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Obama's Medicaid Expansion: States Beware

Last month, the Supreme Court ruled that states were free to choose whether they want to participate in the Medicaid expansion or not. If a state chooses not to participate in the expansion, Congress does not have the authority to withhold all other Medicaid funds to that state. If a state decides to participate in the expansion, it must adhere to the conditions attached to Medicaid funds. The law and the Court's ruling raise important questions states should understand before making the decision to accept or reject President Obama's Medicaid expansion.

Who was on Medicaid before the President's health care law?

Medicaid is the federal-state health care program for low-income people. Each state determines its eligibility standards within certain federal parameters. While eligibility varies from state to state, the program is essentially designed to aide low-income children, pregnant women, disabled, and elderly people. In general, able-bodied adults who were not pregnant have not been eligible for the program.

Enrollment in 2011 was nearly [53 million](#). That's an increase from 43 million in 2008, primarily due to the downturn in the economy but partly because of policy changes.

How many people are currently eligible for Medicaid?

As many as 84 million. One [study](#) estimated that states have enrolled only 62 percent of the people eligible. That means more than 30 million Americans are eligible but not yet enrolled.

Medicaid in America

Currently on	54 million
Currently eligible but not on	30 million
Obamacare expansion	16-20 million
<i>Total</i>	<i>100 million</i>

This group of 30 million people is frequently referred to as the “woodworkers” by state officials who fear that they will “come out of the woodwork” to enroll in Medicaid once they are required to comply with the individual mandate. States currently under 50 percent Medicaid eligible adult enrollment and potentially hardest hit are: Florida, Nevada, Georgia, Oklahoma, Oregon, and Texas.

How is Medicaid financed?

Financing is divided between the federal and state governments based on a formula in the law. The share of Medicaid spending paid by the federal government -- known as the Federal Medical Assistance Percentage (FMAP) -- varies from state to state and ranges from 50 to 74 percent. The average is 57 percent.

How did the President's health care law expand Medicaid?

The law calls on states to expand Medicaid eligibility to all people in households with incomes less than 133 percent of the federal poverty level (FPL), or \$14,858 for an individual and \$30,657 for a family of four. This means about 16 to 20 million more low-income people will join the program. This during a time when Medicaid costs are already expected to increase by 20 percent in 2012. Now, instead of the program’s traditional focus on those unable to provide for themselves (such as low-income children and disabled people), eligibility for the program would now be based primarily on income.

Under the health care law, the federal government will pay 100 percent of the cost of covering *newly eligible* Medicaid enrollees for three years (2014-2016). The federal matching rate will fall to 95 percent in 2017, 94 percent in 2018, 93 percent in 2019, and 90 percent after that.

However, the increased 90-100 percent federal matching rate is only available for people who are not currently eligible for Medicaid. The 30 million Americans who are eligible for Medicaid today, but not enrolled, will be financed at the traditional, lower, FMAP rate.

In addition, the extra federal funding for newly eligible Medicaid enrollees is set in statute and can be changed by statute. In fact, the Obama Administration has already proposed reducing it in its fiscal year 2013 budget request.

Another federal funding issue is the Medicaid pay rates for doctors. The President’s health care law mandates, beginning in January, that state Medicaid programs pay primary-care doctors the same rate as Medicare (a higher rate). The cost for the first two years (\$11 billion) will be paid with federal dollars, but it is unclear how it will be paid for beyond 2014. The Medicare pay rate for doctors is an issue that Congress has recently just patched year to year.

If a state rejects the Medicaid expansion, are its citizens eligible for subsidies in the exchange?

Some will be, but most won’t. People with incomes above the federal poverty level (100 to 133 percent of FPL) will be eligible for subsidies in the new federal health care exchange. Those with incomes below the federal poverty level will not be eligible for subsidies in the exchange.

STATE MEDICAID FACTS

STATE	FMAP (Percentage)	MEDICAID ENROLLMENT
Ala.	68.8	832,000
Alaska	50.0	107,200
Ariz.	67.3	1,207,800
Ark.	70.7	545,100
Calif.	50.0	7,367,600
Colo.	50.0	588,900
Conn.	50.0	565,600
De.	54.2	198,700
DC	70.0	189,900
Fla.	56.0	2,993,800
Ga.	66.2	1,501,700
Hawaii	50.5	247,000
Idaho	70.2	214,400
Ill.	50.0	2,566,200
Ind.	67.0	978,400
Iowa	60.7	431,000
Kan.	56.9	325,300
Ky.	71.2	794,500
La.	61.1	996,700
Maine	63.3	282,700
Md.	50.0	847,900
Mass.	50.0	1,190,900
Mich.	66.1	1,940,200
Minn.	50.0	831,100
Miss.	74.2	617,800
Mont.	66.1	112,500

STATE	FMAP (Percentage)	MEDICAID ENROLLMENT
Mo.	63.5	824,400
Neb.	56.6	207,200
Nev.	56.2	290,900
N.H.	50.0	133,900
N.J.	50.0	898,100
N.M.	69.4	507,300
N.Y.	50.0	4,928,000
N.C.	65.3	1,391,400
N.D.	55.4	65,700
Ohio	64.2	1,991,800
Okla.	63.9	627,300
Ore.	62.9	541,500
Pa.	55.1	2,215,700
R.I.	52.1	170,800
S.C.	70.2	691,500
S.D.	59.1	102,200
Tenn.	66.4	1,289,100
Texas	58.2	3,592,000
Utah	71.0	285,800
Vt.	57.6	139,900
Va.	50.0	808,400
Wash.	50.0	1,076,700
W.Va.	72.6	335,400
Wis.	60.5	963,400
Wyo.	50.0	67,800