

# CAPITOL RESEARCH

## HEALTH POLICY

### REPEALING THE ACA: POTENTIAL EFFECTS ON MEDICAID

#### Medicaid Overview

Medicaid provides health insurance to more than 70 million Americans who fall within one of four main categories: infants and children; pregnant women, parents and other nonelderly adults; individuals of all ages with disabilities; and very low-income seniors.<sup>1</sup> Prior to the passing of the Affordable Care Act, or ACA, in 2010, most low-income adults were not able to qualify for Medicaid because federal law excluded adults without dependent children from the program. Additionally, income eligibility for most parents was extremely limited in most states.<sup>2</sup>

#### States Choosing to Expand Medicaid

The ACA originally required states to expand their Medicaid programs or face the possibility of losing all federal funding for their Medicaid programs.<sup>3</sup> However, in *National Federation of Independent Business v. Sebelius*, the Supreme Court ruled that this exceeded Congress' power under the spending clause by failing to offer states a genuine choice of whether to accept federal funds to expand their Medicaid programs.<sup>4</sup>

Following the Supreme Court ruling, 31 states and the District of Columbia have adopted the Medicaid expansion.<sup>5</sup> Seven states—Arizona, Arkansas, Iowa, Indiana, Michigan, Montana, and New Hampshire—have used Section 1115 waivers to implement the ACA's Medicaid expansion.<sup>6</sup> Section 1115 waivers allow states to test new approaches in Medicaid that differ from federal program rules.<sup>7</sup> However, states must maintain certain sections of the Medicaid program such as the federal matching payment system and requirements rooted in the Constitution such as the right to a fair hearing.<sup>8</sup>

The implementation of the Medicaid expansion through the ACA established coverage for low-income adults who were not previously eligible. Specifically, nonelderly adults with an income at or below 138 percent of the federal poverty level—about \$16,394 for an individual in 2016—gained access to coverage.<sup>9</sup> As a result, Medicaid coverage has grown by about 17 million people since December 2013, the last fiscal quarter before the expansion was implemented. As of November 2016, the uninsured rate had fallen to below 9 percent, the lowest uninsured rate in the nation's history.<sup>10</sup>



Expansion states experienced large increases in enrollees. In many states, enrollment numbers under the expansion have far exceeded original expectations.<sup>11</sup> A study by The Foundation for Government Accountability found that enrollment of newly eligible adults in California was more than four times the number projected. Enrollments in Colorado, Kentucky, Nevada, New York and Washington were more than double the projected numbers.<sup>12</sup> The two states with the highest number of newly eligible adult enrollees since the expansion were California with 3.8 million new enrollees as of May 2016, and Ohio with 714,595 new enrollees as of August 2016.<sup>13</sup> States with smaller populations such as Connecticut and Kentucky have seen significant increases in newly eligible adult enrollees with 186,967 and 439,044 new members respectively.<sup>14</sup> The states with the lowest number of newly eligible adult enrollees were North Dakota and Hawaii with 19,389 and 35,622 new members respectively.<sup>15</sup>

Furthermore, the expenditures for health services for these newly eligible adult enrollees make up a significant portion of many of the states' total Medicaid budgets. Based on reports from the Centers for Medi-

care and Medicaid Services, expenditures for newly eligible adults in California were approximately \$19 billion, nearly 22 percent of the state's total Medicaid budget in 2015.<sup>17</sup> In states with smaller populations, such as Kentucky, the expenditures totaled almost \$3 billion, representing 31 percent of the state's total Medicaid budget in 2015. The states with the least amount of expenditures for new members were North Dakota with \$2.4 million in expenditures and New Hampshire with \$2.8 million in expenditures.<sup>18</sup> This represented 21 and 16 percent of their total state Medicaid budgets respectively.

## The Future for Expansion States

With the ACA's future clouded in uncertainty, many states face concerns regarding the sustainability of their Medicaid programs.

If changes to the current federal match rate of the Medicaid expansion occur in the future, states will most likely be required to make changes to their Medicaid programs because of their heavy reliance on federal funding. Due to the lack of other available general funds to replace shrinking federal funds for Medicaid, states would likely be forced to make serious budget cuts to their Medicaid programs.

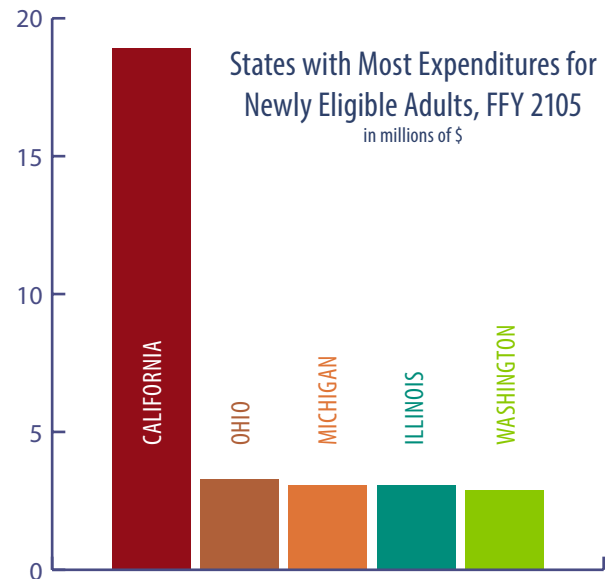
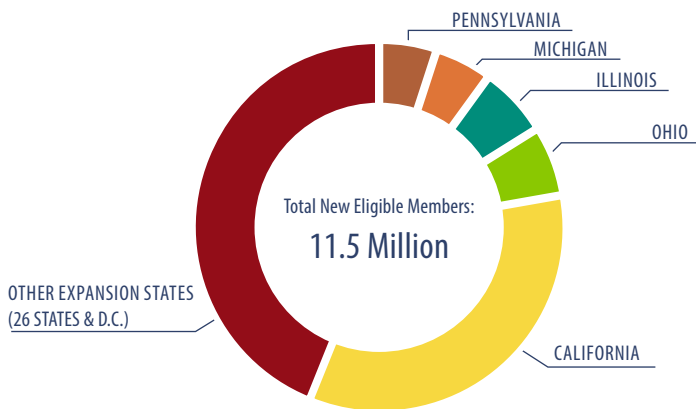
Traditionally, when states move to effectuate cuts in their Medicaid budget they look to reducing provider reimbursement rates, member eligibility, the overall services and benefits provided to members, or all three.

Additionally, a rollback in Medicaid expansion could potentially have negative impacts on state economies. Studies have documented or predicted significant job growth as a result of the Medicaid expansion for states such as Colorado and Kentucky.<sup>19</sup> For example, The Colorado Health Foundation found that Colorado had 31,074 additional jobs created as a result of the Medicaid expansion from fiscal year 2015-2016.<sup>20</sup> Additionally, Deloitte Development LLC estimated that Kentucky would see more than 40,000 new jobs created as a result of the expansion through state fiscal year 2021.<sup>21</sup>



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Expansion States with Most Newly Eligible Members, Nov. 2016



### Sources

<sup>1</sup> <http://kff.org/medicaid/fact-sheet/medicaid-pocket-primer/>

<sup>2</sup> Ibid.

<sup>3</sup> Nat'l Fed'n of Indep. Bus. v. Sebelius, 567 U.S. 519, 132 S. Ct. 2566, 183 L. Ed. 2d 450 (2012)

<sup>4</sup> Ibid.

<sup>5</sup> <http://kff.org/medicaid/issue-brief/3-key-questions-section-1115-medicaid-demonstration-waivers/>

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> <http://kff.org/medicaid/fact-sheet/medicaid-pocket-primer/>

<sup>10</sup> <https://www.medicaid.gov/medicaid/program-information/downloads/accomplishments-report.pdf>

<sup>11</sup> <https://thefga.org/download/ObamaCare-Expansion-is-Shattering-Projections.PDF>

<sup>12</sup> <https://thefga.org/download/ObamaCare-Expansion-is-Shattering-Projections.PDF>

<sup>13</sup> CSG calculation; The Henry J. Kaiser Family Foundation, State Health Facts, <http://kff.org/>

[health-reform/state-indicator/total-](http://kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review/)

<sup>14</sup> <https://thefga.org/download/ObamaCare-Expansion-is-Shattering-Projections.PDF>

<sup>15</sup> <https://thefga.org/download/ObamaCare-Expansion-is-Shattering-Projections.PDF>

<sup>16</sup> Centers for Medicare and Medicaid Services, DHHS, <https://www.medicaid.gov/medicaid/financing-and-reimbursement/state-expenditure-reporting/expenditure-reports/index.html>

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

<sup>19</sup> <http://kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review/>

<sup>20</sup> The Colorado Health Foundation, Assessing the Economic and Budgetary Impact of Medicaid Expansion in Colorado, (The Colorado Health Foundation, March 2016).

<sup>21</sup> Deloitte Development LLC, Commonwealth of Kentucky Medicaid Expansion Report (February 2015).

## MEDICAID: A STATE-FEDERAL PARTNERSHIP PROVIDING HEALTH CARE TO 74 MILLION

State (E=Expanded Medicaid)	Total Monthly/Medicaid and CHIP Enrollment, Nov. 2016 <sup>a</sup>	Percentage of State Population Enrolled in Medicaid and CHIP <sup>b</sup>	Annual Medicaid Expenditures, FFY 2015 <sup>c</sup>	Federal Share, FFY 2015 <sup>c</sup>	FMAP, FFY 2017 (federal share of each dollar) <sup>d</sup>	Total Expenditures for Newly Eligible Adults, FFY 2015 <sup>e</sup>	Total Enrollment of Newly Eligible Adults <sup>m</sup>
Alabama	883,030	18	\$5,294,253,591	\$3,683,285,808	70.16	f	f
Alaska E	171,925	24	\$1,421,672,896	\$834,877,061	50	\$91,912g	1
Arizona E	1,739,690	25	\$10,640,737,029	\$7,912,721,453	69.24	\$305,680,729	397,879
Arkansas E	931,219	31	\$5,536,506,974	\$4,349,837,098	69.69	\$1,379,446,392	324,318
California E	12,209,605	31	\$85,438,074,091	\$53,436,580,402	50	\$18,973,833,450	3,842,200
Colorado E	1,372,172	25	\$7,358,339,263	\$4,448,752,935	50.02	\$1,345,412,644	446,135
Connecticut E	750,009	20	\$7,853,582,804	\$4,602,089,940	50	\$1,247,699,548	186,967
Delaware E	239,614	24	\$1,861,996,175	\$1,116,368,801	54.2	\$49,465,958	1
Florida	4,339,202	21	\$21,476,052,754	\$12,971,284,552	61.1	f	f
Georgia	1,731,250	17	\$9,750,156,735	\$6,583,762,079	67.89	f	f
Hawaii E	345,085	24	\$2,012,418,150	\$1,287,199,014	54.93	\$366,888,985	35,622
Idaho	298,332	17	\$1,729,535,449	\$1,244,455,431	71.51	f	f
Illinois E	3,095,748	24	\$17,039,177,220	\$10,233,645,818	51.3	\$3,107,575,104	650,653
Indiana E	1,502,760	23	\$9,328,435,988	\$6,418,350,565	66.74	\$482,662,446h	1
Iowa E	624,062	20	\$4,563,170,736	\$2,911,040,985	56.74	\$706,727,205	139,119
Kansas	416,379	14	\$3,040,559,561	\$1,729,174,010	56.21	f	f
Kentucky E	1,229,387	28	\$9,499,418,704	\$7,563,524,472	70.46	\$2,975,875,058	439,044
Louisiana E	1,398,560	30	\$8,058,371,246	\$5,055,265,242	62.28	i	1
Maine	269,051	20	\$2,580,219,327	\$1,613,797,535	64.38	f	f
Maryland E	1,258,623	21	\$9,552,933,956	\$5,715,856,385	50	\$1,758,216,093	231,484
Massachusetts E	1,665,877	24	\$15,564,425,180	\$8,725,129,244	50	k	1
Michigan E	2,289,460	23	\$15,949,108,357	\$11,592,262,917	65.15	\$3,126,536,830	630,609
Minnesota E	1,021,837	18	\$10,935,757,369	\$6,388,362,214	50	\$1,743,860,657	207,683
Mississippi	677,630	22	\$5,156,588,865	\$3,821,647,803	74.63	f	f
Missouri	977,195	16	\$9,608,165,422	\$6,154,468,468	63.21	f	f
Montana E	241,054	23	\$1,149,693,473	\$778,122,685	65.56	j	1
Nebraska	237,608	12	\$1,888,075,933	\$1,012,637,147	51.85	f	f
Nevada E	620,757	21	\$3,127,537,716	\$2,355,114,580	64.67	\$918,129,095	187,110
New Hampshire E	186,377	14	\$1,731,859,115	\$1,018,780,818	50	\$281,820,397	50,150
New Jersey E	1,755,847	19	\$14,234,989,570	\$8,735,757,972	50	\$2,084,528,958	532,917
New Mexico E	772,084	37	\$4,933,671,468	\$3,907,017,597	71.13	\$1,382,030,282	235,425
New York E	6,411,780	32	\$59,806,137,548	\$32,722,952,884	50	\$1,030,291,677	285,564
North Carolina	2,010,348	20	\$13,483,308,436	\$8,922,363,531	66.88	f	f
North Dakota E	83,493	10	\$1,091,177,153	\$669,031,170	50	\$237,508,060	19,389
Ohio E	2,985,406	26	\$21,597,810,622	\$14,895,079,570	62.32	\$3,329,799,692	714,595
Oklahoma	803,648	20	\$4,996,967,825	\$3,171,087,216	59.94	f	f
Oregon E	981,415	24	\$8,066,724,366	\$6,274,826,603	64.47	\$2,664,050,606	452,269
Pennsylvania E	2,880,219	22	\$23,394,254,112	\$13,066,141,815	51.78	\$1,767,697,489	625,970
Rhode Island E	290,809	27	\$2,598,444,116	\$1,537,154,263	51.02	\$460,156,744	59,280
South Carolina	998,620	20	\$5,963,805,943	\$4,221,308,050	71.3	f	f
South Dakota	119,696	14	\$813,084,998	\$456,258,592	54.94	f	f

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Tennessee	1,636,906	24	\$9,144,520,686	\$5,949,549,945	64.96	f	f
Texas	4,773,593	17	\$35,802,825,013	\$21,081,483,911	56.18	f	f
Utah	304,178	10	\$2,196,174,625	\$1,556,531,947	69.9	f	f
Vermont E	166,794	27	\$1,634,622,218	\$987,854,213	54.46	k	l
Virginia	976,674	11	\$8,103,268,228	\$4,106,008,635	50	f	f
Washington E	1,800,105	25	\$10,621,146,074	\$6,894,834,262	50	\$2,962,004,051	596,873
West Virginia E	569,492	31	\$3,675,438,530	\$2,822,267,663	71.8	\$712,768,177	174,999
Wisconsin	1,039,577	18	\$7,974,598,543	\$4,691,140,598	58.51	f	f
Wyoming	60,796	10	\$566,400,158	\$289,125,853	50	f	f
United States	74,144,978	23	\$529,846,194,311	\$332,516,171,752	62.8		

- a The Henry J. Kaiser Family Foundation, State Health Facts, <http://kff.org/health-reform/state-indicator/total-monthly-medicare-and-chip-enrollment/?currentTimeframe=0>
- b The Henry J. Kaiser Family Foundation, State Health Facts, <http://kff.org/health-reform/state-indicator/total-monthly-medicare-and-chip-enrollment/?currentTimeframe=0>
- c The Henry J. Kaiser Family Foundation, State Health Facts, <http://kff.org/medicaid/state-indicator/federalstate-share-of-spending/?dataView=1&currentTimeframe=0&selectedRows=%7B%7D>
- d The Henry J. Kaiser Family Foundation, State Health Facts, <http://kff.org/medicaid/state-indicator/federal-matching-rate-and-multiplier/?currentTimeframe=0>
- e Centers for Medicare and Medicaid Services, DHHHS, <https://www.medicare.gov/medicaid/financing-and-reimbursement/state-expenditure-reporting/expenditure-reports/index.html>
- f No Medicaid expansion as of Feb. 15, 2017
- g Alaska Medicaid expansion implemented Sept. 1, 2015; expenditures are 1 month
- h Indiana Medicaid expansion implemented Feb. 1, 2015; expenditures are 8 months
- i Louisiana Medicaid expansion implemented July 1, 2016
- j Montana Medicaid expansion implemented Jan. 1, 2016
- k Expansion states that do not have data for expenditures by newly eligible adults
- l No available data for this expansion state
- m <https://thefiga.org/download/ObamaCare-Expansion-is-Shattering-Projections.PDF>