Medicaid and the Affordable Care Act: Reframing the Debate

The Patient Protection and Affordable Care Act (Affordable Care Act) expands Medicaid in 2014 to cover all non-elderly Americans with incomes below 133 percent of the federal poverty level (approximately $24,350 for a family of three in 2010). This historic expansion will help millions of low-income Americans who otherwise could not afford to buy health coverage. Although the federal government will be paying the vast majority of the cost of the expansion, some governors and state policy makers have raised concerns about the impact of the expansion on their state budgets. This concern underlies one component of a lawsuit that was filed against the new law in Florida’s Federal District Court. However, the fact is that the increase in state spending will be relatively small, especially when weighed against the broad expansion of coverage for millions of Americans and the other benefits that health reform has to offer.

The Medicaid expansion is fundamental to achieving the goals of health reform

- To fulfill the promise of health reform, it is essential to provide access to health coverage for the lowest-income Americans.
- Year after year, Medicaid and the Children’s Health Insurance Program (CHIP) have played a critical role in softening the blow of the recession for working families.
  - The uninsured rate for children has not increased during this recession—despite rising poverty levels and declining access to job-sponsored coverage.
  - From 2008 to 2009, the number of uninsured Americans increased by 4.3 million, while Medicaid and CHIP enrollment increased by 5.1 million people. Without these programs, the growth in the number of uninsured would have been more than double what it was.
The Medicaid expansion will increase coverage and reduce the number of uninsured

- Research indicates that the Medicaid expansion could reduce the uninsured rate among low-income adults by up to 70 percent.⁴
- In the absence of health reform, approximately one-third of non-elderly Americans with incomes less than twice the poverty level would likely be uninsured in 2020.⁵

The nature of the Medicaid expansion is historic, but the projected enrollment growth is not

- Claims that the program will grow at unprecedented rates because of the expansions are unfounded. Medicaid enrollment has grown at a faster rate over the last two decades than it is projected to grow between 2010 and 2020.⁶
- The rate of actual Medicaid enrollment growth over the last two decades and the projected enrollment growth for this decade are as follows:
  - 1990-2000: 80 percent
  - 2000-2010: 58 percent
  - 2010-2020 (projected), including the Medicaid expansion: between 30 percent and 40 percent

The federal government—not the states—will bear the overwhelming majority of the cost of the Medicaid expansion

- The federal government will fully finance the Medicaid expansion for all newly eligible Medicaid enrollees for the first three years of the expansion (calendar years 2014 through 2016). And while states will take on a small share of the expansion costs between 2017 and 2019, the federal government will pay for 95.4 percent of the overall cost of the Medicaid expansion between 2014 and 2019.⁷
- States that have been historically generous in providing coverage for low-income people will be rewarded. The states that provided coverage to both parents and adults without dependent children with incomes up to at least 100 percent of the federal poverty level as of March 23, 2010 (health reform’s enactment), will receive a higher federal match rate for the coverage they were already providing to adults without dependent children.
States should aim for high participation in the expansion, but enrolling in Medicaid remains a choice, and not everyone who is eligible is expected to enroll

- Some states’ cost estimates for the Medicaid expansion assume that 100 percent of eligible people will enroll in the expansion. These assumptions are not rooted in reality. The Congressional Budget Office (CBO) assumes that about 57 percent of eligible individuals will enroll in the expansion by 2019, and historical enrollment data suggest that participation in the expansion will not likely exceed 75 percent.8

- Some individuals who are eligible for the Medicaid expansion based upon their income may have another source of health coverage and may choose to keep that coverage rather than enroll in the expansion.

Medicaid often provides access to care that is comparable to that of private coverage, and this access will improve in the coming years

- Adults with Medicaid coverage report similar access to preventive services and a usual source of care as adults with private coverage.9

- Medicaid’s unique benefits package ensures vulnerable populations get the services they need.
  - Children receive the unique Early and Periodic Screening, Diagnosis and Treatment (EPSDT) benefit, which includes vision and dental services.
  - Low-income people with chronic conditions report comparable access to providers and comparable (low) rates of unmet medical needs, whether covered by Medicaid or by private insurance.10

- Health reform increases reimbursement rates for primary care providers with federal funds, and makes investments in the health care work force and community health centers to ensure that Medicaid enrollees have access to the providers and services they need as the program is expanded.

Medicaid remains a partnership between the federal government and the states, which retain significant flexibility in how they design the various components of their Medicaid programs

- States retain significant flexibility in defining the benefits packages, enrollment and renewal processes, and provider payment rates.

- The Affordable Care Act gives states new options to improve care and control spending growth through payment reform and medical home demonstration projects as well as an emphasis on providing long-term services and supports in home and community-based settings rather than in institutions, when appropriate.11
Endnotes

3 Ibid.
4 John Holahan and Irene Headen, Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133% FPL (Washington: Kaiser Commission on Medicaid and the Uninsured, May 2010). Estimates given reflect higher participation rate scenario.
7 John Holahan and Irene Headen, op. cit.
8 Ibid.
9 Medicaid Beneficiaries and Access to Care (Washington: Kaiser Family Foundation, April 2010).
10 Ibid.