

# Questions and Answers: Medicaid Expansion

## Q. What is the Medicaid Program?

- A. Medicaid, called MaineCare in Maine, is a joint federal-state program that is the largest payer for health care in the United States, accounting for about 16% of national health care spending. Currently, MaineCare, serves about 265,000 individuals—one in every five Mainers.**

While most MaineCare enrollees are families and children; most MaineCare spending supports older Mainers and people with disabilities.

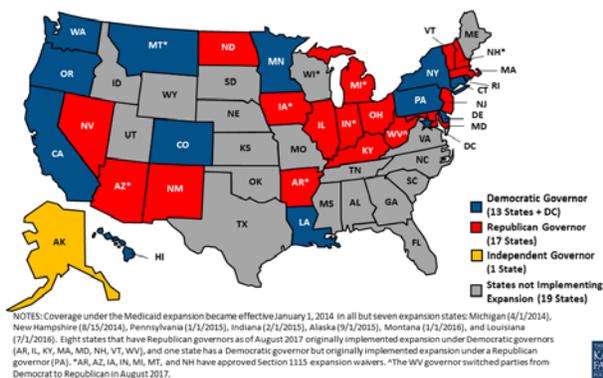
## Q. What is “Medicaid Expansion”?

- A. Beginning in 2014, the Affordable Care Act gave states the opportunity to provide health insurance coverage through the Medicaid program to low-income persons with incomes up to 138 percent of the federal poverty level (about \$16,000 for an individual, or \$22,000 for a family of two). While Maine’s regular share of federal matching funds is about 64%, under Medicaid expansion the federal government pays an “enhanced” matching rate. In state fiscal year (SFY) 2019 the federal matching rate will be 93.5%, which would bring more than \$496 million dollars into the state. In SFY 2021 and thereafter, the federal expansion match will be 90%, bringing \$531 million into Maine.**

## Q. How many states have adopted Medicaid expansion; how many of those are red and blue states?

- A. Thirty-one (31) states and the District of Columbia have expanded Medicaid to date. Of those, 18 (58%) are red states; 31 (42%) are blue states. This map shows Medicaid enrollment in expansion states by party affiliation of the Governor:**

Figure 1  
Expansion states with Republican governors outnumber expansion states with Democratic governors, August 2017.



## Q. What is the anticipated impact of Medicaid expansion in Maine?

- A. See Attachment: “The Economic Impact of Medicaid Expansion in Maine: Background to Question 2 on the November 2017 ballot”**

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For more information, see the report *The Real Impact of Medicaid Expansion in Maine*, which can be accessed at <http://www.mejp.org/sites/default/files/Medicaid-Expansion-The-Real-Impact-Kilbreth-Sep2017.pdf>

**Q. What areas will be most impacted by expansion?**

- A. See Attachment: “Federal Health Care Funds Will Boost Local Economies”.** Rural areas will benefit disproportionately from the economic activities associated with expansion; as will rural residents by gaining access to health care.
- An article in the Journal of Rural Health found the impact of the expansions was more pronounced in rural areas, with higher proportions of low-income rural residents gaining coverage. (Kilbreth, Beth; *The Real Impact of Medicaid Expansion in Maine*. 2017; <http://www.mejp.org/sites/default/files/Medicaid-Expansion-The-Real-Impact-Kilbreth-Sep2017.pdf>)
  - A disproportionate share of the increased economic activity would accrue to rural areas of the state, since these areas have higher proportions of low-income, uninsured populations. Thus, a Medicaid expansion could help serve as economic stimulus to parts of the state with high unemployment rates and help mitigate some of the state’s regional income disparities. (Kilbreth, *The Real Impact of Medicaid Expansion in Maine*. 2017)

**Q. How will expansion impact addiction treatment?**

- A. Medicaid is an important source of coverage for the treatment of drug addiction.** This is why law enforcement leaders have been on the forefront of expansion efforts in Maine and throughout the nation.
- “By expanding access to health coverage and health care, the number of those helped will certainly include many men and women suffering from substance abuse or mental illness who cycle through our county jails and state correction system. With proper implementation, these individuals will gain access to mental health services and treatment that can provide them with the stability needed to improve their health and avoid future interactions with law enforcement.” (Sheriff Joel Merry, Sagadahoc County, April 2015)
  - “Medicaid is an important source of coverage for treatment of drug addiction. It covers detoxification, outpatient treatment, treatment of addiction with medications, and treatment for underlying conditions, such as pain and mental health issues which may have caused the addiction in the first place.” (Kilbreth, *The Real Impact of Medicaid Expansion in Maine*. 2017)
  - “...expanded Medicaid coverage has enabled many states to provide addiction treatment and other health services to low-income adults with opioid addiction who were previously ineligible for coverage.” (<http://www.kff.org/medicaid/issue-brief/medicaid-and-the-opioid-epidemic-enrollment-spending-and-the-implications-of-proposed-policy-changes/>)

**Q. How will hospitals benefit from Medicaid expansion?**

- A. A 2014 JAMA study found that Medicaid expansion was associated with significant declines in uncompensated care costs and increases in Medicaid revenue among hospitals in the 19 states that had expanded Medicaid to date compared to those that did not.** Hospitals in expansion states also had better financial margins. This help would be particularly welcome in Maine. While median hospital margins across the country were 3.4 percent in 2015, in Maine, the aggregate margin was

1.1 and 16 Maine hospitals had negative margins in that year. (Kilbreth, *The Real Impact of Medicaid Expansion in Maine*. 2017)

- Over ten years, Maine hospitals will lose about \$900 million unless the state expands Medicaid. (Maine Hospital Association, October 2013, MEDICAID EXPANSION FACTS)

**Q. How will Maine’s economy benefit from Medicaid expansion?**

**A. If Maine voters approve Medicaid expansion, the total amount of new federal money injected into the Maine economy in SFY ‘19 will be \$496 million.** An economic analysis conducted by the Maine Center for Economic Policy using IMPLAN software developed by the University of Michigan for the federal government estimated:

- the multiplier effect for this federal funding will be 1.44, which means that the total economic activity generated in Maine from the federal funds will be \$714 million for that same year; and
- the estimated growth in Maine jobs is 6,000 including 4,000 health care jobs and 2,000 elsewhere in the economy. (Kilbreth, *The Real Impact of Medicaid Expansion in Maine*. 2017)

**Q. How will employees benefit from Medicaid expansion?**

**A. Workers with health insurance coverage are healthier; they have improved ability to gain and sustain employment.** They are also financially sounder, as health care-related debt is avoided.

- State studies and focus groups provide evidence that Medicaid coverage supports work, and helps enrollees transition into new careers. For example, receiving medication for conditions like asthma or rheumatoid arthritis through Medicaid is critical in supporting their ability to work. (<http://www.kff.org/medicaid/issue-brief/understanding-the-intersection-of-medicaid-and-work/>)
- More than half expansion enrollees surveyed in Ohio reported that obtaining Medicaid coverage improved their ability to keep their job. Three-quarters of unemployed workers looking for work said that having Medicaid coverage improved their ability to find work. (Kilbreth, *The Real Impact of Medicaid Expansion in Maine*. 2017)
- Medicaid expansions have been found to reduce debt. Using data from a major credit reporting agency a recent study comparing individuals living in states that expanded Medicaid to those that did not, found a reduced number of unpaid bills and amount of debt sent to third-party collection agencies among people living in zip codes with the highest proportion of low-income, uninsured individuals. (Kilbreth, *The Real Impact of Medicaid Expansion in Maine*. 2017)

**Q. What effect will Medicaid Expansion have on uncompensated care? How will it impact private insurance costs?**

**A. As noted above, states that have expanded Medicaid have seen reductions in uncompensated care, including a cumulative decrease of 40% in the amount provided by hospitals.** (<http://www.commonwealthfund.org/publications/issue-briefs/2017/may/aca-medicaid-expansion-hospital-uncompensated-care>). The financial consequences of uncompensated care impact all health care

stakeholders: providers shift these costs to insured patients, and as a result private insurance companies increase premiums for consumers and small businesses. (*The Impact of Medicaid Expansion on Uncompensated Care Costs: Early Results and Policy Implications for States* Prepared by Deborah Bachrach, Patricia Boozang, and Mindy Lipson, Manatt Health Solutions ISSUE BRIEF, June 2015).

- Estimates show that Maine hospitals would receive about \$217 Million in payments under expansion that would otherwise be unpaid, thus meaningfully reducing their uncompensated care costs. This could result in reductions in increases in premium cost in Maine's private insurance market. (Maine Health Data Organization, Hospital Financial Reports, 2015.)
- Medicaid expansion states are seeing lower private marketplace insurance premium increases for individual policies created by the ACA. An analysis found that Marketplace premiums in expansion states were about 7 percent lower than in non-expansion states<sup>i</sup>. These differences are explained by the impact of the Medicaid expansion in improving the risk pool of participants buying insurance through the Market Exchanges. (Kilbreth, *The Real Impact of Medicaid Expansion in Maine*. 2017)

## **Q. What does the cost/benefit of Medicaid Expansion look like; what's the ROI?**

**A. Substantial economic gains have accrued to states that have expanded Medicaid.** The net benefit cost ratio of Medicaid expansion has been explicitly examined by economists and shows positive results not just for recipients, employers and the larger population, but for state revenues and economies, as well. Of course, states differ with regard to their tax structures and demographics so a state-specific analysis may not be fully applicable to Maine, yet the experience from other states shows considerable promise.

- Michigan researchers examined three economic outcomes from that state's expansion program and offset these against state Medicaid budget increases for the expansion. They: (1) considered the reduced state spending for health coverage programs that had previously been funded with state-only dollars; (2) examined the macro-economic benefit associated with increased direct and indirect economic activity resulting from the flow of federal dollars into the state; and (3) looked at the increased discretionary spending by enrolled low-income residents who previously paid for health care costs out-of-pocket and now had greater resources to spend elsewhere. When all three factors were considered, plus expected increased tax revenues from health plans and hospitals, the analysis found that the state's new Medicaid spending would be fully covered through new state revenues through 2021. (Kilbreth, *The Real Impact of Medicaid Expansion in Maine*. 2017)
- Studies from both New Mexico and Colorado show similar results. (Kilbreth, *The Real Impact of Medicaid Expansion in Maine*. 2017)

Some critics of Medicaid expansion claim that expansion states are experiencing large budget overruns. These claims are suspect, and often ignore the multiple complex factors affecting state budgets. To the contrary, a recent study that reviewed comprehensive data compiled by the National Association of State Budget Officers from 2010-15 found that there were no significant increases in spending from state funds as a result of the expansion, nor any significant reductions in spending on education or other programs. States' advance budget projections were also reasonably

accurate in the aggregate, with no significant differences between the projected levels of federal, state, and Medicaid spending and the actual expenses as measured at the end of the fiscal year.” (<http://content.healthaffairs.org/content/early/2017/04/10/hlthaff.2016.1666.abstract>)

**Q. How does it help microbusiness and people who are on the margins working multiple jobs?**

**A. Medicaid expansion was crucial to helping low-wage small business employees and self-employed entrepreneurs access coverage they otherwise wouldn't be able to afford.**

- In California, Medicaid expansion not only infused \$16 billion into the state's economy; it also provided coverage for millions of low-wage small business employees. (Health Access, December 2016, <http://www.familyvoicesofca.org/wpcontent/uploads/2016/12/Medi-CalAtRisk.pdf>)
  - An analysis of Economic Sentiment Surveys of over 31,000 small business owners found that small business professionals were insured at higher rates in Medicaid expansion states and that Medicaid expansion has helped thousands of small business owners and self-employed workers to acquire health insurance. (Analysis: Small Business Professionals Insured at Higher Rate in Medicaid Expansion States, <https://www.thumbtack.com/blog/mar-2017-medicaid/>)
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