

## The Medicaid Opportunity in New Mexico: Frequently Asked Questions

### **Doesn't Medicaid already cover the poorest New Mexicans?**

No. Most low-income adults cannot qualify for Medicaid right now. Medicaid covers *some* low-income New Mexicans already: children, pregnant women, people with disabilities, elderly people, and extremely low-income parents. But most low-income adults can't qualify for Medicaid now no matter how low their income level – many adults who are living in poverty do not qualify for Medicaid, and parents who work – even if they earn minimum wage – typically make too much money to qualify. The Medicaid Opportunity would provide coverage to over 170,000 uninsured New Mexicans with incomes below 138% of the federal poverty level – about \$15,000 for an individual and \$32,000 for a family of 4. New Mexico currently has the second highest rate of uninsured people in the nation. This is our chance to change that.

### **Will the Medicaid Opportunity cost \$500 million between now and 2020?**

No. In fact, the state makes money in the first seven years. The federal government pays the entire costs for three years. After that, the state must start contributing (5% in 2017, 6% in 2018, 7% in 2019, and then 10% in 2020 and beyond). For the first seven years, the state pays an average of 4% of costs. This 4% is returned to the state through a 4% premium tax paid by insurance companies. So no matter how many people enroll under the Medicaid Opportunity, the premium tax pays the state's costs in the first seven years. And the state will realize additional tax revenues on the influx of federal funds into the state. Accounting for all these new revenues, the Legislative Finance Committee projects a net gain to the state's general fund of \$340 million in the first seven years. And even if you don't consider the revenues, the Human Services Department's \$500 million figure is greatly inflated because it counts other costs that will occur regardless of whether the state takes the Medicaid opportunity, such as the costs of enrolling children who are already eligible for Medicaid. In fact, according to the UNM Bureau of Business and Economic Research, state expenses for the new Medicaid coverage will be \$200 to \$260 million over seven years. And because the state will save money from transferring enrollees from the SCI program into Medicaid, the net expenses are actually a maximum of \$18 million over seven years – and the state may even save money.

### **After the first 7 years with no net costs, what happens?**

The cost is still nearly 100% covered, and the state may even continue to see savings. In 2020 and beyond, the federal government pays 90 percent of costs, meaning the state pays only 10 cents of every dollar – but the state will make most of that 10 cents back in additional tax revenue. This includes the 4% insurance premium tax, gross receipts taxes from federal dollars moving through the healthcare system, and personal income taxes on the 7,500 new jobs created by taking the Medicaid Opportunity. We will also gain additional revenues by phasing out the state's high risk pool. So even after 2020, the state's net responsibility is mostly covered by new revenues and we will likely even have savings. That's a great deal for the state and the 170,000 New Mexicans who will get coverage.

### **What if the federal government changes the terms to require states to pay more?**

This has never happened and we can stop the program if it does. The federal government has kept the same basic formula for calculating the federal and state share of Medicaid costs for the entire history of the program. There is no reason to believe that will change. Medicaid is very popular with the public. Polls have repeatedly shown that voters do not favor cuts to Medicaid funding as a way to reduce the federal deficit. Even if there were cuts, there is no requirement that New Mexico continue to cover the newly eligible. The U.S. Department of Health and Human Services has made it very clear that states can opt in – or opt out – at any time.

### **Why not wait if we can opt in whenever we want?**

If we wait, we miss out on the best early years of the deal. In 2014, 2015, and 2016, the federal government pays 100% of the costs for the newly eligible adults. That means that in the first three years the newly eligible are insured, – the state is not responsible for the costs. While it is unknown whether healthcare costs for the newly eligible will be higher than normal during these first years due to “pent up demand” that results from going without insurance, , we can be sure to stabilize the healthcare costs before the state has to start paying anything if we take the Medicaid Opportunity beginning on January 1, 2014.

### **Won't this just add to the size of the federal deficit?**

No. The Affordable Care Act – which includes the Medicaid Opportunity – is a deficit reduction bill. The nonpartisan Congressional Budget Office (CBO) predicts that while the health reform law increases government spending, it also increases revenues and generates savings. In the end, the CBO concluded that the health reform law will reduce the federal deficit by \$210 billion between 2013 and 2022. Plus, the federal money to pay for the Medicaid Opportunity comes from our tax dollars, which makes it even more critical that we get the benefits here for New Mexicans rather than send it to other states.

### **Some have said that Medicaid doesn't improve health outcomes. Is it true that people are better off without insurance than they are on Medicaid?**

No. Two recent studies show that Medicaid saves lives and improves health. First, a “natural experiment” occurred in Oregon where scientists from MIT studied health outcomes for a group of adults who “won” the state’s lottery system to get on Medicaid and compared them to people who remained uninsured. The people with Medicaid saw a doctor more often and reported improved health status, less anxiety and depression, and fewer financial problems related to medical care. Second, a recent New England Journal of Medicine study compared states with more generous Medicaid eligibility policies to states with less generous eligibility policies, including New Mexico. The study showed that when states expanded Medicaid eligibility, death rates fell by about 6 percent. Some groups have been publicizing studies that supposedly show people are better off with private insurance – or even with no insurance – than they are on Medicaid. But these studies are flawed because they wrongly conclude Medicaid causes poor health outcomes when there are so many other factors that impact health (for example, income or disability) to consider.

### **Will taking the Medicaid Opportunity worsen the healthcare provider shortage or take healthcare services away from people who are already on Medicaid?**

No. In fact, we can expand our provider workforce and improve services for current enrollees by taking this opportunity. There are concerns that the Medicaid Opportunity will strain our healthcare system, leading to provider shortages or cuts in services. But the Medicaid Opportunity brings a multibillion dollar investment to our healthcare system that will create new jobs and expand the size of our provider workforce – particularly in rural areas of the state. This broader workforce will mean improved access for everyone, including people who are currently insured through Medicaid. While there may be some growing pains in the first couple of years, remember that we get these benefits for no net costs to the state in the first seven years, and very low costs in 2020 and beyond. In the end, for a small increase to the state’s current Medicaid budget, we can get health coverage for over 25% more people.

**Are Medicaid costs really out of control?** No. Medicaid is doing a better job of controlling costs than private insurance. We definitely have a healthcare cost problem in this country, but that problem is related to *healthcare costs in general*, and not to Medicaid specifically. In fact, Medicaid costs are growing more slowly than private healthcare costs. According to a Kaiser Family Foundation report, while total Medicaid spending per capita rose 4.6% from 2000 and 2009, monthly premiums for private employer-sponsored insurance rose 7.7%. Medicaid could certainly benefit from some of the same reforms that would improve private insurance – reforms that would incentivize preventive care rather than expensive procedures and tests. But Medicaid is actually doing a *better* job of controlling cost growth than private health insurance.