State Medicaid Programs: A Trifocal Examination of the Controversy Surrounding Expansion

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State Medicaid Programs

A Trifocal Examination of the Controversy Surrounding Expansion

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Abstract

The conversation regarding Medicaid expansion is ever-changing as states grapple with whether to expand their existing programs. Through this now-optional piece of legislation, state governments can choose to extend healthcare coverage via the federal government to millions of previously uninsured citizens. In order to understand and form an opinion on the controversy over expanding Medicaid programs, the issue demands to be looked at through three varying lenses. The first and most important lens is social. Several studies are examined to show that with expansion, there is a high correlation with better health outcomes; without it there is a care gap that leaves many low-income people without coverage. The second lens that is looked at is political; expanding Medicaid is largely a partisan issue between Democrats and Republicans. Analyzing interviews with politicians gives insight as to why the expansion may or may not be implemented in their states. Cost is the third lens that is assessed. Several cost-saving measures built into the Affordable Care Act and the Medicaid expansion are illuminated, as well as the financial detriments that would occur if expansion is refused. This research encompasses a well-rounded perspective on the Medicaid expansion issue and argues that, while recognizing that the financial outcomes associated with expanding are indeed beneficial, the United States ultimately has an obligation to provide its citizens with a viable option for health care and a fair opportunity to a healthy life. Based on these conclusions, expanding state Medicaid programs is a crucial solution to ensure that the US is establishing a healthy and productive society.
Introduction

As you read this paper, the conversation about Medicaid expansion is evolving and changing day by day. As the people of the United States wait for the final stages of the Patient Protection and Affordable Care Act (ACA) to be implemented, many states are still grappling with the Medicaid expansion component of the act. The expansion was set to cover millions of new citizens and yet was ruled by the Supreme Court to not be a mandatory piece of legislation for states; instead, state governors may now choose whether or not they want to expand their own programs. In order to understand and form an opinion on the controversy over the Medicaid expansion, one must look at the issue through a variety of lenses. The first and most important is a social lens. Is it a duty of our country to not be leaving people uncovered by insurance? The second lens is political; who are the governors and officials that are condemning the expansion, who are touting it, and why? The third lens through which the issue needs to be viewed is a financial lens; the media and policy makers are questioning whether it is fiscally responsible to expand health care reform within states and if the federal government is economically sound to fund this program.\(^1\)\(^2\) By putting these varying lenses together, a fuller picture emerges. It becomes clear that states need to be expanding their Medicaid programs so they may reach every one of their citizens equally with necessary health insurance coverage.

Background

Medicaid was first signed into legislation “as a health coverage program for welfare recipients” by President Lyndon B. Johnson in 1965.\(^3\) States that chose to participate in the new Medicaid program would receive matching payments from the federal government for covering specified services to the required brackets of populations, including children with no parental support, their caretakers, and disabled individuals. Since its inception, Medicaid has grown and
expanded throughout the years to include a much larger and more diverse pool of recipients. It is now the primary source of public health insurance for nearly 50 million low-income families and individuals, disabled individuals, and some elderly individuals.⁴

The most recent Medicaid expansion was first proposed as a part of the ACA and was meant to be implemented in all states beginning on January 1, 2014. It was set to expand existing Medicaid programs to cover up to 138 percent of the federal poverty line. The fate of this portion of the bill changed significantly as a result of *National Federation of Independent Business v. Sebelius*, which was intended to primarily look at the constitutionality of the individual mandate in the Affordable Care Act. In a move that surprised many, the US Supreme Court did actually uphold the individual mandate, but unfortunately shot down the mandatory Medicaid expansion for states, arguing that it was an unconstitutional federal infringement upon state’s rights for the federal government to compel states to expand the program. According to Chief Justice John Roberts, Congress could not coerce states to expand Medicaid by holding back funds, especially in a program that already accounts for more than a fifth of the average state budget across the nation. Instead of eliminating this entire portion of the ACA, it was instead made optional for states to expand their Medicaid programs.⁵

Medicaid is considered the “workhorse of the U.S. health care system”, which under the ACA expansion was supposed to grow even bigger as the largest insurer in the United States.⁵ Based on estimates from the Congressional Budget Office, at least 16 million people would have become newly insured via Medicaid expansion if deemed mandatory for all states – accounting for nearly one half of those gaining coverage under the ACA.⁶ ⁷ Some states, such as Arkansas, Pennsylvania Oklahoma, and Iowa are exploring an option where the states utilize government Medicaid dollars to cover their citizens via private insurance, otherwise known as premium
assistance, which has been authorized by the Centers for Medicare and Medicaid Services (CMS). Other states have expressed interest in partially enacting the expansion to cover only a small fraction of the 16 million without coverage, which Congress has stated is not an option; states must fully implement the entire Medicaid expansion, which “was designed to work in conjunction with other parts of the Affordable Care Act” – namely the health exchanges.  This declaration by Congress is a vital assertion to ensure that if states do choose to expand, there will no longer be holes of people uncovered by insurance in that state.

**Social Lens**

Before the Medicaid expansion under the Affordable Care Act was proposed, there was a gap in Medicaid coverage for those adults who did not have children, but were low-income. For instance, consider the health insurance status of a person working part-time at a small business that does not provide health insurance for its employees. This person does not receive employer-based coverage, but they also do not qualify for Medicaid because their income is too high for an adult without children. Unable to buy insurance alone or receive federal subsidies, they are left without coverage. The expanded Medicaid program now states that any person, now including childless-adults, below 138 percent of the poverty level will be able to enroll in Medicaid but only if their state chooses to expand. This type of disparity among states choosing not to expand their program unfairly targets citizens who have the misfortune of residing in the ‘wrong’ state.

In a speech given by President Barack Obama, he states “we’re not a nation that leaves struggling families to fend for themselves, especially when they’ve done everything right…In a decent society, there are certain obligations that are not subject to tradeoffs or negotiations”. Health care is one of these certain obligations that cannot and should not be negotiated. There needs to be a sense of what Hackey would call “social justice” in health care where equality
extends to all of our fellow citizens. At this point in time, the reasoning behind our past healthcare system choices has led us to a less-than desirable system. As the leading industrialized nation in the world, one would think that the US would be on par with our counterparts in terms of healthcare. Instead of having universal care like virtually all other industrialized nations do, we have a patchwork system where, before the ACA and Medicaid expansion were presented, there were numerous loopholes that left many without coverage. Currently, the World Health Organization (WHO) ranks the United States 33rd on the list of Healthiest Countries. If we want to continue to be a leading world power, we need to ensure that our citizens are healthy and up to the task. We cannot thrive as a country if millions of our citizens are burdened with poor health, have no viable option for health care, and are thus unable to work. Expanding the Medicaid program in all states is a valuable solution that can help to improve our health and our ranking on the WHO Healthiest Countries list.

Various researchers argue that by increasing the amount of people who are getting coverage, there will be a strain on the ability of people to actually receive the quality care that they need. In an article by Frakt et al., the authors state that “these commentators have creatively interpreted observational studies” that compare health outcomes for different insurance types, including Medicaid, Medicare, uninsured or privately insured. Medicaid patients were found to have the poorest health outcomes, leading observers to say that Medicaid is the cause for poor health. However, those patients who are currently enrolled in Medicaid are shown to come from backgrounds that cultivate worse health and economic outcomes than uninsured patients and are therefore in a worse position to begin with than the uninsured. In other words, the claims made by the opposition are based on selection bias according to the
Specifically, Medicaid patients are not made sicker because of the program, they are in the program because they are sicker and in more need of the services that it delivers.

Several other studies have shown through statistical methodology that expansion has a high correlation with better health outcomes. In a study performed by Sommers, Baicker, and Epstein, the researchers looked at mortality and other health-related measures in states that had previously and substantially expanded Medicaid. In comparison to neighboring states that had not done so, New York, Arizona and Maine all boasted a reduction in mortality rates among low-income adults. It is plausible that this is directly correlated to the increase that the researchers found in access to care and improved coverage. Additionally, Frakt and Carroll’s study on Ohio’s Medicaid expansion in 2008 effectively supports Sommers, Baicker, and Epstein’s claim that being enrolled in Medicaid improves health. In a random lottery, the state chose ten thousand people from a pool of ninety thousand to be entered into the newly expanded Medicaid program. Following enrollment, when compared to the eighty thousand Ohioans who did not make it into the program, these ten thousand citizens have been shown to be “far more likely to have a usual source of care; to receive preventative care; to be in good, very good, or excellent health (self-reported); and to be less likely to screen positive for depression. Moreover, they were far less likely to need to borrow money or to have unpaid medical bills.” Because of the sheer size and randomness of Ohio’s program, biases and confounding variables can effectively be ruled out for why Medicaid patients fared much better than uninsured.

There have been a number of different studies by various groups to corroborate the above findings that Medicaid improves health. It would seem contradictory to continue a program that shows a negative health impact on its enrollees. Before making the conclusion that the Medicaid program is making its enrollees sicker, other confounding variables need to be examined such as
health status and socioeconomic level of the patient before having enrolled in the program. Indeed, a person enrolled in Medicaid may be sicker than an uninsured or privately insured patient when taken at one point in time. Yet, the whole picture needs to be observed. Often times, the Medicaid patient has made significant progress from when they first enrolled in the program. Because these patients have started at a lower level of health, they have farther to go to reach a better health outcome. Only after recognizing these biases can it be concluded from the studies above that the program is truly assisting in making patients healthier within the states as opposed to worsening their health.\textsuperscript{12}

Helping to make each and every citizen healthier should be the goal of every state in the US. It seems irrational to let people residing in the 38 percent gap not receive health care when it is already being presented to the states at a very low cost. Not doing so would leave over five million people in ‘healthcare limbo’ and without what many people consider to be a fundamental human right. Figure 1 (pg. 8) from the Center for Effective Public Management at Brookings shows the break down by state of the number of people in the coverage gap.\textsuperscript{15} The number of people affected account for nearly 20 to 30 percent of state populations, which is an extremely large proportion. In Mississippi, the rate is almost at 40 percent uninsured, which is the highest on the list; incidentally, Mississippi is the number one unhealthiest state in the country. In larger states, such as Texas, this could include over one million of their citizens that are uninsured. By expanding Medicaid, the US can close this coverage gap but only through full backing from all of its citizens and political parties.
Political Lens

Looking at the issue through a political lens, expanding Medicaid in the states is largely a partisan issue. Generally speaking, Democrats are for the expansion and Republicans are against it. Figure 2 shows the general breakdown of the states that have and have not chosen to expand Medicaid, which is highly similar when compared to a map of political parties. Updated statistics as of March 28th, 2014 show that twenty-six states and the District of Columbia are definitely
expanding their programs, with another three states considering expanding. This leaves twenty-one other states that are not expanding their Medicaid programs. 16

The states that are participating or leaning towards participating in the expansion are largely Democratic states on the map. Democratic governors who supported expanding Medicaid within their state did so, according to Sommers et al., because of two main reasons. When data was gathered in 2012, seventy eight percent of governors said that it would help to cover the uninsured and improve health within their state. Additionally, most Democrats hold the viewpoint that we should support our fellow citizens and that the United States should have universal coverage. In order to ensure that universal coverage is met, Democrats generally agree with a federally funded health care program. In addition to the social aspect of the expansion, 7 out of the 18 governors who were expanding Medicaid and were interviewed said that the

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expansion would actually save money to the state as well as taxpayers. The issue of cost and the Medicaid expansion will be examined further below.

Largely, the states that are leaning towards either not participating or that will not participate in the Medicaid expansion are the Republican states. These are also many of the states who opposed the health care reform bill as a whole. In a time where Americans are increasingly growing wary and distrustful of the federal government, citizens and officials, including those from the Tea Party or Libertarian groups, are worried about the scope of the expanded Medicaid program. Former House Speaker Newt Gingrich (R-Ga.) states “having a secular socialist machine try to impose government run health care in this country is such a significant step away from freedom and away from liberty, and towards a government-dominated society”. Groups such as Americans for Prosperity are in opposition to expanding Medicaid and underline the notion that the scope of the federal government is reaching farther into what should be considered state-governed issues. If our “big government” can regulate portions of our Medicaid programs, what else will they be able to regulate in the future? Additionally, these groups state that the changes under the expansion do not do enough to improve the quality of care while drastically cutting costs. In other words, the costs do not outweigh the benefits given by the program.

However, some Republican politicians are gradually switching over to accept the expansion. A Republican senator from Virginia, Emmett W. Hanger, for example, has recently been targeted by conservative groups in his state for favoring the Medicaid expansion. Hanger reasons that “it makes absolutely no sense to not utilize those federal dollars when we have this unmet need”. Similar reasoning was given by most of the Democratic states that chose to expand as well. Ohio Governor John Kasich, a Republican, also opposed his party and agreed to
expand Medicaid in his state. Originally opposed to the Affordable Care Act, Kasich notes several reasons for deciding to expand his state’s Medicaid program. “Economic practicality” came into play when making his decision, as well as a sense of “Christian compassion” to extend care to those who are less fortunate. Kasich argues that increasing eligibility under a Medicaid expansion “will be an economic booster shot, because companies will be lured to Ohio by a healthier work force.” In addition to the governor, Ohio state hospitals and the Chamber of Commerce all support the expansion of Medicaid.20

The main issue between whether or not to expand Medicaid is greatly affected by highly politicized ideas. According to Hackey, the atmosphere that the United States is currently dealing with is one of “divided government dominated by growing polarization and decreased bipartisanship”.9 Many Republicans do not want to expand Medicaid because of their political background and long-standing beliefs that the ACA should not have been implemented in the first place. As it is still unclear as to whether the program will be successful, perhaps Republicans are banking on the notion that the expansion will be a failure. If it is unsuccessful, it is plausible that they will garner more seats in the midterm elections as a result of lessened hope in the Democrats’ ability to lead and complete tasks.17 If the expansion is successful in Democratic states, those states’ leaders will gain more support and it is likely that the Republican governors will follow suit in expanding their Medicaid programs.

Cost Lens

If states governments are able to put aside their politicized ideas and choose to expand Medicaid, the rollout begins with the federal government funding 100 percent of states’ Medicaid related costs. From 2017 to 2019, this contribution will lower to 95 percent federal funding. After 2020, the funding will dip to 90 percent and stabilize at that rate, which is an
overall huge win for state budgets.\textsuperscript{3} Many fear that federal dollars will run out more quickly than expected over the next few years.\textsuperscript{21} Others believe that “the federal government will significantly ratchet back its subsidies” because costs will inevitably become too high to manage.\textsuperscript{22} When the federal payout begins decreasing with states starting to pick up some of the tab (10 percent maximum in 2020), people also fear that state budgets will not be able to keep pace with the rising costs.

However, according to the Congressional Budget Office estimations, “the Medicaid expansion will add very little to what states would have spent on Medicaid without health reform, while providing health coverage to 17 million more low-income adults and children.”\textsuperscript{23} Essentially, the uptick in the cost of Medicaid is minute and reaps enormous benefits. Many states that have accepted the expansion say that it is even saving them money by shifting costs for coverage they already provide to their citizens over to the federal government.\textsuperscript{13} According to Prie and Eihner, “at 2016 spending levels, that 10 percent would amount to about $7.8 billion (for purposes of comparison, in 2010 the states spend $125.7 billion on Medicaid).”\textsuperscript{24} Not taking up the federal government on its offer to pay for a majority of state Medicaid programs while covering an enormous gap of citizens seems to be irrational. Under the current program, the federal government matches an average only of 57 percent of Medicaid costs. With the expansion of new enrollees, the federal government will, on average over the next 6 years, be matching 93 percent of costs. This translates to an increase of about 2.8 percent in costs that states will be paying as a part of this new expansion from 2014 to 2022 than without the reform.\textsuperscript{23}

Indeed, when taking into consideration the size of a state budget, a 2.8 percent increase could turn out to be a large amount to pay for states that may be struggling. However, there are
other areas of significant savings under the ACA as a whole that make the Medicaid expansion worthwhile. Based on statistics from the Lewin Group, the reduction in uncompensated care may result in savings up to $101 billion nationwide.\textsuperscript{23} In other words, more people will be covered by Medicaid and have access to a primary care physician. This means that fewer patients will need to frequent emergency departments for unnecessary care, thus resulting in lower costs. For states that do not expand Medicaid, they will continue to receive compensation for only 57 percent of Medicaid costs in their state through the Federal Medical Assistance Percentages. This is far less than the 90 percent that the federal government will ultimately be reimbursing the states as part of the expansion. By expanding Medicaid, the cost of uncompensated care will go down. In 2008, the amount paid in the United States to cover the uninsured was $56 billion; this figure would increase to about $80 billion in 2016 when accounting for inflation if no action is taken.\textsuperscript{24} This number is an astronomical amount of money that is being dumped on hospitals and state governments that simply do not have the means to pay for it but do not wish to expand their Medicaid program. Through the expansion, states would be relieved of the burden of these costs and they would be shifted over to the federal government. Not only would the newly enrolled Medicaid patients have a stable place to go if they ever got sick, but they would also have access to preventative care that could avoid completely a trip to the emergency department.

An area where non-expanding states, including their hospitals, insurers and citizens, will be hit particularly hard will be in relation to the disproportionate-share hospital (DSH) program. This program reimburses states for uncompensated care at hospitals. However, under the ACA the amount of money that is given back to the states will decrease; overall, a cut of over $18 billion will occur within DSH programs.\textsuperscript{25} It was assumed by the writers of the Affordable Care Act that uncompensated care would be lowered as a result of what was supposed to be a
mandatory Medicaid expansion in all states. Although some states are now opting to not expand Medicaid as a result of the Supreme Court ruling, their DSH payments will still be decreasing. Essentially, under the expansion the costs for the uninsured are being funneled through a different channel (Medicaid) in order to reach poor or disabled people. This means that if states fail to expand Medicaid, they will basically be withholding funds from hospitals to cover the cost of uninsured patients. This will place a burden on hospitals because of an unnecessary shift of costs; as DSH programs are reduced, hospitals and states will be the ones to front the costs for those who do not qualify for Medicaid but cannot afford the exchanges. Inevitably, there will be additional cost shifting where hospitals will begin to unload a share of the uncompensated care costs over to privately insured patients. Thus, privately insured people in non-expanded states may actually be paying more than patients in states that have expanded. In addition to paying taxes to support the federal Medicaid program that is not even present in their own state, they will be taking on costs from the hospitals and insurers who cannot afford to fully front the costs for the uninsured. By attempting to circumvent perceived higher costs, non-expanding states are in reality just upping the price tag on health care in their state while continuing to leave out nearly a third of their citizens from coverage.

As previously stated, many people are unsure if newly covered Medicaid patients will receive quality care. Others say that they may not receive any care at all even if they technically have coverage. Historically, providers have been wary of accepting new Medicaid patients because of the low reimbursement rates from the federal government. By introducing a whole new wave of enrollees, many patients fear they will be turned away by physicians who do not wish to be poorly compensated for their care. To respond to this, the ACA provides for provisional increases in compensation rates to around what private insurers pay to providers that
accept new Medicaid patients. While this may not necessarily be a long-term stipulation, the short-term benefits may hopefully be enough to encourage physicians to include Medicaid enrollees in their patient group. It is likely that this monetary incentive will improve access for many more Medicaid patients than had previously been accepted.

Overall, the cost-saving mechanisms built into the ACA and Medicaid expansions should not do much more than shift costs around, to the benefit of expanded states. However, in places under the expansion where there may be a slight uptick in costs, the issue needs to be reframed. For states that are wary to expand, health care reform should be defined as an investment, rather than a detriment. “Tangible evidence of the return on the nation’s investment in health care” has been exhibited through several research studies on improved health benefits following Medicaid expansion (as previously explained under Social Lens). Given the opportunity by the federal government to expand and improve health benefits for their citizens, states should undeniably be accepting the offer to advance their Medicaid programs.

**Conclusion**

While not perfect, the Medicaid expansion program is ultimately a good asset for states to possess. Only by viewing the issue of expansion through different lenses – political, financial and social – can a fuller picture been seen as to why it is beneficial for states to expand Medicaid. The Affordable Care Act has been scrutinized three separate times and every time, it has held up. For those who worry that the government will revoke their Medicaid payments, the ACA and thus the Medicaid expansion is the law of the land and here to stay. Much of the hype in the news surrounding the expansion is due to highly politicized arguments between deeply split political parties. Once this hype has worn off a bit, it is likely that states will recognize the
economic and social benefits that the expansion has to offer. In the initial rollout of the Medicaid program, it took states time to enroll citizens in the program.\(^3\) When finally accepting the Medicaid expansion, states may find the face-value costs to be daunting. Yet, cost savers are built into the program where funds are being channeled via different pathways, as in the case of the disproportionate-share hospital program.\(^{24}\) Finances aside, one of the biggest benefits that states will receive as a result of expanding their Medicaid programs is a body of citizens that has access to good preventative care. Getting patients covered by primary care physicians and getting them out of emergency departments for uncompensated care will be a major step towards creating a healthier society, which should be our primary goal.

As Frakt and Carroll argue about the Medicaid expansion, “it is good for patients who would otherwise be uninsured, for providers who would otherwise face more uncompensated care, for states that struggle to pay for that care, and for taxpayers in the sense that it is a relatively inexpensive way to expand coverage and address those other issues.”\(^{14}\) In one of the most advanced countries in the world, there should be no tradeoffs in terms of one our most basic and fundamental rights as human beings. If state governments want to have their citizens’ best interests in mind, it would be prudent to expand their Medicaid programs so that loopholes no longer exist and all people can receive the health care coverage that they deserve.
Works Cited


   This article discusses how the new health reform bill contains large, potentially unsustainable costs.


   An article that highlights an interview with Rand Paul, a politician who states that the Medicaid expansion will bankrupt states. It then goes on to discuss the costs associated with expansion.


   An overview of the history of Medicaid is given.


   A timeline of Medicaid’s history is given.


   A basic explanation is given regarding the Medicaid expansion and its journey through the federal justice system.

The author weighs the pros and cons of states expanding their Medicaid programs. Good numbers are given in terms of number of enrollees added, projected costs, and states that have and haven’t opted in.


The basic concepts of the Medicaid expansion are explained. Implications of the ruling are explained, as well as reasons that opponents do not want to accept it.


The President’s comments regarding the CHIP and extending coverage to all.


Crisis rhetoric revolving around our health care system is examined and challenged.


Ranking of the world’s healthiest countries.


An opinion piece by a physician regarding several studies that claim Medicaid results in poorer health outcomes.


The authors look at opposing viewpoints to the Medicaid expansion and counteract these points, specifically related to those who say that Medicaid makes its patients sicker.
The authors perform a study in which they look at mortality and other health-related measures in low-income adults before and after Medicaid expansion. The results determined that these adults had a much lower rate of mortality, as well as better access and self-reported health.

The authors argue that states should expand Medicaid, saying that having a policy in place is better than having no policy at all.

Outlines partisan issues in regard to the Medicaid expansion.

Map of states that have and have not expanded Medicaid.
An overview of the states that have and have not accepted the Medicaid expansion. Governors give reasons as to why or why not they have accepted it.


Newt Gingrich is quoted within this article.


Explains varying viewpoints of the Medicaid expansion within the Republican party.


A background of the Medicaid expansion in Ohio is given.


The author explains why the Medicaid expansion should not be chosen by states as the federal costs associated with it may run out in the near future and gaining access will be nearly impossible because of the influx of new patients.


The author weighs the pros and cons of states expanding their Medicaid programs. Good numbers are given in terms of number of enrollees added, projected costs, and states that have and haven’t opted in.

On overview of who will be picking up most costs in the Medicaid expansion is given.


This article delves into the effects of not accepting the Medicaid expansion offered by the Affordable Care Act. Using a micro-simulation, the authors analyzed how costs and accessibility would be affected over the next few years. Overall conclusion is that states should be expanding Medicaid.


This article states that without expanding Medicaid, states will unnecessarily shift costs over to hospitals. As Disproportionate Share Hospital programs, which reimburse hospitals for low-income care, face reductions, hospitals will be the ones to front the costs for those who do not qualify for Medicaid but cannot afford the exchanges.