

Saving Money, Saving Lives

Why Virginia Should Expand Medicaid

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Lost in the debate over the cost of extending health insurance to over 400,000 Virginians is the reality that doing so would actually save money in other ways and also have the very important benefits of improving overall health and saving lives.

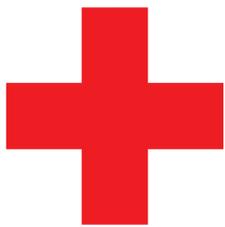
Three recent studies – including one conducted here in Virginia – provide strong evidence that the benefits of expanding Medicaid far outweigh the costs.

Health Insurance Helps Control Costs

One significant benefit would be a reduction in costly emergency room visits. People without insurance often turn to emergency rooms as their only option, leaving hospitals stuck with unpaid bills and driving up the cost of care for everyone. People insured as a result of the Medicaid expansion will be able to seek primary care in cheaper outpatient settings. That is exactly what happened when uninsured patients were enrolled in community-based primary care through

Virginia Commonwealth University, according to a study published in the journal *Health Affairs*.¹ The VCU program steered patients away from emergency rooms and toward visits to primary care doctors and nurses. If a patient stayed in the program for three years, average treatment costs fell by over \$4,000 a year, to just under \$4,600 from \$8,900.

The study's authors believe similar savings could be achieved over time through the Medicaid expansion. The



Health Insurance Matters

The debate surrounding the expansion of Virginia's Medicaid insurance program has focused on costs, but has ignored an equally important issue: the value of health insurance. Three recent studies show just what kind of value health care coverage delivers for individuals and communities.



25%
less likely to have an unpaid medical bill

40%
less likely to borrow money or fail to pay other bills because of medical debt

Results compare people with Medicaid insurance versus people who are uninsured.



48.3%
decrease in average health care costs per year



Results compare people without health insurance who gained coverage through a VCU program for 1 year versus 3 years. Those insured for 3 years had fewer emergency room and more regular doctor visits.



6.1%
relative reduction in mortality rates



Results compare the entire adult population in states that expanded Medicaid eligibility (NY, ME, AZ) versus neighboring states that did not (NH, PA, NV, and NM).

Sources: Health Affairs, The New England Journal of Medicine, National Bureau of Economic Research

law that provides for the Medicaid expansion, the Affordable Care Act, also offers states funding to establish health care coordination programs, like VCU's, for Medicaid enrollees with chronic conditions. Providing coverage in the manner of the VCU initiative could be a model that would help lower Virginia's Medicaid costs and reduce unpaid hospital bills by emphasizing primary care and treatment of chronic conditions in lower cost settings.

Medicaid Works

Beyond reducing costs, expanding Medicaid would improve the health and productivity of the Virginians who gain health insurance coverage. Two years after Oregon extended Medicaid to 10,000 low-income residents who lacked insurance in 2008, a team of experts – including a Bush administration economist – looked at the results and found numerous benefits.² The study was groundbreaking because those who gained Medicaid coverage could be compared to the other 80,000 who applied for the extension but were excluded because of budget constraints. The new Medicaid enrollees were:

- 35 percent more likely to have had an outpatient doctor visit;
- 15 percent more likely to take a prescription drug;
- 25 percent more likely to report that their health was “good” or “excellent.”

The Medicaid enrollees even reported a 32 percent increase in their happiness level, possibly a result of being healthier or feeling more financially secure. They also were 25 percent less likely to have an unpaid medical bill than their counterparts without health insurance.

Medicaid Can Save Lives

It stands to reason that better health can lead to a longer life. A recent study published in *The New England Journal of Medicine* bears this out. In three states that broadened Medicaid eligibility between 2000 and 2005 (New York, Maine and Arizona), overall death rates declined compared to neighboring states that didn't significantly expand eligibility.³

The decline was significant: 6.1 percent among the entire adult population – not just the new Medicaid enrollees – in the states that expanded eligibility.

Virginia Should Take Heed

These real-world outcomes show the importance of Medicaid and other health coverage in lowering the cost of care, improving patient health and quality of life, and even prolonging life.

The studies, which focus on individuals with similar incomes and demographics to those expected to enroll in an expanded Medicaid program, put to rest the notion that going without insurance is preferable to Medicaid coverage.

Taken together, the experiences outlined in these three studies make a strong case for Virginia legislators to provide Medicaid coverage to more low-income people. With well over \$20 billion in federal funding coming to Virginia between 2014 and 2022 to pay for it, it's a good deal for the state and a good deal for Virginians.

Endnotes

1 Cathy J. Bradley, Sabina Ohri Gandhi, David Neumark, Sheryl Garland and Sheldon M. Retchin, “Lessons For Coverage Expansion: A Virginia Primary Care Program For The Uninsured Reduced Utilization And Cut Costs,” *Health Affairs*, Vol. 31, no.2, (2012), pp. 350-359.

2 Amy Finkelstein, Sarah Taubman, Bill Wright, Mira Bernstein, Jonathan Gruber, Joseph P. Newhouse, Heidi Allen, Katherine Baicker, The Oregon Health Study Group, “The Oregon Health Insurance Experiment: Evidence from the First Year,” National Bureau of Economic Research Working Paper No. 17190, July 2011, <http://www.nber.org/papers/w17190>.

3 Benjamin D. Sommers, M.D., Ph.D., Katherine Baicker, Ph.D., and Arnold M. Epstein, M.D., “Mortality and Access to Care among Adults after State Medicaid Expansions,” *The New England Journal of Medicine*, (July 2012), <http://www.nejm.org/doi/pdf/10.1056/NEJMsa1202099>.



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