

Science Note: Medicaid Expansion

Legislative Summary

Missouri Amendment 2, an initiative to adopt Medicaid expansion in the state of Missouri, is on the ballot on August 4, 2020. This amendment to the Missouri Constitution would expand the eligibility criteria for low-income adults to receive health insurance through MO HealthNet, Missouri's Medicaid program. Additionally, this amendment would prohibit implementation of stricter eligibility standards on persons covered under Medicaid expansion than pre-expansion Medicaid recipients and require state agencies to seek maximum funding assistance from the federal government. Per the Patient Protection and Affordable Care Act, federal funds would cover 90% of healthcare costs introduced by Medicaid expansion; the state would be required to fund the remaining 10%. The ballot measure also notes that the state government is estimated to incur "one-time costs of approximately \$6.4 million and an unknown annual net fiscal impact by 2026 ranging from increased costs of at least \$200 million to savings of \$1 billion."¹

Science Highlights

- Medicaid expansion has resulted in a **decrease in the uninsured rate**.
- States that have adopted Medicaid expansion report that their populations have **increased access to medical care and resources**, including mental health treatment, relative to non-expansion states.
- Medicaid expansion is associated with **decreased mortality rates**, including mortalities resulting from opioid overdoses.
- Medicaid expansion has been related to **improved financial well-being of individuals and hospitals**, due to decreases in medical debt and decreases in costs associated with treating uninsured patients.
- According to projections from the non-partisan Institute for Public Health at Washington University, Medicaid expansion is most likely to result in \$39M of savings in FY 2020. They also provide best-case (\$95M of savings) and worst-case (\$42M of costs) scenarios, illustrating the potential range of outcomes.

Science Notes

What is Medicaid expansion?

Medicaid is a joint federal and state program established in 1965 to provide health insurance to low-income families, seniors, and individuals with disabilities. Missouri's Medicaid program is called MO HealthNet and is operated by the Department of Social Services. It is jointly funded by the state and federal government, with the federal government providing payments to cover a portion of state Medicaid expenditures. As of FY 2017, the Federal Medical Assistance Percentage (FMAP) for Missouri was approximately 65%, leaving the state to cover the remaining 35% of costs.² The Patient Protection and Affordable Care Act (PPACA) modified Medicaid to broaden the eligibility criteria for the program and increase the FMAP for newly eligible Medicaid recipients, referred to as Medicaid expansion. However, the Supreme Court decision *NFIB v. Sebelius* (2012) made expansion optional, allowing states to decide whether to accept new eligibility criteria and funding. Since this decision, 37 states and Washington, D.C. have expanded Medicaid through legislation or ballot initiatives. To date, Arkansas, Illinois, Iowa, and Kentucky have implemented Medicaid expansion, while Nebraska and Oklahoma have voted to adopt expansion but have not yet implemented it.³

Who is currently eligible for Medicaid and who would be eligible if it were expanded?

Currently, Missourians who are 1) seniors (over 65 years of age) with a household income less than 85% of the federal poverty level (FPL), 2) blind or disabled with a household income less than 100% of the FPL, 3) parents with a household income less than approximately 20% of the FPL (MO HealthNet for Families uses the MAGI equivalent standard rather than FPL),⁴ 4) infants (<1 year old) in a household with income less than 196% of the FPL, 5) children (age 1-18) in a household with income less than 150% of the FPL, and 6) pregnant women with a household income less than 196% of the FPL are eligible to receive Medicaid health insurance coverage.⁵ For reference, the federal poverty level is \$12,760/year for individuals and \$26,200/year for a family of four.

Under Medicaid expansion, all non-elderly adults (age 19-65) with a household income less than 138% of the FPL (\$17,609/year for individuals and \$36,156/year for a family of four) would be eligible to receive Medicaid coverage. According to non-partisan analysis by researchers at the Institute for Public Health at Washington University, an estimated 458,000 adults in Missouri would be eligible for Medicaid under expansion.⁶ This population includes currently uninsured adults and those who are currently insured but with household incomes less than 138% of the FPL. The researchers note that broader eligibility for Medicaid coverage may incentivize individuals to drop their private insurance coverage (known as “crowd out”), but the crowd out effects of Medicaid expansion in states that have already expanded have been mixed.

What are the potential costs and benefits of Medicaid expansion?

Under Medicaid expansion, the federal government would provide an increased Federal Medical Assistance Percentage (FMAP) of 90% for newly eligible enrollees, leaving the state to cover 10% of new expenditures. Due to uncertainty in several assumptions relating to the fiscal consequences of Medicaid expansion, including the number of new enrollees and cost per enrollee, there is uncertainty surrounding the net impact it would have. Researchers also note uncertainty in the effects of enrolling the “spend-down” disabled population (individuals who are currently only eligible for Medicaid after accounting for out-of-pocket health expenses) in Medicaid via the expansion, as this population will generate savings due to the increased FMAP. Non-partisan analysis has produced a broad range of potential scenarios to capture the possible outcomes, as shown in the table below. According to this analysis, Medicaid expansion would most likely result in approximately \$39M of net savings to the state in FY 2020.⁶ However, depending on factors such as those mentioned above, this outcome could range from \$95M of savings (best-case) to \$42M of costs (worst-case). Other macroeconomic feedback effects, such as increased economic activity and employment, have been modeled and suggest net positive fiscal outcomes for states that have expanded Medicaid, but these factors will vary from state to state.⁷

	Lower Bound	Best Estimate	Upper Bound
Total New Adult Eligible Population	270,000	315,000	360,000
Average Take-up Rate	68%	73%	78%
New Enrollee Cost, PMPM	\$350	\$425	\$525
% Never-Dual Who Forgo P&TD Pathway	40%	30%	20%
State Obligation with Expansion	\$3,150.4M	\$3,206.1M	\$3,287.3M
State Obligation without Expansion	\$3,245.0M	\$3,245.0M	\$3,245.0M
Net Change	-\$94.6M	-\$38.9M	+\$42.3M

Cost projections for Medicaid expansion in the state of Missouri for FY 2020 (reproduced from “Analysis of the Fiscal Impact of Medicaid Expansion in Missouri”, Institute for Public Health at Washington University).

Numerous benefits related to medical care, health outcomes, and individual financial well-being have been identified in states that have expanded Medicaid. The most commonly reported outcome of Medicaid expansion is increased access to and utilization of health services⁸; studies have found that decreases in the uninsured rate⁹ have increased smoking cessation prescriptions,¹⁰ diagnoses of mental health conditions,¹¹ and psychotropic medicine prescriptions.¹² States that have expanded Medicaid have also reported decreased annual mortality rates relative to non-expansion states,¹³ including decreased opioid overdose-related mortality.¹⁴ Finally, Medicaid expansion has been linked to improved financial outcomes for individuals¹⁵ and hospitals,¹⁶ particularly rural hospitals, indicating that increasing health insurance coverage can have wide-reaching effects.

Scientific Limitations

- Analysis of the fiscal impact of Medicaid expansion requires several assumptions that introduce uncertainty. Due to changed economic conditions as a result of the COVID-19 pandemic, past analysis may underestimate the size of the unemployed and uninsured populations.
- Due to the relatively short time frame since Medicaid expansion throughout the United States, self-reported health outcomes and quantitative measures of health may not yet reflect the impacts of expansion in other states. However, increased access to care is understood to be a leading indicator of improved health outcomes.

- Differences in economic conditions, demographics, and health resource availability between states create uncertainty in extrapolating effects of Medicaid expansion.

Citations and other resources

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5. MO HealthNet. Missouri Department of Social Services. <https://mydss.mo.gov/healthcare>
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