe | March 2010

Comprehensive health care reform legislation is still pending in Congress, but 36 state legislatures have already taken steps to undermine key aspects of the legislation. If these efforts were to be enacted, these states would be left out of federal programs that would help them expand coverage for more of their residents, essentially refusing more than \$28 billion a year in federal funds from the Medicaid program alone.

South Dakota Governor Mike Rounds, for example, halted efforts by the state legislature to pass a bill that would nullify the mandate for every individual to be insured within the state. South Dakota could lose more than \$105 million in Medicaid revenue a year if this effort to stop health care reform succeeds.

The pending federal health care reform proposals would expand eligibility for the Medicaid program to everyone with incomes at or below poverty. Medicaid, which currently provides health insurance to 47 million low-income individuals, is a critical safety net for Americans who cannot otherwise afford health insurance coverage. States and the federal government have traditionally shared responsibility for funding the program. But because Medicaid eligibility rules leave many low-income Americans without coverage, some states fund additional programs to cover or provide care to those in poverty but still ineligible for Medicaid.

The health care reform proposal passed by the U.S. Senate on December 24, 2009 expands the income eligibility for the Medicaid program to 133 percent of the federal poverty level, or income of about \$30,000 a year for a family of four. The bill passed by the House expands Medicaid to 150 percent of poverty, or \$33,000 a year for a family of four. Both bills represent the largest expansion in the history of the Medicaid program. This expansion will be entirely funded by federal funds for the first several years.

But the \$28 billion in Medicaid money is not the whole picture. These reforms will extend Medicaid coverage to nearly 8 million individuals in these states, while millions more will qualify for premium subsidies to help purchase private coverage through health insurance exchanges. This will reduce costs for employers, state governments, and insured individuals, because as these uninsured individuals and families gain coverage, the cost-shift of uncompensated care will diminish. It will also help states out because these new Medicaid eligibility levels will absorb those under 133 percent of the poverty level in state insurance programs, with full federal support for the first several years of the program.

The bills also include new incentives and payment systems within the Medicaid program that will make the program more efficient, resulting in lower costs over the long run. Federal funds would also go to states in the form of grants to promote local clinics.

The state “nullification” efforts take various forms. On February 9, 2010 the Virginia legislature became the first to prohibit the federal government from requiring every Virginian to have insurance. Later that week, the Utah House passed legislation that would allow the state to opt out of all provisions in the national health care reform bills, including eliminating the pre-existing condition exclusion and expanding coverage to the uninsured and dependents. If all 33 states currently considering strategies for opting out of a reformed health care system take similar action, these states will leave unclaimed considerable federal funding for their low-income residents.

Methodology

These estimates represent projected federal Medicaid matching payments, assuming full implementation of the Senate health reform bill, using 2009 dollars. The major components of these estimates include federal payments for adults and children who are currently eligible for Medicaid, but do not participate in the program, and federal payments for individuals who would become eligible for Medicaid coverage under the expansion provisions included in the Senate reform bill.

We first calculated spending for individuals who are currently eligible but are not enrolled in Medicaid coverage. We developed these estimates using 2009 spending for current enrollees (adults and children) and 2009 federal Medicaid matching rates. We assumed that the Senate bill’s requirement that all individuals hold coverage would generate higher Medicaid participation rates for this group under health reform.

Medicaid expansion would cover more uninsured

Number of uninsured newly eligible under Medicaid expansion as compared to current number of uninsured

State	Newly eligible for Medicaid expansion	Nonelderly uninsured
Alabama	226,142	545,100
Alaska	30,994	126,800
Arizona	23,339	1,198,200
Arkansas	147,355	472,900
Colorado	163,747	780,100
Florida	685,612	3,571,700
Georgia	454,168	1,656,900
Idaho	59,166	221,000
Indiana	211,673	734,600
Iowa	2,353	277,100
Kansas	88,596	334,800
Kentucky	260,528	619,800
Louisiana	291,967	813,000
Maryland	172,163	704,500
Michigan	227,685	1,126,000
Minnesota	111,619	434,000
Mississippi	226,044	523,200
Missouri	200,957	726,600
Montana	41,724	151,800
Nebraska	54,464	220,300
New Hampshire	33,423	133,600
New Mexico	116,945	446,200
North Carolina	392,693	1,448,600
North Dakota	15,794	67,500
Ohio	420,617	1,304,900
Oklahoma	202,499	558,400
Pennsylvania	283,314	1,174,000
Rhode Island	33,324	116,300
South Carolina	222,775	708,400
South Dakota	22,510	89,600
Tennessee	212,782	904,100
Utah	76,034	347,700
Virginia	264,778	1,025,400
Washington	209,878	759,100
West Virginia	94,679	260,400
Wyoming	19,141	71,000
Total	4,510,959	16,080,900

We also calculated projected federal Medicaid spending for newly eligible individuals using participation and spending projections in 2009 dollars, assuming that all costs accrue to the federal government.

Spending per enrollee and Medicaid participation vary state by state, and will continue to vary under health reform. However, to provide aggregate estimates, we used national average spending and participation rates by enrollment group. Spending estimates do not include a 5 percent administrative load.

References

The Urban Institute. 2010. Health Insurance Policy Simulation Model, unpublished output.

Holahan, John and Linda J. Blumberg. 2010. "How Would States Be Affected by Health Reform?" Washington: The Urban Institute.