Alternatives to Medicaid Expansion May Increase Access to Healthcare for Alabama’s Working Poor

Robert V. Hill, Ph.D.
Health Policy Fellow
Class of 2013
Framing the issue

- Alabama faces a healthcare coverage gap that will become significant in 2014 with broad implementation of policies in the Affordable Care Act.

- The gap affects 300,000 Alabamians, all of them living below the federal poverty level (Individual: $11,490; family: $23,550).
Medicaid

• Medicaid is the healthcare program for low-income families and individuals
  • Jointly funded (state and federal)
  • Administered by individual state governments

• Programs differ in
  • Optional services (e.g., outpatient psychiatric; optometry; nurse anesthetist)
  • Eligibility level (100% FPL -- 17% FPL)
  • Federal Medical Assistance Percentage (50% -- 76%)
Medicaid Expansion and the ACA

- As written, ACA intended to expand Medicaid to everyone up to 133% (138%) of FPL or else forfeit the FMAP

- SCOTUS decision June 28, 2012
  - ACA cannot force states to expand Medicaid
  - An unintended consequence: the coverage gap
**If the state...**

**opts in**
Those with incomes up to 133% of the poverty level will receive Medicaid.

**opts out**
People without Medicaid who would have been covered under the law will not receive it. Those with incomes above the poverty level could get a subsidy.

**For example**
If Arkansas rejects expansion
Medicaid benefits are currently offered to families earning up to 17% of the poverty level, and they will continue to receive Medicaid.

Because eligibility limits vary by state, many uninsured families — not already covered under their state’s current Medicaid rules — could be left without any options for coverage if a state rejects the expansion. **If other states opt out:**

- **0% to 60%:** Will lose chance for Medicaid but will qualify for subsidies to buy a private plan.
- **60% to 133%:** Will lose chance for Medicaid but will qualify for subsidies to buy a private plan.
- **133%:** Will not qualify for any coverage.

Current levels of eligibility vary by state:

- **20%** are currently covered and will continue to receive Medicaid benefits.
- **60%** are eligible for Medicaid.
- **133%** are eligible for Medicaid.

**Note:** In 17 states and the District of Columbia, Medicaid is currently offered for families of three with incomes at 100 percent of the poverty level or higher.
Alabama not alone in opting out

Gov. R. Bentley, MD:
Medicaid expansion under ACA is not a "workable solution"
Alternatives to Expansion

- Alabama Medicaid advisory commission - Final report January 30, 2013
- Reduce ‘optional services?’
  - Alabama already has among the fewest
- Move everyone to Managed Care?
  - Could save $300 M
- Use 1115b waiver to demonstrate efficiencies
Premium Assistance

• Arkansas Governor Mike Beebe

• Agree to Medicaid expansion

• Use expansion dollars to purchase private insurance for the expansion population

• Reframes the expansion as a deployment of the private sector instead of further growing an entitlement program
Intended & Unintended Outcomes

- Opting out of Medicaid expansion will control cost
  - BUT it will perpetuate the coverage gap and leave federal money on the table

- Opting in will increase access and is expected to cost less in the longer term
  - BUT it will cost much more at the outset

- Transformation to managed care should save over $300M
  - BUT it places individual physicians and smaller hospitals at greater financial risk

- Premium assistance will deploy the private sector to solve the coverage problem and reduce ‘churn’
  - BUT the coverage may cost up to $3000/year more in the long term
Conclusions and Recommendation

- Reconvene the Alabama Medicaid Advisory Commission
- Analyze the financial impact of a premium assistance program and compare with alternative models
- Outline a proposal for an 1115b Waiver to support the basic infrastructure of Medicaid reform, or to demonstrate premium assistance
References


Thank you

Robert V. Hill
rhill01@nyit.edu
### TABLE 2

**Mandatory Medicaid Services**
- Hospital Services – Inpatient and outpatient (except mental disease institutions)
- Services at Rural and Federally Qualified Health Clinics (FQHCs)
- Nursing Home care for people over age 21 (not in a facility for mental disease)
- Laboratory and X-ray services
- Family Planning Services and Supplies
- Services of Physicians, Nurse Midwives and Nurse Practitioners
- Checkups and health services for children (EPSDT)
- Home Health Services
- Transportation
- Pregnancy Related Services
- Dental Services (considered to be the same as physician services)

### TABLE 3

**Optional Services Covered by Alabama Medicaid**

*Mandatory services for children, optional for adults.*
- Prescribed Drugs*
- End-Stage Renal Disease*
- Eyeglasses*
- Home and Community-Based Services*
- Hospice Services*
- Organ Transplants*
- Prosthetic Devices*
- Clinic services furnished in a facility that is not part of a hospital*

*Indicates the optional services covered by Alabama Medicaid for adults under the State Plan or an approved waiver. MQHs receive additional coverage if Medicare makes payment.*