

Medicaid Coverage Expansion

Medicaid is a health coverage program for low-income individuals dually run by the federal government and the states. The program covers roughly 60 million people. Although the federal government establishes some requirements related to coverage and benefits, states are mostly free to tailor their programs as they see fit. All states are required to cover low-income children (and provide screening and diagnostic services, as well as any related treatment), low-income pregnant women, certain low-income parents, as well as seniors and those with a disability who receive supplemental assistance. Certain benefits are mandatory, such as acute hospital care and physician services, and most states cover so-called optional benefits like prescription drugs. In many states, childless adults – no matter how poor they are – cannot receive Medicaid coverage, although some states have on their own extended coverage to such persons.

The Patient Protection and Affordable Care Act (ACA), signed into law in March 2010, intends to dramatically alter the Medicaid program by providing substantial federal funding for states to adopt a national Medicaid income-based eligibility standard to cover the poor- and near poor,, improving Medicaid reimbursement for primary care services, maintaining the existing Medicaid and CHIP eligibility requirements, and improving the Medicaid enrollment process. However, as noted below, a 2013 Supreme Court ruling made the Medicaid expansion a voluntary state option, by overturning the ACA’s authority to financially penalize states that do not agree to adopt the Medicaid income eligibility standard. As a result, many states have chosen so far not to expand Medicaid.

MEDICAID COVERAGE EXPANSION:

Beginning in 2014, the ACA expands Medicaid eligibility to individuals with incomes at or below 133 percent of the federal poverty levelⁱ (\$15,282 for an individual and \$31,322 for a family of four, 2013 FPL guidelines; actual income amounts to be updated by 2014). For the first time, qualified non-elderly childless adults and other traditionally ineligible low-income people would be able to enroll in the Medicaid program in all states. However, the ACA coverage expansion has generated significant controversy, leading 26 states to sue the federal government arguing that the Medicaid expansion is unduly coercive and contains conditions that place serious financial strains on state budgets.

On June 28, 2012, the United States Supreme Court upheld the Medicaid expansion provision but found that the penalty to states for not participating in the Medicaid expansion (loss of the federal government funding for the existing Medicaid program) was unconstitutionally coercive. Therefore, the Supreme Court gave states the option to expand their Medicaid program without the threat of a reduction in federal funding.

Despite the Supreme Court’s decision, the expansion will result in a significant increase in the number of adults in the Medicaid program, since most low-income children already receive coverage through either Medicaid or the Children’s Health Insurance Program (CHIP). Following the ACA, the Congressional Budget Office (CBO) estimated that about 17 million individuals would enroll in the Medicaid and CHIP programs in 2022 but now predicts that 13 million additional individuals would enroll in the program in 2023, four million fewer than under the original Affordable Care Act estimate.ⁱⁱ

As of September 30, 2013, 25 states are moving forward to expand the program, while 26 have opted not to expand Medicaid coverage at this time. It should be noted that in many states, it is the legislature and not the governor (or in some cases, jointly) that makes the final decision as to whether Medicaid should be expanded or not. Despite the fact that some governors oppose the Medicaid expansion, state legislatures, health care stakeholders, and advocates can ultimately influence this decision, and their voices need to be heard.

Additionally, health insurance marketplaces can help your patients determine whether they're eligible for Medicaid coverage. ACP's *Help Your Patients Enroll in Health Insurance Marketplaces* campaign provides general information on resources that are available to you and your patients, and answers frequently asked questions about insurance enrollment. In addition, ACP has also assembled state-specific resources to tell you more about what is happening in your area and help you provide your patients with accurate contact information. To read more about health insurance marketplaces, please see the provision in this guide entitled, *Health Insurance Exchanges-2014*. However, individuals with incomes below roughly \$11,500 who reside in states that have not yet expanded Medicaid will not be eligible for premium tax credits to purchase health insurance through the health insurance marketplaces. That means the poorest of the poor will be unable to enroll in the major health coverage programs established by the ACA unless the state in which they reside decides to expand Medicaid. According to the Kaiser Family Foundation, "(i)n states that do not expand Medicaid, over five million poor uninsured adults have incomes above Medicaid eligibility levels but below poverty and may fall into a 'coverage gap' of earning too much to qualify for Medicaid but not enough to qualify for Marketplace premium tax credits."ⁱⁱⁱ

How will the expansion be financed?

The federal government will provide most of the funding for the expansion population. From 2014 to 2016, the federal government will finance 100 percent of the expansion. In subsequent years, the federal share is phased down and states will be required to pay for a portion of the expansion.

- In 2017, the federal share is reduced to 95 percent of the expansion cost.
- In 2018 the federal government pays 94 percent of the expansion cost.
- In 2019 the federal government pays 93 percent.
- In 2020 the federal share of the expansion cost is 90 percent.

Because the percentage funding formula is set by calendar year, not by the year that states choose to participate in the expansion, states that wait until after 2017 or later will get overall less federal funding over their first eight years of participation than those who participate starting in 2014. The longer they wait, the lower the federal government's share will be, but at no point will the federal funding be less than 90 percent. For individuals who are currently eligible for Medicaid but not enrolled, the existing federal reimbursement formula applies. On average, the federal government currently pays 57 percent of a state's costs for current enrollees.

How will the expansion affect physicians and patients?

Physicians, including internists, will be particularly affected by the Medicaid expansion since millions of new patients will enter the health care system and many will have complex health care needs. Since most of the people who will become newly eligible for Medicaid are adults without children, they are the kinds of patients who are most likely to seek care by internal medicine specialists. Physicians are not required to participate in Medicaid, and many practices do not accept Medicaid patients because reimbursement rates are relatively low and the administrative barriers are significant.

To help promote physician participation, the ACA increases Medicaid reimbursements for evaluation and management and immunization services for primary care physicians and many internal medicine subspecialists to 100 percent of Medicare reimbursement in 2013 and 2014. The increase will apply to both fee-for-service and managed care Medicaid plans. The federal government pays the entire cost of the Medicaid pay parity provision in 2013 and 2014, and it applies regardless of whether a state agrees to expand Medicaid eligibility.

Beyond the 2014 date, states will be permitted to continue funding the same designated services and physicians at or above Medicaid levels but are not required to do so. ACP and other advocacy organizations will urge Congress to extend federal funding for Medicaid pay parity beyond 2014. The Centers for Medicare and Medicaid Services (CMS) has released a proposed rule on the Medicaid pay parity provision. A link to ACP's comments on the rule is provided below.

A recent survey conducted by the American Medical Association confirmed that at least 37 states and the District of Columbia have successfully implemented the program as of October 1, 2013. A number of additional states will be launching in October. It appears that implementing payments to physicians contracted through a state managed care Medicaid program has been problematic in many areas. Nonetheless, as long as the qualified physician has followed the attestation requirements as defined by their specific state Medicaid Director, he/she will receive the enhanced payments retroactive to January 1, 2013.

Evidence shows that Medicaid improves patients' access to the health care system and well-being. A study comparing Oregon Medicaid enrollees with uninsured people found that 35 percent 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 percent were more likely to have a doctor they usually see, compared with the uninsured.^{iv} Medicaid expansion efforts have also led to reduced mortality particularly among those aged 35 to 64 years, minorities, and people living in poorer areas.^v

Additional Resources

- *Kaiser Family Foundation: The Coverage Gap: Uninsured Poor Adults in States that Do Not Expand Medicaid.*
<http://kaiserfamilyfoundation.files.wordpress.com/2013/10/8505-the-coverage-gap-uninsured-poor-adults3.pdf>
- *Kaiser Family Foundation: Status of State Action on the Medicaid Expansion Decision as of September 30, 2013.*
<http://kff.org/medicaid/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/>
- *Kaiser Family Foundation: What is Medicaid's Impact on Access to Care, Health Outcomes, and Quality of Care? Setting the Record Straight on the Evidence.*
<http://kff.org/medicaid/issue-brief/what-is-medicaid's-impact-on-access-to-care-health-outcomes-and-quality-of-care-setting-the-record-straight-on-the-evidence/>
- *American College of Physicians: Comments on the proposed rule relating to the Medicaid Program: Payments for Services Furnished by Certain Primary Care Physicians and Charges for Vaccine Administration Under the Vaccine for Children Program.*
http://www.acponline.org/advocacy/where_we_stand/medicaid/medicare_parity.pdf
- *CMS: Provider Payment and Pay Parity Resources.*
<http://www.medicaid.gov/AffordableCareAct/Provisions/Provider-Payments.html>

ⁱ The ACA expands Medicaid to 133percent FPL plus a 5percent technical adjustment, which increases the eligibility level to 138percent.

ⁱⁱ Banthin J and Masi S. CBO's Estimate of the Net Budgetary Impact of the Affordable Care Act's Health Insurance Coverage Provisions Has Not Changed Much Over Time. Congressional Budget Office. May 14, 2013. Accessed at <http://www.cbo.gov/publication/44176> on October 7, 2013.

ⁱⁱⁱ Kaiser Family Foundation. The Coverage Gap: Uninsured Poor Adults in states that Do Not Expand Medicaid. October 16, 2013. Accessed at <http://kff.org/health-reform/issue-brief/the-coverage-gap-uninsured-poor-adults-in-states-that-do-not-expand-medicaid/> on October 22, 2013.

^{iv} 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.

^v 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.

The Advisory Board Company. Where each state stands on ACA's Medicaid expansion. Washington, DC: The Advisory Board Company; 2013. Accessed at [www.advisory.com/Daily-Briefing/2012/11/09/MedicaidMap on 11 January 2013](http://www.advisory.com/Daily-Briefing/2012/11/09/MedicaidMap%20on%2011%20January%202013).

The Advisory Board Company. Where each state stands on ACA's Medicaid expansion. Washington, DC: The Advisory Board Company; 2013. Accessed at [www.advisory.com/Daily-Briefing/2012/11/09/MedicaidMap on 11 January 2013](http://www.advisory.com/Daily-Briefing/2012/11/09/MedicaidMap%20on%2011%20January%202013).