Medicaid Expansion

Background:

On March 23, 2010, President Barack Obama signed the Patient Protection and Affordable Care Act (PPACA) into law. PPACA is aimed at decreasing the number of uninsured Americans and reducing the overall costs of healthcare. The law provides a number of incentives including subsidies and tax credits to both employers and individuals to increase the coverage rate.

On June 28, 2012, the U.S. Supreme Court upheld the constitutionality of the major provisions of PPACA in the *National Federation of Independent Business v. Sebelius Secretary of Health and Human Services*. Specifically, the court ruled that the individual mandate and expansion of Medicaid was constitutional. However despite the Court’s ruling on the Medicaid expansion, it also specified that the federal government cannot enforce the penalty provision that would have resulted in a total loss of Medicaid funding if a state chose not to expand. Instead, the expansion of the Medicaid program would be completely voluntary for states.

The Supreme Court’s decision provided legal clarity to PPACA. Roughly 1.3 million individuals in New Jersey are uninsured, and the PPACA is estimated to reduce that number by approximately 445,000 individuals through the Medicaid expansion and the subsidized coverage on the exchange.

The following is a breakdown of how the Medicaid expansion will work in states choosing to expand their programs.

States opting into the expansion will:

- Expand Medicaid to all non-Medicare eligible individuals under age 65 (children, pregnant women, parents and adults without dependent children) with incomes up to 133 percent of federal poverty level (FPL) based on modified adjusted gross income (As under current law, undocumented immigrants would remain ineligible for Medicaid.)

- Guarantee to all newly eligible adults a benchmark benefit package that meets the essential health benefits available through the health insurance exchanges.

- States will receive 100 percent federal funding for 2014 through 2016, 95 percent federal financing in 2017, 94 percent federal financing in 2018, 93 percent federal financing in 2019, and 90 percent federal financing for 2020 and subsequent years in to finance the coverage for the newly eligible (those who were not previously eligible for at least benchmark equivalent coverage, those who were eligible for a capped program but were not enrolled, or those who were enrolled in state-funded programs). States that have already expanded eligibility to adults with incomes up to 100 percent of FPL will receive...
a phased-in increase in the federal medical assistance percentage (FMAP) for non-pregnant childless adults so that by 2019 they receive the same federal financing as other states (93 percent in 2019 and 90 percent in 2020).

- Increase payments in Medicaid fee-for-service and managed care plans for primary care services provided by primary care doctors (family medicine, general internal medicine or pediatric medicine) to 100 percent of the Medicare payment rates for 2013 and 2014.¹

Medicaid expansion is said to reduce the number of uninsured across the United States. Overall, Medicaid expansion is expected to decrease the number of those who are uninsured by 11.2 million people, or by 45 percent of the uninsured adults below 133 percent of poverty.²

**Expansion States vs. Non-Expansion States**

States across the country currently have different eligibility limits for their Medicaid programs. The impact of the Medicaid expansions under health reform will vary across states based on current levels of coverage and current match rates for states. The following is a look at expansion states (which already have the three categories up to or past 133 percent of the FPL) vs. non-expansion states (which do not have all or some populations up to 133 percent of FPL).

**Texas- Non-Expansion State:**

Texas has the nation’s highest rate of uninsured with more than one in four of its residents under 65 without insurance. Under the law, the state would be in line for $164 billion in federal dollars over a decade to cover an additional 2 million people through Medicaid, according to state estimates. But state officials, who this year underfunded Medicaid by billions to balance the budget, estimate their own share at $27 billion over that time.³ Nonetheless, should the state expand, Texas could see an increase in enrollment of 46 percent and an increase in state spending of about 3 percent. Additionally, the federal spending in Texas is expected to increase by 39 percent compared to current spending projections.

Texas is considered a non-expansion state because it does not cover its population with incomes up to 133 percent FPL. Currently in Texas, pregnant women and infants up to the age of 1 that have an income less than 185 percent of the FPL qualify for Medicaid coverage. Children ages 1 to 5 must qualify up to 133 percent of the FPL, and children ages 6 to 18 qualify up to 100 percent of the FPL. Finally, those who are aged, blind and disabled are covered up to 75 percent of the FPL with certain asset limitations.

**Massachusetts- Expansion State:**

In states such as Massachusetts, where Medicaid has already expanded coverage for adults to at least 100 percent of the FPL prior to enactment of health reform, the federal government will

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¹ Centers for Medicare and Medicaid Services recently approved the final rule. See 77 FR 27671 (https://federalregister.gov/a/2012-11421)


³ States Balk At Expanding Medicaid, PHIL GALEWITZ, JULY, 2, 2012
provide a transitional matching rate designed to provide additional help. Massachusetts will receive a phased-in increase in the FMAP for non-pregnant childless adults so that by 2019 they receive the same federal financing as other states (93 percent in 2019 and 90 percent in 2020 and later). 4

**Medicaid Expansion in New Jersey**

In New Jersey, according to the Rutgers Center for State Health Policy, the number of individuals predicted to be covered under the Medicaid expansion is 234,000. Of this number, 132,000 will be childless adults. This number takes into the consideration the newly expanded coverage eligibility for childless adults (currently covered under a waiver up to 26 percent of poverty) and the increased amount of children who will sign up. It is important to note that these children are already eligible for coverage, but with the increased attention paid to education and enrollment methods (such as navigators), there will be an increase in the enrollment of this population.5

New Jersey’s program already meets most guidelines of Medicaid expansion under PPACA. Parents are already covered up to 133 percent of the federal poverty level and the children are covered up to 350 percent FPL. The population that is not up to that 133 percent level is childless adults.

In February of 2013, Governor Christie announced that his Administration would be expanding the State’s Medicaid program. Doing so fills the “donut hole” gap in insurance coverage for low-income Americans (primarily childless adults). The federal law was written with the assumption that all people living below 133 percent of FPL would become eligible for Medicaid. Federal subsidies, through the exchange would be unavailable to any individuals making less than that since they would be eligible for Medicaid coverage. With health coverage unavailable, improper use of the emergency department for primary care issues would increase. By expanding New Jersey’s Medicaid program, the state secures federal funding (about 93 percent covered by the federal government for the newly insured childless adults for the program between 2014 and 2022). 6 Additionally, the Administration anticipates savings of approximately $227 million through such funding.

**Outreach and Education**

The Federally Facilitated Marketplace (FFM) will be able to identify and enroll individuals who are Medicaid-eligible, and New Jersey has agreed to accept the FFM’s eligibility determination which will ensure a streamlined system. This means that FFM enrollees will have access to coverage as quickly as possible.

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4 Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133percent FPL
Prepared by: John Holahan and Irene Headen, Urban Institute, May 2010 (Pg. 11).

5 Health Insurance Status in New Jersey After Implementation of the Affordable Care Act
Joel C. Cantor, Sc.D. Dorothy Gaboda, M.S.W., Ph.D. Jose Nova, M.S. Kristen Lloyd, M.P.H, August 2011

6 The Health Reform Watch; The New Medicaid Donut Hole: Turning Down Medicaid 2.0, July 8, 2012 by John V. Jacobi
There are many efforts underway to educate consumers on the new FFM where they will be able to apply for insurance. Additionally, the federal government is providing grants to support state-level outreach efforts.

The Rutgers Center for State Health Policy also has compiled data that provides insight into the Medicaid populations, subsidy populations and anticipated behaviors of these new market enrollees. For example, data from a 2011 American Community Survey shows that 60 percent of uninsured childless adults reside in six counties: Bergen, Essex, Hudson, Middlesex, Passaic and Union. This information is beneficial to providers because it can help them identify the impact they may experience as a result of the potential increase of insured individuals. For example, it is anticipated these individuals are more likely to be sicker and have a higher rate of undiagnosed chronic conditions. Stakeholders can also make use of the data to address areas of concern, such as network adequacy with a targeted approach.

**Conclusion**

Since 2007 the number of uninsured has grown by more than 4.5 million nationally. Medicaid Expansion will help ensure that the most vulnerable are not left without health insurance.