A Report from Virginia's Internal Medicine Physician Specialists:

How Will the Medicaid Expansion Benefit Virginia?

Introduction

In light of the Supreme Court's ruling on the Affordable Care Act's Medicaid expansion, states now have the option of expanding their Medicaid programs to all individuals with incomes up to 133%[1] of the federal poverty level (FPL), which is equal to $14,856 for an individual or $30,656 for a family of 4 in 2012.

The federal government will finance most of the expansion's cost. From 2014 to 2016, the federal government will pay for 100% of the coverage expansion. States will gradually assume a portion of the cost, providing 10% of expenses starting in 2020.

Now that the Medicaid expansion is optional, it's estimated that fewer uninsured people will be able to access Medicaid. The Congressional Budget Office (CBO) originally estimated that 16 million people would be covered by the ACA Medicaid expansion. As a result, the CBO predicts that 6 million fewer individuals will be covered by Medicaid, although 3 million of these will be eligible for exchange-based private insurance.

The Virginia Chapter of the American College of Physicians believes that it is imperative that the Commonwealth of Virginia accept the unique opportunity that is now available to use federal dollars to expand Medicaid to everyone who has an income up to 133% of the federal poverty level. The report explains why it is in the best interests of the residents of this Commonwealth, the physicians and hospitals who deliver care to them, and the Commonwealth itself to agree to do so.

Our organization represents 3,361 internal medicine specialists and medical student members who live, study, teach and practice in the Commonwealth of Virginia. We are a chapter of the American College of Physicians, which represents 133,000 internal medicine and medical student members nationwide. ACP is the largest physician specialty society and second largest physician-membership organization in the United States.

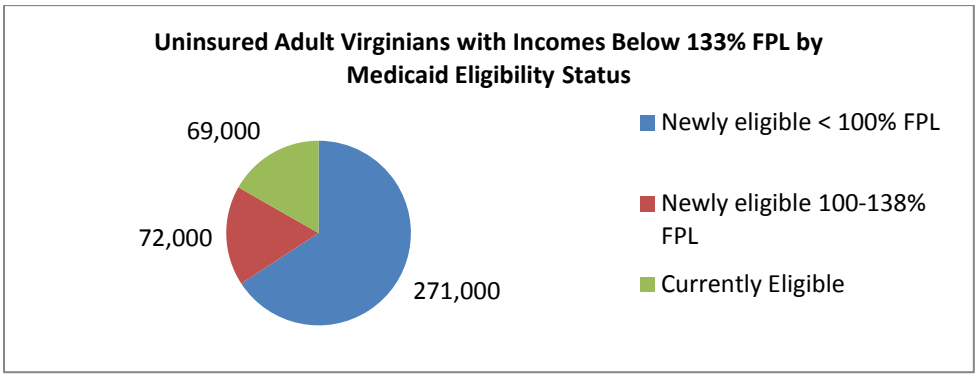
No matter where one stands on the Affordable Care Act itself, the evidence is clear: Virginia will greatly benefit by accepting federal dollars to extend Medicaid, and Virginians will be harmed it if does not:

- **Extending Medicaid coverage to Virginia's low-income uninsured will improve health status and quality of life.**

Numerous studies show that individuals who enroll in Medicaid benefit significantly compared with the uninsured.

- For instance, a study comparing Oregon Medicaid enrollees with uninsured people found that 35% of Medicaid enrollees were more likely to receive outpatient care compared to the uninsured. Seventy percent of Medicaid enrollees reported having access to a regular source of primary care, and 55% were more likely to have a doctor they usually see, compared with the uninsured.[2]
- Medicaid coverage also reduces mortality. One study concluded that mortality declined after states expanded their Medicaid programs, particularly among those aged 35 to 64 years, minorities, and people living in poorer areas.[3]
- Medicaid coverage may also help curb racial and ethnic health care disparities that are exasperated by lack of insurance, such as lack of usual source of care or receipt of preventative screenings.[4] About 42% of adult Virginians newly-eligible for Medicaid are people of color, a population that is more likely to be uninsured than whites.[5]

- **Extending Medicaid coverage will reduce the numbers of uninsured Virginians by as much as 37 percent.**[6]



Source: Kenney GM, Zuckerman S, Dubay L, Huntress M, Lynch V, Haley J, Anderson N.

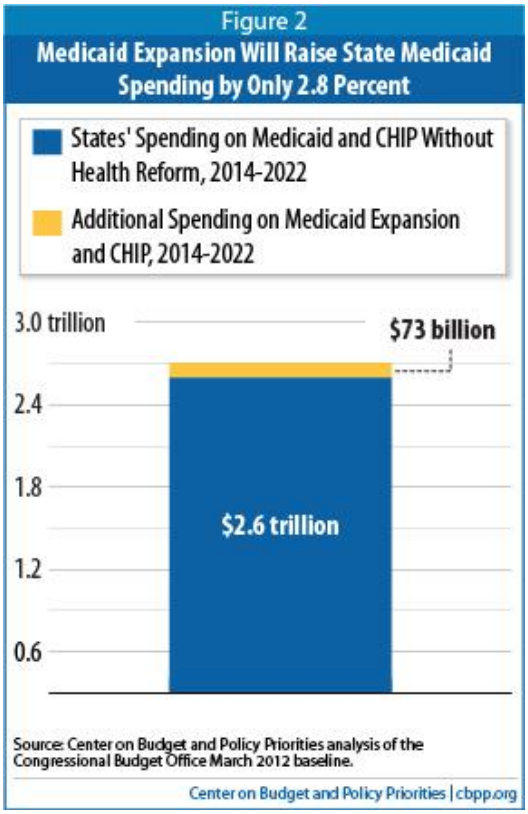
- Thirteen percent of Virginians – over one million people – were uninsured between 2009 and 2010.[7] According to one estimate, 412,000 adult Virginians would be eligible for Medicaid coverage, including 342,000 who would be newly eligible under the health reform law.5
- This is a significant expansion, as childless, non-disabled adults are currently ineligible for Virginia's Medicaid program. The Commonwealth currently restricts eligibility to working parents with incomes up to $5,744 (for a family of three) and non-working parents with incomes up to $4,633.[8]

- **Medicaid expansion will help the "safety net" of physicians, hospitals, and academic medical centers better serve their low-income patients and reduce cost-shifting to the rest of us.**

In anticipation of the Medicaid expansion, the health reform law increases Medicaid primary care payments to Medicare levels in 2013 and 2014, paid for entirely by the federal government at no cost to Virginia. In addition, a reduction in uncompensated care will help the "bottom line" of Virginia's hospitals and physician clinics that take care of Medicaid patients, and the state and local governments that help fund indigent care.

- In 2008, the last year for which information is available, Virginia's Medicaid primary care payment rates were 88% of Medicare rates.[9] While Medicaid physician participation lags behind Medicare and private insurance, evidence shows that physicians are more likely to accept new Medicaid patients in states that pay closer to Medicare rates.[10]
- Hospitals will benefit from reduced uncompensated care costs, as the newly-insured will no longer be forced to seek free care provided by hospitals. Uncompensated care costs are shared across the public and private sectors.
- It's estimated that state and local governments provide 30% of the cost of uncompensated care. By expanding Medicaid to cover the previously uninsured, Virginia would benefit from a portion of uncompensated care savings.[15]
- The Medicaid expansion is especially crucial for hospitals, since the health care reform law cut the federal share of uncompensated care payments because lawmakers assumed the Medicaid expansion would heavily reduce the need for uncompensated care. In 2010, Virginia hospitals received about $88 million in Medicaid federal funds to help offset the cost of covering the uninsured.[11]

In addition, *everyone* in Virginia pays for the care that is provided on an uncompensated basis by hospitals and physicians, because those costs are shifted to the rest of us through higher premiums for our health insurance and higher taxes for government safety-net programs. And every one of us will benefit when there is less uncompensated care because more Virginia will be covered by Medicaid.



- **The Commonwealth will benefit fiscally by accepting this unprecedented offer by the federal government to pay almost all of the costs of extending Medicaid to more Virginians.**

Medicaid's rising costs are a growing burden for Virginians, mainly because the federal government does not pay a fair share of Medicaid costs while imposing costly federal mandates on the Commonwealth. But this new program is different, because the federal government pays almost the entire cost.

- Right now, the federal government pays about 50% of the cost for Virginians enrolled in Medicaid; our Commonwealth pays the other 50%.[12]
- But starting in 2014, the federal government will pay 100% of the cost—yes, all of it!—for the first two years of extending Medicaid to all Virginians with incomes below 133% of the federal poverty level. Gradually, the federal government's share will go down to 95% and then 90% over the next ten years. Still, the federal contribution would be the most ever offered to Virginians to cover more of our residents.
- The CBO estimates that states will incur an additional 2.8% increase in Medicaid costs compared with what they would have spent in absence of the health care law, an estimate that includes those currently eligible for Medicaid coverage.[13]
- A Kaiser Family Foundation study predicts a 1.8% increase in Virginia's Medicaid spending from 2014-2019.[14] However, a 2011 Urban Institute report estimated that the ACA could save Virginia up to $146 million over 2014-2019 when enhanced Medicaid spending, uncompensated care reductions, and other savings are factored in.[15]
- If Virginia waits to accept the federal offer to pay for the Medicaid extension, it will get less help from the federal government. 100% federal funding is available only in 2014-15, so if Virginia waits until 2016, the federal government's initial contribution will be 95% of the cost. If Virginia waits until 2020, the federal government's annual contribution will be 90% of the cost. Delay now means Virginia taxpayers will pay more later to cover the same people under Medicaid.
- Should Virginia accept the federal dollars now, the Commonwealth is not locked in if the federal government reneges in the future on the commitment to pay for most of the Medicaid expansion. If the federal payments are reduced, then Virginia could revisit its decision to expand Medicaid.

- **What would happen to the uninsured if Virginia chose not to expand Medicaid?**

The Urban Institute estimates that about 271,000 uninsured adult Virginians with incomes under 100% FPL would be denied coverage if Virginia chooses not to expand its Medicaid program.5 And, under the health reform law,

Characteristics of Uninsured Adult Virginians Newly-Eligible for Medicaid, Incomes Below 133% FPL[5]

Gender: **51%** Male

49% Female

Family status:

20.3% are parents

79.7% are adults without dependent children

they would not be eligible to get the subsidies to help pay for health insurance available to people who earn more than the federal poverty level, because Congress had expected that they would be covered by Medicaid.

Think about that: if Virginia turns down or delays accepting the federal money to extend Medicaid, we will be leaving our poorest residents with no other way to get coverage—resulting in poorer health outcomes for them, more uncompensated care for hospitals and physicians who take care of them, more cost-shifting for the rest of us, and ultimately, higher cost to the Commonwealth.

As an organization representing Virginia's internal medicine physicians and medical students, our greatest concern is for the working people—***our patients***—who will be left behind without any access to health insurance coverage if Virginia declines the federal money to expand Medicaid. We are speaking for them when we ask Governor McDonnell and the Virginia legislature to do the right thing and accept this unprecedented opportunity to provide coverage to our poorest patients, at minimal cost to the Commonwealth.

Additional Resources:

Kaiser Family Foundation: Medicaid: A Primer.
http://www.kff.org/medicaid/upload/7334-04.pdf

Urban Institute: Opting in to the Medicaid Expansion under the ACA: Who Are the Uninsured Adults Who Could Gain Health Insurance Coverage?
http://www.urban.org/UploadedPDF/412630-opting-in-medicaid.pdf

Center on Budget and Policy Priorities: How Health Reform's Medicaid Expansion Will Impact State Budgets.
http://www.cbpp.org/files/7-12-12health.pdf

Urban Institute: Considerations in Assessing State-Specific Fiscal Effects of the ACA's Medicaid Expansion.
http://www.urban.org/UploadedPDF/412628-Considerations-in-Assessing-State-Specific-Fiscal-Effects-of-the-ACAs-Medicaid-Expansion.pdf

Urban Institute: Consider Savings as Well as Costs: State Governments Would Spend at Least $90 Billion Less With the ACA than Without It from 2014 to 2019.
http://www.urban.org/UploadedPDF/412361-consider-savings.pdf

Kaiser Family Foundation. Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133% FPL.
http://www.kff.org/healthreform/upload/Medicaid-Coverage-and-Spending-in-Health-Reform-National-and-State-By-State-Results-for-Adults-at-or-Below-133-FPL.pdf

State Health Facts: Health Reform Information by State.
http://www.statehealthfacts.org/healthreformsource.jsp

Kaiser Family Foundation: Visualizing Health Policy – Medicaid: Its Role Today and Under the Affordable Care Act. http://jama.jamanetwork.com/article.aspx?articleid=1352118

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[1] Based on the ACA, the Medicaid program is expanded to 133% of the federal poverty level (FPL). There is also a technical adjustment that brings the actual eligibility level up to 138% FPL.

[2] Finkelstein A, Taubman S, Wright B, Bernstein M, Gruber J, Newhouse JP, Allen H, Baicker K. The Oregon Health Insurance Experiment: Evidence from the First Year. National Bureau of Economic Research. July 2011. Accessed at http://www.nber.org/papers/w17190.pdf?new_window=1 on August 16, 2012.

[3] Sommers BD, Baicker K, and Epstein AM. Mortality and Access to Care among Adults after State Medicaid Expansions. *NEJM.* 2012. Accessed at http://www.nejm.org/doi/full/10.1056/NEJMsa1202099#t=articleTop on August 16, 2012.

[4] Kaiser Family Foundation. Health Reform and Communities of Color: Implications for Racial and Ethnic Health Disparities. Kaiser Family Foundation. September 2010. Accessed at http://www.kff.org/healthreform/upload/8016-02.pdf on August 20, 2012.

[5] Kenney GM, Zuckerman S, Dubay L, Huntress M, Lynch V, Haley J, Anderson N. Opting in to the Medicaid Expansion under the ACA: Who Are the Uninsured Adults Who Could Gain Health Insurance Coverage? Urban Institute. August 2012. Accessed at http://www.urban.org/UploadedPDF/412630-opting-in-medicaid.pdf on August 20, 2012.

[6] Kenney GM, Dubaty L, Zuckerman S, Huntress M. Making the Medicaid Expansion an ACA Option: How Many Low-Income Americans Could Remain Uninsured. Urban Institute. June 29, 2012. Accessed at http://www.urban.org/UploadedPDF/412606-Making-the-Medicaid-Expansion-an-ACA-Option.pdf on August 29, 2012.

[7] Kaiser Family Foundation. Virginia: State Medicaid Fact Sheet. Statehealthfacts.org. Accessed at http://www.statehealthfacts.org/mfs.jsp?rgn=48&rgn=1&x=10&y=14 on August 29, 2012.

[8] Kaiser Family Foundation. How will the Medicaid Expansion for Adults Impact Eligibility and Coverage? July 2012. Accessed at http://www.kff.org/medicaid/upload/8338.pdf on August 24, 2012.

[9] Statehealthfacts.org. Medicaid-to-Medicare Fee Index. 2008. Statehealthfacts.org. Accessed at http://www.statehealthfacts.org/comparetable.jsp?ind=196&cat=4 on August 29, 2012.

[10] Decker SL. In 2011 Nearly One-Third of Physicians Said They Would Not Accept New Medicaid Patients, But Rising Fees May Help. *Health Aff.* 2012. 31(8);1673-1679.

[11] Statehealthfacts.org. Federal Disproportionate Share Hospital Allotments. Statehealthfacts.org. Accessed at http://www.statehealthfacts.org/comparemaptable.jsp?ind=185&cat=4 on August 24, 2012

[12] Statehealthfacts.org. Federal Medical Assistance Percentage (FMAP) for Medicaid and Multiplier. Statehealthfacts.org. Accessed at http://www.statehealthfacts.org/comparetable.jsp?ind=184&cat=4 on August 24, 2012.

[13] Angeles J. How Health Reform's Medicaid Expansion Will Impact State Budgets. Center on Budget and Policy Priorities. July 25, 2012.

[14] Holahan J and Headen I. Medicaid Coverage and Spending in Health reform: National and State-by-State Results for Adults at or Below 133% FPL. Kaiser Family Foundation. May 2010. Accessed at http://www.kff.org/healthreform/upload/Medicaid-Coverage-and-Spending-in-Health-Reform-National-and-State-By-State-Results-for-Adults-at-or-Below-133-FPL.pdf on August 21, 2012.

[15] Buettgens M, Dorn S, Carroll C. Consider Savings as Well as Costs: State Governments Would Spend at Least $90 Billion Less With the ACA than Without It from 2014 to 2019. Urban Institute. July 2011. Accessed at http://www.urban.org/UploadedPDF/412361-consider-savings.pdf on August 20, 2012.