



## **The Case For Medicaid Expansion: A Brief Overview**

by [Ellen Houston](#)

[ehouston@dbllaw.com](mailto:ehouston@dbllaw.com)

On May 9, 2013, Governor Beshear announced the inclusion of nearly 308,000 more Kentuckians in the federal Medicaid health insurance program, joining 21 other states and Washington, D.C. to adopt the measure. The expansion seeks to ensure that every Kentuckian will have access to reliable, quality health care. Governor Beshear called the measure “the single-most important decision in our lifetime for improving the health of Kentuckians.”

Enacted as part of the Patient Protection and Affordable Care Act, commonly called Obamacare or the Affordable Care Act (ACA), the expansion allows states to accept new federal funding to expand their current Medicaid eligibility to 138 percent of the Federal Poverty Level (FPL). This translates to an annual income of \$15,856 for an individual or \$32,499 for a family of four. Under Kentucky’s current Medicaid program, only families with dependents and certain disabled individuals qualify for coverage. With the expansion, nearly 308,000 of Kentucky’s uninsured will gain access to Medicaid coverage.

The case for expansion was made by several studies, including an analysis performed by the Kentucky Cabinet for Health and Family Services (CHFS) and an independent study by the University of Louisville. According to these studies, expansion will have a \$15.6 billion statewide economic impact between fiscal year 2014 and 2021. This impact will result from new health care spending that will occur, the nearly 17,000 jobs that will be created, and the local and state tax revenue that will be generated from the new jobs. These new positions are projected to have an annual average salary of more than \$43,000. The expansion is also anticipated to have an \$802.4 million positive impact on Kentucky’s budget between fiscal year 2014 and 2021 due to the opportunity to switch certain expenditures from state to federal dollars. Expansion will offset funding for community health centers, local health departments, and county jails that is currently provided by state or local general funds. It will also decrease the need for direct general fund financing of programs like disproportionate share hospital (DSH) payments and medically needy spending.

Expanding Medicaid is also predicted to benefit hundreds of thousands of Kentucky families by improving their health. Kentucky currently ranks at the bottom in most national health rankings, including 50<sup>th</sup> in smoking, 40<sup>th</sup> in obesity, 50<sup>th</sup> in cancer deaths, and 48<sup>th</sup> in heart attacks. Supporters of expansion believe that Kentucky’s poor health status is largely due to the fact that nearly 640,000 Kentuckians or 17.5 percent of the population under age 65 are uninsured. Nearly half of the Commonwealth’s uninsured qualify for Medicaid coverage under the expansion, and many others that don’t qualify under the expansion can gain coverage through the new Health Benefit Exchange, which is also being created pursuant to the ACA. According to the CHFS, this will vastly improve the health status of Kentuckians because access to health insurance is directly related to measurable improvements in health.

The federal government has agreed to pay 100 percent of the expansion costs for three years, starting in 2014. However, after three years, the federal government will begin to shift the burden of the cost to the states in incremental stages. As a result, states will eventually be required to pay for the program if used over the long-term. Those who oppose expansion are concerned that this shift will create a significant strain on state budgets that are already strained. Most southern states have elected not to expand Medicaid due to these concerns. Others oppose expansion in Kentucky because its rural counties already have difficulties meeting health care demands due to

a physician shortage in those areas. Some believe that rural counties will not be able to meet the increased demand resulting from more Medicaid beneficiaries.

In response to these arguments, proponents have stated that not expanding Medicaid would be more costly than adopting the expansion. It has been estimated that without the additional increases in revenue from the expansion, Kentucky's budget would be negatively impacted by \$38.9 million due to additional costs under the ACA that apply regardless of expansion. These costs primarily include, a reduction in DSH payments for indigent care, the provision of newly required substance abuse benefits, and new administrative costs associated with changes to the existing Medicaid system. Not expanding could also cost Kentucky businesses up to \$48 million per year in penalties. Under the ACA, if Medicaid is not expanded, employers will be responsible for \$3,000 in penalties for every employee who must receive a premium subsidy.

Only time will tell if expansion is indeed the way to go for Kentucky and if it will indeed improve the state's health status while reducing health costs. Though Kentucky has adopted the measure for now, the decision to expand is not permanent. The federal government has made it clear that states may revisit expansion and pull back coverage when necessary. Those newly eligible for Medicaid benefits under the expansion will be able to apply for Medicaid benefits beginning in October, 2013. These benefits will be effective as of January 1, 2014.