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Refusing Medicaid Expansion Would be a Costly Mistake for Virginia

RICHMOND, VA -- The expansion of Medicaid in 2014, made possible by federal health care reform, would be a lifesaver for hundreds of thousands of Virginians, a real bargain for the Commonwealth, and a much needed boost to Virginia's economy, according to a new report released today by The Commonwealth Institute for Fiscal Analysis.

"If our state doesn't implement the Medicaid expansion, it will not only forego tens of billions in federal funding and create a stunning new gap in coverage for hundreds of thousands of Virginians, but it will also go against Virginia's history of timely implementation of previous public health insurance expansions," said Michael Cassidy, the Institute's President and CEO.

The report documents how failure to expand Medicaid would severely harm public hospitals in the state that treat larger numbers of low-income patients. For these hospitals, Medicaid helps cover the cost of caring for those without insurance through "disproportionate share hospital" (DSH) payments. In 2011, Virginia hospitals received over \$87.7 million in DSH payments. Those payments are scheduled to be reduced as the Affordable Care Act is implemented, since the Medicaid expansion is envisioned as a substitute. This could cost Virginia hospitals more than \$140 million over seven years if the state passes on the expansion.

"We know we are losing DSH payments. So if we don't go ahead and offer insurance coverage for people through Medicaid, a number of Virginia hospitals will be out a substantial amount," Cassidy explained.

In addition, refusing the expansion would be a marked departure from historical practice for Virginia. In 1966, just one year after Congress created Medicaid, Virginia authorized state participation. Three years later, Medicaid began covering Virginians. In 1997, when Congress created the State Children's Health Insurance Program, Virginia had already passed authorizing legislation months before, and coverage went into effect quickly for the program now known as FAMIS.

A failure by state officials to implement the Medicaid expansion will also leave thousands of working, low-income Virginia families who make too much to qualify for existing Medicaid coverage but not enough to qualify for subsidies to purchase private insurance in a costly gap with no coverage. For example, the report points out that under Virginia's current Medicaid program, coverage for working parents ends at 30 percent of the federal poverty limit, but eligibility for subsidies to buy insurance in the new health benefit exchanges won't kick in until people's income exceeds 100 percent of the federal poverty limit.

"The right choice for the Commonwealth is to expand Medicaid," explained Cassidy.

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About The Commonwealth Institute

The Commonwealth Institute for Fiscal Analysis provides credible, independent and accessible information and analyses of fiscal and economic issues with particular attention to the impacts on low- and moderate-income persons. Our products inform fiscal and budget policy debates and contribute to sound decisions that improve the well-being of individuals, communities and Virginia as a whole. Visit www.thecommonwealthinstitute.org for more information.

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