Repealing the ACA: Eliminating Medicaid Expansion

Issue: Eliminating Medicaid expansion without an adequate, commensurate replacement will have a significant impact on the state economy, provider community, and most importantly, working poor Pennsylvanians.

Background: Under the Affordable Care Act (ACA), states were allowed to expand Medicaid eligibility to fill gaps in health insurance coverage for low-income adults.

Pennsylvania expanded its Medicaid program during January 2015, to provide coverage to non-elderly adults with incomes at or below 138 percent of the federal poverty level. During 2016, this equates to about $16,396 in earnings per year for an individual.

HAP Recommendations

In light of the importance of expanded Medicaid coverage to the newly eligible population, as well as the positive impact on the state economy and provider community, Medicaid expansion should not be eliminated without simultaneously providing similar coverage options.

In the event that Medicaid expansion is eliminated, Congress must restore the hospital payment cuts that were included as part of the ACA.

Nationally, since the summer of 2013, just before the implementation of health insurance coverage expansions as a result of the ACA expansions, through August 2016, about 16 million people have been added to Medicaid and the Children's Health Insurance Program (CHIP). Of note, between 2013–2016, the rate of uninsured non-elderly adults fell by 9.2 percent in states that expanded Medicaid as compared to only 6 percent in states that did not expand Medicaid.

Expanding Medicaid was determined to be the most efficient and cost effective way to extend coverage to very poor adults because Medicaid:

- Had an existing role for the low-income population, and already was an operating program that could be extended rather than newly developed. Medicaid programs had experience providing coverage with low cost-sharing and comprehensive benefits suitable for a very low-income population.
- Has been shown to reduce out-of-pocket spending burdens and other financial outcomes. An analysis of Oregon's Medicaid expansion to uninsured adults found that insurance coverage reduces by 40 percent the probability that people report having to borrow money or skip payments on other bills because of Medical expenses, and decreases by 25 percent the probability that they will have unpaid medical bills sent to a collection agency.

HAP
The Hospital + Healthsystem Association of Pennsylvania

- Has shown positive impacts on infant mortality, child mortality, HIV mortality, adult mortality, disease-related mortality, and reported mental health status/rates of depression).
- Has long-term positive socio-economic effects, including:
  - Expansion of Medicaid eligibility for pregnant women increased economic opportunity of their children when they reached adulthood through increased rates of high school and college completion and higher incomes
  - Children who gained eligibility for Medicaid paid more in cumulative taxes by age 28 compared to similar children who did not gain Medicaid coverage, such that the government is estimated to recoup 56 cents of each dollar spent on Medicaid during childhood by the time the children reach age 60

Impact on Pennsylvania: Pennsylvania received $1.5 billion in federal funding to provide coverage for **newly** eligible adults during 2016.

In addition, historically, Pennsylvania had provided certain low-income adults with health insurance coverage through the General Assistance program or access to county-based behavioral health and substance abuse services—using state General Funds. Following passage of the ACA, the individuals receiving services through General Assistance or the county-based programs could qualify for Medicaid expansion. As a result, according to the Pennsylvania Department of Human Services, the Pennsylvania Medicaid program was able to effectively serve more patients, with the support of a total of $2.76 billion in federal resources during 2015.

WITHOUT ACA REPLACEMENT

2.8 MILLION

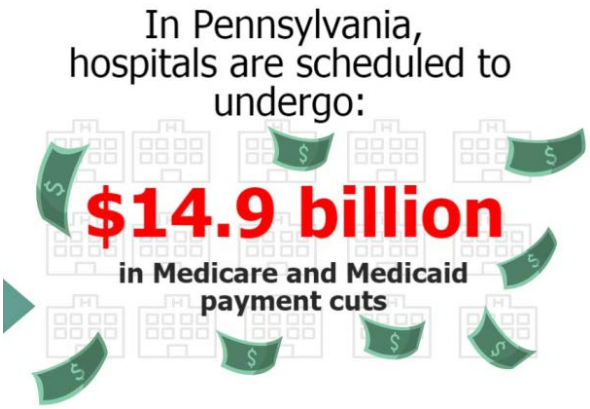
PENNSYLVANIANS SECURE COVERAGE THROUGH MEDICAID & CHIP, INCLUDING CHILDREN, PREGNANT WOMEN, AND ELDERS. REPEAL JEOPARDIZES COVERAGE FOR MORE THAN

700,000 PENNSLVANIANS

THAT HAVE BENEFITED FROM MEDICAID EXPANSION

Expanding Medicaid in Pennsylvania:

- Enabled more than 685,000 people—mostly working, lower-income Pennsylvanians—to secure health insurance coverage.
- Has led to broader economic gains through increased employment and higher tax revenues in the commonwealth.
- Has allowed the state to more effectively managed the Medicaid program and target resources more efficiently.
- Had a positive impact on hospital uncompensated care. Pennsylvania hospitals experienced a 44 percent increase in bad debt and charity care from 2006–2014, but recently saw a modest 8.6 percent decrease in charity care and bad debt from 2014 ($1.067 billion) to 2015 ($975 million). If coverage is eliminated for the Medicaid expansion population, hospital uncompensated care costs are likely to return to pre-ACA levels or more.



In anticipation of ACA coverage expansions (both Medicaid and the health insurance marketplace subsidies), hospitals agreed to significant payment cuts by Medicare and Medicaid. The impact of the ACA-mandated hospital cuts will amount to $14.9 billion for Pennsylvania hospitals for the period 2018–2026, according to a study commissioned by the American Hospital Association and performed by Dobson Davanzo.

Included in the ACA-mandated hospital payment cuts for the period 2018–2026 is an estimated $2.1 billion cut in Medicare and Medicaid disproportionate share payments (DSH). DSH payments were originally designed to help hospitals serving large numbers of uninsured and underinsured individuals (including Medicaid and Medicare patients). With individuals securing health insurance coverage under the ACA, the theory was hospitals would have less need for DSH payments. If comparable coverage is not put in place, and hospitals have to shoulder the costs for care to more uninsured or underinsured patients, the DSH resources will be needed to support access to care.

Sources:

American Hospital Association, Dobson Davanzo
U.S. Department of Health & Human Services
Pennsylvania Department of Human Services
Pennsylvania Health Care Cost Containment Council

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