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WHITE PAPER: MEDICAID EXPANSION

I. SUMMARY

The Florida Legislature has a historical opportunity to extend health care coverage to approximately one million low-income, working Floridians who currently have no prospect of obtaining affordable coverage. Not only will expanding Medicaid have a positive impact on the lives and health of our fellow citizens, it will bring over \$24 billion of federal funding into our state economy.

II. BACKGROUND

In its recent landmark decision, the U.S. Supreme Court upheld the Patient Protection and Affordable Care Act (“PPACA”). The PPACA requires all states to expand their Medicaid programs to cover most people with incomes up to 138% of the federal poverty level (“FPL”),¹ but the Court held that states that do not implement the expansion for adults will not lose federal funding for existing Medicaid programs. Therefore, each state has the choice of whether to go forward with this Medicaid Expansion.

To be eligible for Florida’s current Medicaid program, adults must be very poor and either have minor children or be disabled.² Florida’s income limit for parents is less than 25% FPL. A single parent with two children can only earn an income of \$303 per month or less after disregards (\$3,600 annually) to be eligible for Florida Medicaid, and a single disabled adult can only make \$698 a month or less (\$8,400 annually). Nondisabled adults without minor children are currently ineligible, regardless of how poor they might be. If Florida expands its Medicaid program to cover adults up to 138% of the FPL, a parent with two children could earn up to \$1,591 per month (\$26,344 annually), and a single nondisabled adult could earn up to \$1,285 per

¹ The PPACA establishes eligibility at 133% FPL plus allows for a 5% income disregard. 42 U.S.C. § 1396a(a)(10)(A)(VIII).

² FLA. STAT. § 409.903.

month (\$15,414 annually) and still be eligible for Medicaid. While estimates vary, the Florida Legislature estimates that **over 900,000 people** will likely gain Medicaid coverage as a result of this extension.³

Medicaid is a joint federal-state cooperative program. Currently, the federal government covers approximately 58% of all Medicaid costs in Florida.⁴ This percentage is referred to as the federal matching rate or “FMAP.” In contrast to 58% FMAP for the current Medicaid population, the PPACA requires the federal government to cover 100% of costs associated with the newly eligible Medicaid Expansion population from 2014 to 2016. The FMAP for the expansion population gradually tapers down to 90% in 2020 and remains at 90% FMAP thereafter.⁵ These federal matching rates are mandated by federal law and *cannot* be altered without an Act of Congress. Further, the federal Centers for Medicare and Medicaid Services have clarified that states can withdraw from covering the expansion population at any time.⁶

This paper discusses: the benefits of Medicaid Expansion to Florida residents, estimated state costs and savings, the projected economic impact, Medicaid Expansion and safety net funding for Florida hospitals, and the unanticipated adverse impact on Floridians without the extension of Medicaid eligibility.

III. BENEFITS TO FLORIDA RESIDENTS

Medicaid Expansion will help our families, neighbors, and communities to be healthier. It is well established that being uninsured contributes to unnecessary and early deaths, exorbitant and often unaffordable health care expenses, and preventable sickness and suffering. Medicaid Expansion gives

³ Florida Legislature’s Social Services Estimating Conference, ESTIMATES RELATED TO FEDERAL AFFORDABLE CARE ACT: TITLE XIX (MEDICAID), Final Per Email from House received on Dec. 20, 2012, http://ahca.myflorida.com/medicaid/pdffiles/Estimates_as_requested_by_House_Staff.pdf .

⁴ *Id.*

⁵ 42 U.S.C. § 1396d(y)(1).

⁶ See Letter from Cindy Mann, Director of Center for Medicaid and CHIP Services, to Governor Mike Beebe of Arkansas (Aug. 31, 2012), <http://talkbusiness.net/wp-content/uploads/2012/09/0831-Beebe-letter.pdf>.

Florida the opportunity to reduce our state's number of uninsured by as much as 50% with virtually all of the costs paid for by the federal government.⁷ Extending Medicaid access to previously ineligible adults has been shown to reduce death rates and improve coverage, access to care, and self-reported health among this group.⁸ Working families with Medicaid coverage will be more likely to access the services necessary to stay healthy, and this will help promote a healthier workforce and increased production and tax revenue.

Children will also benefit considerably from extending Medicaid eligibility to adults at or below 138% FPL. Children who are eligible for health insurance are *three times more likely* to be enrolled if their parents also have insurance.⁹ In addition, studies have found that covering parents makes it less likely that children will experience interruptions in their own Medicaid coverage, and insured children whose parents are also insured are more likely to receive check-ups and other care compared to insured children whose parents are uninsured.¹⁰ Access to health care during childhood is critical for life-saving prevention and early identification of problems.

IV. ESTIMATED STATE COSTS AND SAVINGS

A. Costs

If Florida extends Medicaid eligibility to 138% FPL, there will be costs to our state after the 100% federal contribution ends in 2016. However, the state's cost in covering the newly eligible

⁷ Holahan et al., THE COST AND COVERAGE IMPLICATIONS OF THE ACA MEDICAID EXPANSION: NATIONAL AND STATE-BY-STATE ANALYSIS, The Kaiser Commission on Medicaid and the Uninsured (Nov. 2012), <http://www.kff.org/medicaid/upload/8384.pdf> ; Joan Alker et al., FLORIDA'S MEDICAID CHOICE: UNDERSTANDING IMPLICATIONS OF SUPREME COURT RULING ON AFFORDABLE HEALTH CARE ACT, Health Policy Institute at Georgetown University (Nov. 2012), <http://hpi.georgetown.edu/floridamedicaid/pdfs/florida-medicaid-choice-nov-2012.pdf>.

⁸ Benjamin D. Sommers et al., *Mortality and Access to Care Among Adults After Medicaid Expansion*, N. ENG. J. MED. (published online July 25, 2012).

⁹ See Martha Heberlein et al., MEDICAID COVERAGE FOR PARENTS UNDER THE AFFORDABLE CARE ACT, Georgetown University Center for Children and Families (June 2012), <http://ccf.georgetown.edu/wp-content/uploads/2012/08/Medicaid-Coverage-for-Parents.pdf>. Under the PPACA, in order for custodial parents or caretakers to enroll in the Medicaid Expansion, their children must already be enrolled in Medicaid. 42 C.F.R. § 435.119(c); 77 Fed. Reg. 57 (Mar. 23, 2012).

¹⁰ Martha Heberlein et al., *supra* note 9.

population is overshadowed by the tremendous amount of federal funds that will be spent in Florida to cover the newly eligible. **Specifically, the Florida Legislature’s Social Services Estimating Conference projects that between SFY 2012-13 and SFY 2022-23, Medicaid Expansion will cost Florida \$1.7 billion, while bringing in over \$24.5 billion in federal funding into our state economy.**¹¹ Thus, the “cost” to our state is more accurately characterized as a relatively small “investment” that is guaranteed to yield very high returns.

An important factor in estimating the costs is the anticipated participation rate by those who will be newly eligible. The Florida Legislature’s Social Services Estimating Conference¹² predicts that:

- Medicaid Expansion will likely provide Medicaid coverage to 80% of those eligible, including over 700,000 people in 2014-2015 and nearly 900,000 in 2020-21;
- Approximately \$3 billion of federal funding will be spent in Florida each year to cover the newly eligible between SFY 2014-15 and SFY 2020-21; and
- Costs of Medicaid Expansion to Florida will be \$0 in SFY 2014-15 and approximately \$300 million in SFY 2020-21 (after the 90% FMAP has taken effect), as demonstrated in the graph below.

1. Impact on State Medicaid Budget

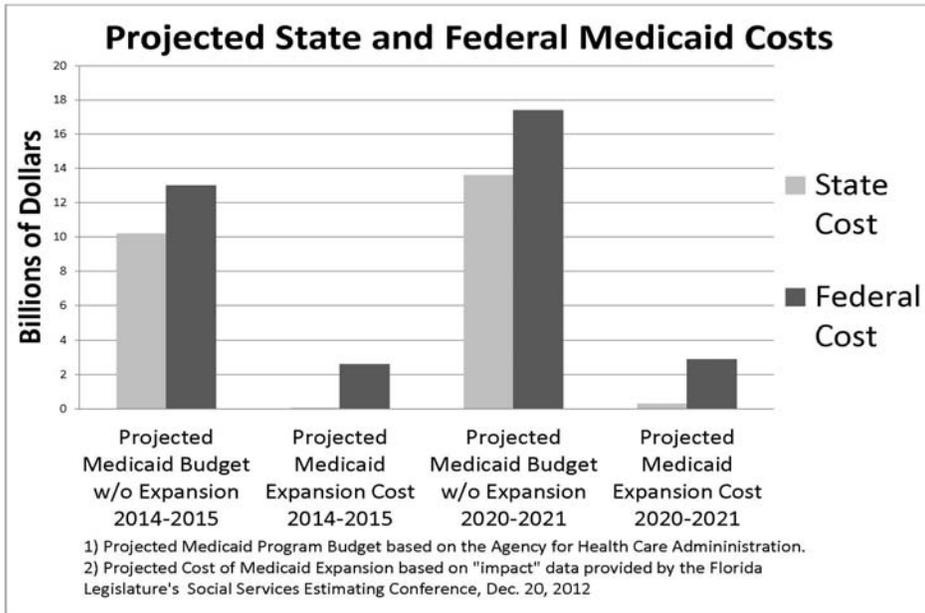
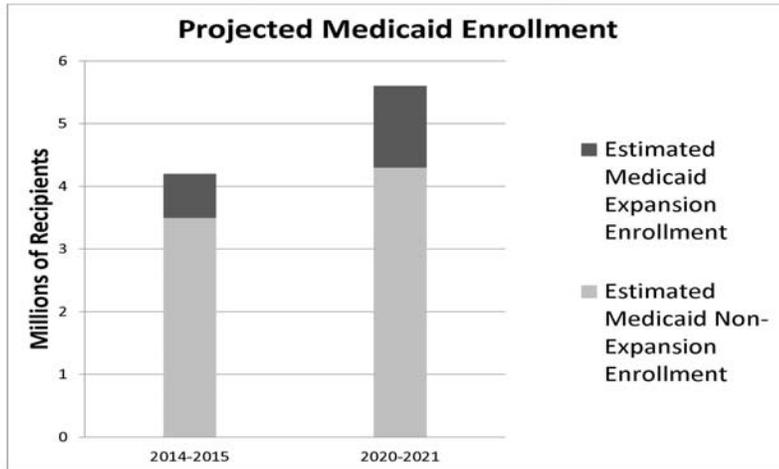
If Medicaid Expansion is adopted, Florida would be able to cover significantly more people with a comparatively small increase to our current state Medicaid budget. The state’s share of the Medicaid budget *without* expansion is projected to be \$10.2 Billion in 2014-15 and \$14.3 billion in 2020-21.¹³ Based on the state’s data, if the Medicaid Expansion is adopted, the state’s share of the Medicaid budget would increase by only approximately 2% in 2020, from \$14.3 billion to \$14.6 billion. And, again, the

¹¹ Florida Legislature’s Social Services Estimating Conference, *supra* note 3, at 2.

¹² *See id.*

¹³ *Estimates Related to Federal Affordable Care Act: Title XIX (Medicaid) Program*, Agency for Health Care Administration, http://www.fdhc.state.fl.us/medicaid/pdffiles/SSEC_ACA_12-17-12_Medicaid_Estimates.pdf.

state's contribution to coverage of the expansion populations does not begin until after 2016. As shown below, extending coverage to thousands of Floridians would require a comparatively small increase in our state Medicaid budget.



2. Other Costs Not Related to Medicaid Expansion

It is important to note that other state costs associated with the PPACA will occur *regardless* of the state's decision on Medicaid Expansion. The costs include covering those currently eligible for Medicaid but not yet enrolled and increasing Medicaid reimbursement rates for primary care physicians.

Regardless of Florida's decision about Medicaid Expansion, the PPACA requires everyone without health insurance to apply through the new health insurance exchanges. Thus, some people who are currently eligible for Medicaid but not yet enrolled will become newly enrolled into the program. Georgetown University estimates that between 25,000 and 100,000 of those who are currently eligible but unenrolled may enroll into Medicaid as a result of the exchanges.¹⁴ The federal government will cover these new enrollees at the standard 58% FMAP rate. Again, Florida will incur this additional cost regardless of whether Florida extends Medicaid eligibility or not.

The PPACA also sets forth that the federal government will pay the entire cost of higher reimbursement rates to physicians for Medicaid primary care services in 2013 and 2014. These heightened rates are intended to increase physician participation in the Medicaid program and thus improve access to care for beneficiaries. Florida will decide whether to continue the increased reimbursement rates after 2014, a decision which is separate and apart from the decision to extend Medicaid coverage.

B. Savings

While Florida's Social Services Estimating Conference has examined state *costs* for covering the optional Medicaid Expansion population, the Conference has not yet published data regarding the substantial *savings* that extending Medicaid coverage would afford the state. Offering Medicaid coverage to nearly half of our state's uninsured adults would dramatically save state funds spent to care for the uninsured. Potential savings include state payments to safety net providers, such as free and

¹⁴ See Alker et al., *supra* note 7, at 3.

reduced-cost care provided by public hospitals and community health clinics. Florida would also save money currently spent on state-funded programs including, for instance, mental health and substance abuse services accessed by people who are uninsured or underinsured.

In addition, expanding Medicaid would help Florida save significantly on the “medically needy” Medicaid program, which currently costs the state \$500 to \$600 million annually.¹⁵ This program provides Medicaid coverage to over 40,000 individuals per month whose incomes are too high to qualify for regular Medicaid but who are eligible for Medicaid because of their catastrophic health expenses.¹⁶ The medically needy program serves some of the sickest and most vulnerable people in our state with a 58% FMAP. If Florida expands regular Medicaid eligibility to 138% FPL, most “medically needy” enrollees who qualify for Medicaid when they incur catastrophic expenses would qualify for regular Medicaid, and the state would receive a much higher federal match (90% - 100%) to cover the high costs of these very sick people.¹⁷

Based on data provided by the Florida Legislature’s Social Services Estimating Conference from August 2012, Georgetown University estimates costs of Medicaid Expansion, including the optional cost of continuing a higher reimbursement rate for Medicaid physicians, to total \$600 million while state savings to total \$700 million, **resulting in a net state savings of \$100 million per year.**¹⁸ Estimated costs and savings are itemized in the chart below, excerpted from Georgetown University’s *Florida’s Medicaid Choice* report.¹⁹

Impact on Florida’s Budget	Best Estimate
NEW STATE COSTS PER YEAR	
Cost of Medicaid Coverage for Newly Eligible Population	\$300 million
Cost of Medicaid Coverage for New Enrollment by Currently Eligible Population	\$100 million

¹⁵ Alker et al, *supra* note 7, at 3.

¹⁶ See Medically Needy Demonstration Amendment Request to Florida MEDS AD Section 1115 Demonstration, Attachment I, Tables III & IV, April 26, 2012, http://ahca.myflorida.com/Medicaid/statewide_mc/index.shtml#FCA.

¹⁷ See *id.* (showing the income band distribution across the eligible medically needy population).

¹⁸ Alker et al, *supra* note 7, at 3.

¹⁹ *Id.*

Cost of Continuing Higher Primary Care Payment Rates for Physicians	\$200 million
TOTAL NEW STATE COSTS PER YEAR	\$600 million
OFFSETTING STATE SAVINGS PER YEAR	
State Support for Safety Net Providers	\$200 million
State Mental Health, Substance Abuse Programs	\$250 million
Medicaid Eligibility Changes, for example, to the Medically Needy Program	\$250 million
TOTAL OFFSETTING STATE SAVINGS PER YEAR	\$700 million
NEW STATE SAVINGS PER YEAR	\$100 million
<i>NOTE: Estimates are based on a single year after 100% federal funding is phased out. New state costs will be lower in earlier years, especially from 2014 to 2016.</i>	

V. ECONOMIC IMPACT

Along with this state savings, experts predict that Florida’s economy will benefit significantly as a result of the federal expenditures offered under the PPACA. In a recent report sponsored by the Florida Hospital Association, researchers from the University of Florida used the Legislature’s data to project the economic impact of Medicaid Expansion. The researchers found that the estimated \$25 billion the federal government would spend in Florida during 2012-13 to 2022-23 would enable Florida industries to make more than **\$71 billion** from the goods or services produced or sold. In addition, the federal funding would result in over **\$2.5 billion** in indirect business taxes that would be paid to local, state, and federal governments. Most importantly, **the federal funding from Medicaid Expansion would create approximately 55,000 permanent jobs in Florida’s health care sector.**²⁰

VI. MEDICAID EXPANSION AND SAFETY NET FUNDING

If Florida does not extend Medicaid coverage, safety net hospitals will face significant reductions in federal funding. The PPACA includes substantial cuts to Disproportionate Share Hospital (“DSH”) funding, which currently offsets expenses to hospitals that treat a large number of uninsured patients.²¹ According to the Safety Net Health Alliance of Florida, Florida’s hospitals stand to lose

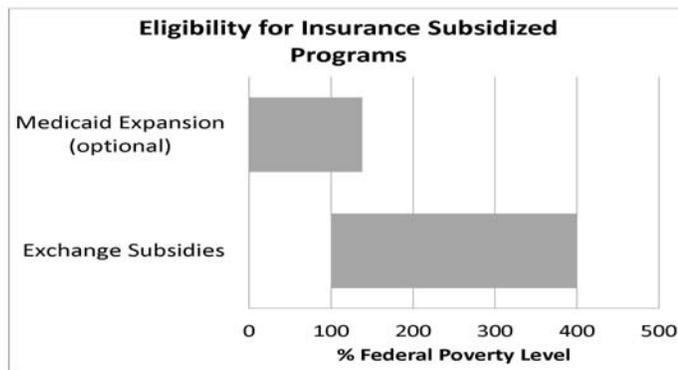
²⁰ Alan Hodges & Mohammad Rahmani, ECONOMIC IMPACTS OF THE PATIENT PROTECTION AND AFFORDABLE CARE ACT IN FLORIDA, University of Florida Sponsored by Florida Hospital Assoc. (Nov. 26, 2012), http://www.fha.org/reports_resources/files/RPT-Economic-Impact-of-the-ACA-in-Florida-11302012.pdf.

²¹ See 42 U.S.C. § 1396r-4(f)(7)(A).

\$654 million in federal Medicare and Medicaid DSH cuts over ten years.²² A number of safety net hospitals also currently receive \$1 billion of federal funding from a “Low Income Pool” (LIP).²³ This funding similarly helps support uncompensated care and may also be cut. Florida’s safety net hospitals are relying on Medicaid Expansion to help offset the loss of these current funding sources.

VII. UNANTICIPATED ADVERSE IMPACT ON FLORIDIANS IF NO EXPANSION

The PPACA only establishes health insurance exchange subsidies for people with incomes between 100% and 400% FPL. **Thus, if Florida decides not to extend Medicaid eligibility to 138% FPL, individuals with incomes below the poverty line will have no access to subsidized care, whether through the health insurance exchanges or Medicaid.** As demonstrated below, this will lead to a huge gap in our health care system because the poorest and most vulnerable Florida residents will have absolutely no access to health care coverage. Nearly 40% of uninsured Floridians have incomes below the poverty line and would fall through this gap.²⁴ When health care needs arise, these individuals will be forced to seek care at the Emergency Room or local health clinic, and the high costs that result will be entirely shifted back to the state and local governments, employers, and the insured.



²² Safety Net Health Alliance of Florida, FLORIDA SHOULD OPT IN TO MEDICAID EXPANSION UNDER THE AFFORDABLE CARE ACT.

²³ Alker et al. *supra* note 13, at 6.

²⁴ Kaiser Family Foundation, STATE HEALTH FACTS: FLORIDA: NONELDERLY UNINSURED, <http://www.statehealthfacts.org/profileind.jsp?sub=40&rgn=11&cat=3> (last accessed Jan. 29, 2013).

VIII. CONCLUSION

The billions of federal dollars Medicaid Expansion will bring into Florida will provide needed support to our hospitals, serve as an economic boost to our health care industry and community, and create thousands of permanent new jobs for our residents. Extending Medicaid coverage to many of the poorest uninsured people in our state will save lives and improve the health and productivity of our communities. Medicaid Expansion is a momentous opportunity that Florida cannot afford to forego.