

# How Medicaid Works

A Chartbook for Understanding  
Virginia's Medicaid Insurance and  
the Opportunity to Improve it

Virginia Poverty  
Law Center



THE  
COMMONWEALTH  
INSTITUTE

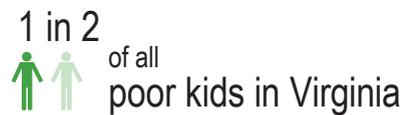




**SECTION I**

**Understanding  
Virginia's Medicaid  
Program Today**

## Virginia's Medicaid Plays An Important Role in Health Coverage



\* Poor is defined as  $\leq 100\%$  Federal Poverty Level  
Source: Kaiser Family Foundation

Medicaid is a public health insurance program for low-income people. It was started in 1965.

Medicaid insurance covers mostly seniors in nursing homes, people with disabilities, pregnant women, children, and working families.

In Virginia, over 834,000 people have health coverage through Medicaid.

Medicaid is jointly funded through federal and state dollars and administered by the state.

Every dollar Virginia spends in Medicaid is matched by a dollar in federal funds.



Eligibility levels determine who can receive coverage.

States set eligibility levels based on personal income and assets.

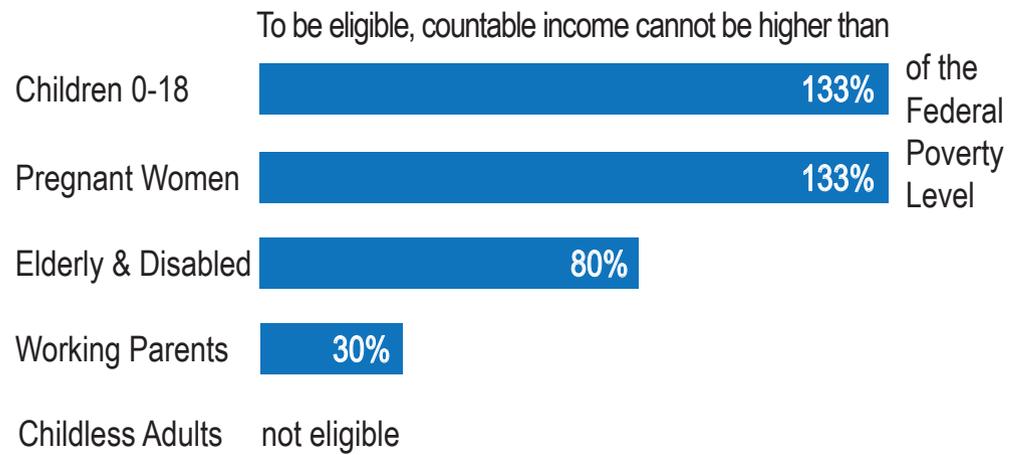
Virginia has very restrictive Medicaid eligibility:

- Pregnant women and children up to age 18 cannot have income higher than 133 percent of federal poverty level (FPL) or \$25,390 for a family of three. (Virginia's FAMIS program covers children and pregnant women up to 200 percent FPL or \$38,180 for a family of three.)
- Elderly and disabled people cannot have income higher than 80 percent FPL or \$15,272 for a family of three.
- Working parents cannot have income higher than 30 percent FPL or \$5,727 for a family of three.
- Childless adults are not eligible for Medicaid in Virginia.



## Who Gets Medicaid in Virginia?

Several populations are covered and each group has its own income eligibility guidelines.



Source: DMAS

## How lean is Virginia's Medicaid program today?

**44<sup>th</sup>** Only 6 states make it harder for working parents to get Medicaid.

**If a family of 3 lives in** **and has an annual countable income of**

Counties: Accomack, Alleghany, Amelia, Amherst, Appomattox, Bath, Bedford, Bland, Botetourt, Brunswick, Buchanan, Buckingham, Campbell, Caroline, Carroll, Charles City, Charlotte, Clarke, Craig, Culpeper, Cumberland, Dickenson, Dinwiddie, Essex, Fauquier, Floyd, Fluvanna, Franklin, Frederick, Giles, Gloucester, Goochland, Grayson, Greene, Greensville, Halifax, Hanover, Henry, Highland, Isle of Wight, James City, King George, King & Queen, King William, Lancaster, Lee, Louisa, Lunenburg, Madison, Mathews, Mecklenburg, Middlesex, Nelson, New Kent, Northampton, Northumberland, Nottoway, Orange, Page, Patrick, Pittsylvania, Powhatan, Prince Edward, Prince George, Pulaski, Rappahannock, Richmond County, Rockbridge, Russell, Scott, Shenandoah, Smyth, Southampton, Spotsylvania, Stafford, Surry, Sussex, Tazewell, Washington, Westmoreland, Wise, Wythe, York  
Cities: Bristol, Buena Vista, Danville, Emporia, Franklin, Galax, Norton, Suffolk

**\$4,337**

Counties: Albemarle, Augusta, Chesterfield, Henrico, Loudoun, Roanoke, Rockingham, Warren  
Cities: Chesapeake, Covington, Harrisonburg, Hopewell, Lexington, Lynchburg, Martinsville, Newport News, Norfolk, Petersburg, Portsmouth, Radford, Richmond, Roanoke, Staunton, Virginia Beach, Williamsburg, Winchester

**\$4,763**

Counties: Arlington, Fairfax, Montgomery, Prince William  
Cities: Alexandria, Charlottesville, Colonial Heights, Falls Church, Fredericksburg, Hampton, Manassas, Manassas Park, Waynesboro

**\$5,794**

they would likely be **ineligible** for Medicaid

Sources: DSS, Kaiser Family Foundation

For working parents, maintaining eligibility is a high-wire act.

Because the maximum allowable income is so low and varies by locality, working parents can end up losing their eligibility with just a little overtime or even a promotion that comes with a slightly higher salary.

Or, if they have to move to another Virginia locality, they may suddenly find they have lost their eligibility.

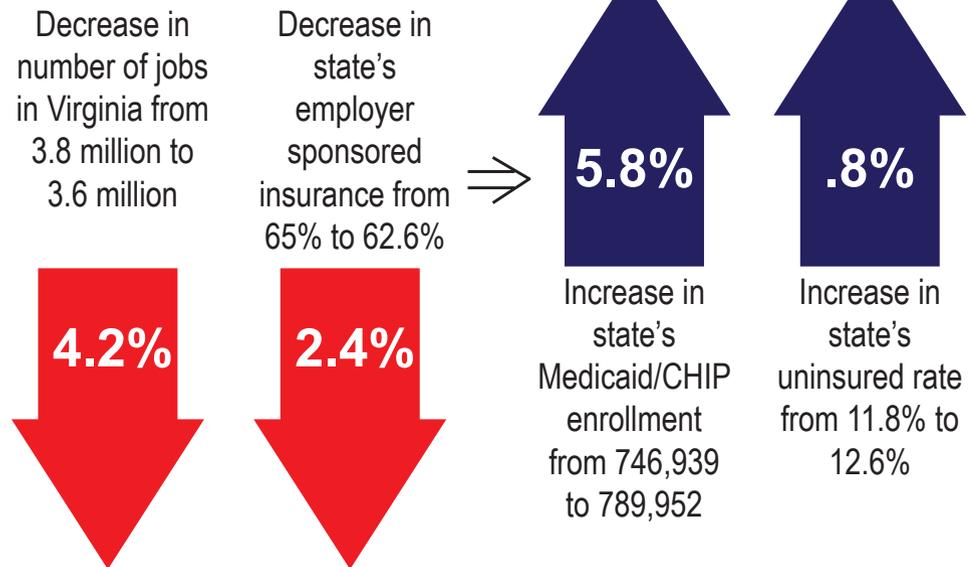


The recent recession caused many Virginians to lose their jobs and their health insurance.

As a result, more people enrolled in Medicaid, and Medicaid costs increased.

That is how Medicaid is supposed to work. During economic downturns, more people sign up and costs rise. When the economy recovers, fewer people enroll and costs ease.

## When Economic Cycle is Down, Medicaid Enrollment Increases (2008-2009)

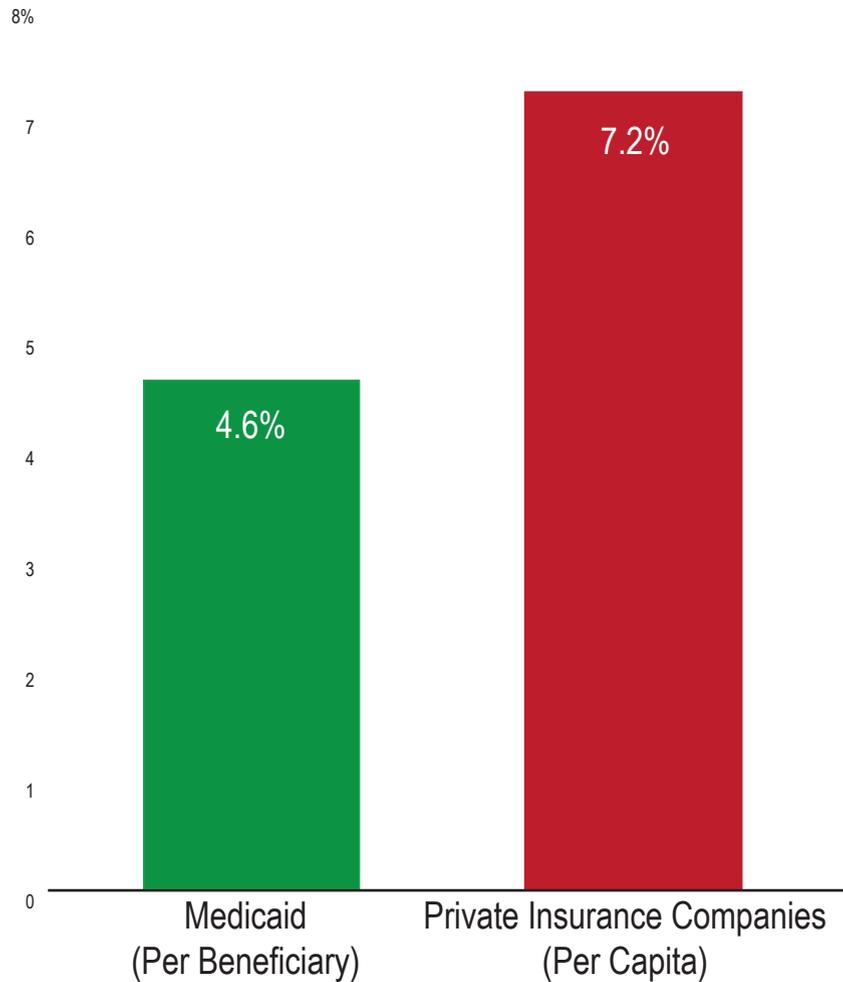


Sources: Current Population Survey, Bureau of Labor Statistics, DSS



## Medicaid Controls Costs Better

Between 2000-2009, the growth in per person cost was much lower in Medicaid than in the private insurance market.



Source: Center on Budget and Policy Priorities analysis

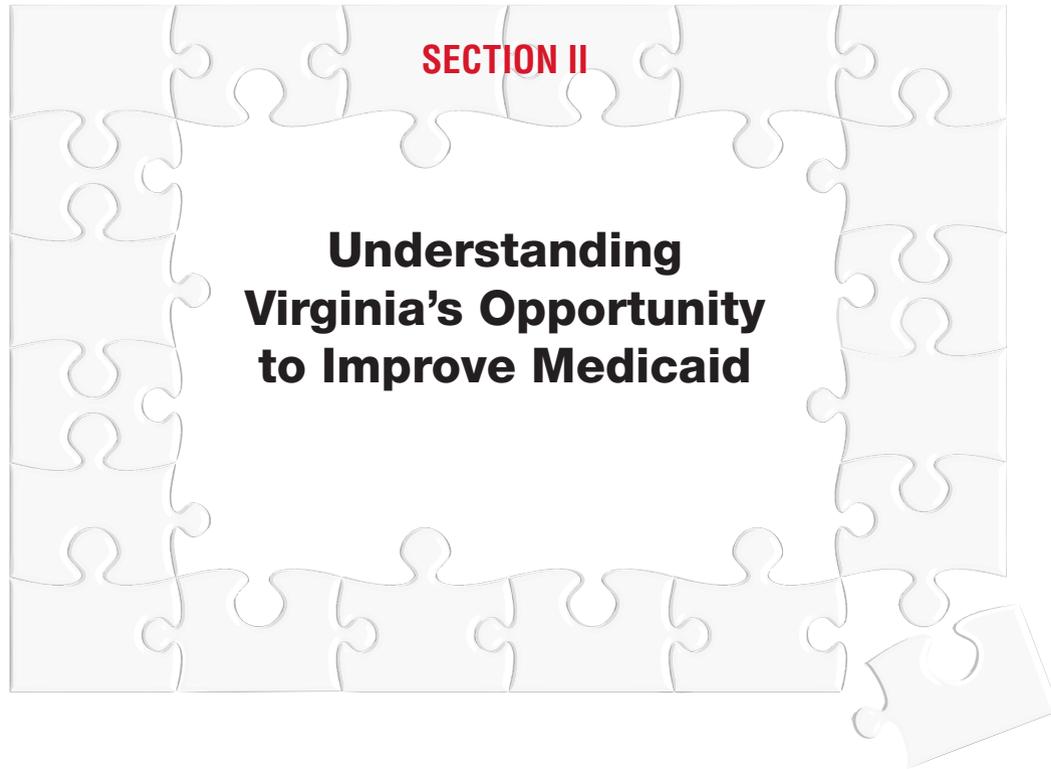
Because health care costs have been rising across the economy for many years, Medicaid costs have been rising, too. When compared to the state budget, which has been shrinking for the past few years, it can look like Medicaid costs are rising rapidly.

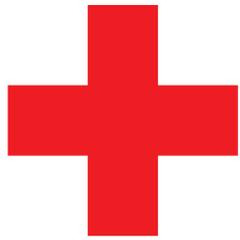
Far from broken, Medicaid is actually very efficient. Medicaid has lower administrative costs than private insurance, and its rate of growth has been much slower than private insurance.



**SECTION II**

**Understanding  
Virginia's Opportunity  
to Improve Medicaid**





# 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

1st year  \$8,900

3rd year  \$4,600

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

**320** per 100,000 States that expanded Medicaid eligibility

**344** per 100,000 States that did not expand Medicaid

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



The Affordable Care Act (ACA) offers states an option to increase Medicaid eligibility for all groups to 133 percent FPL starting January 1, 2014. In addition, there is a 5 percent income disregard which effectively raises eligibility to 138 percent FPL. This is equal to an annual income of \$26,344 for a family of three in 2012.

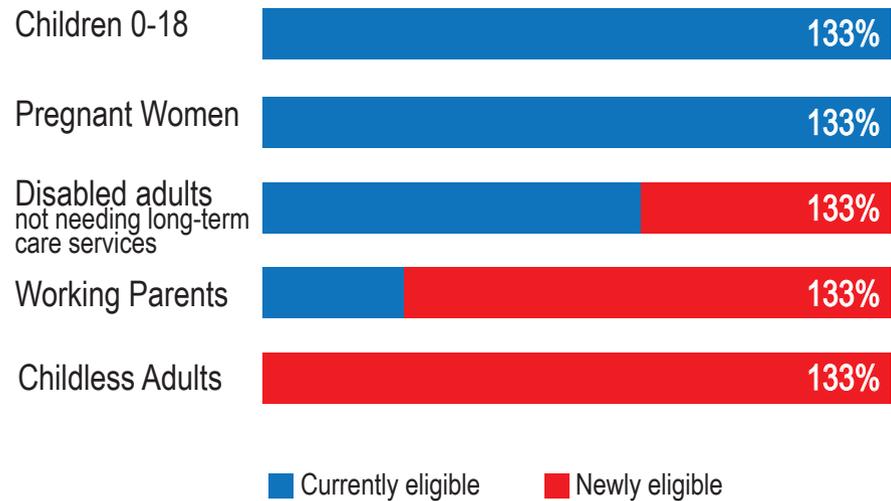
This expanded eligibility would primarily help parents and other working adults who are not offered coverage through their jobs and cannot afford other coverage.

The ACA also requires states to allow former foster youth who have aged out of the system to continue to receive Medicaid coverage.



## How does Expansion Change Eligibility?

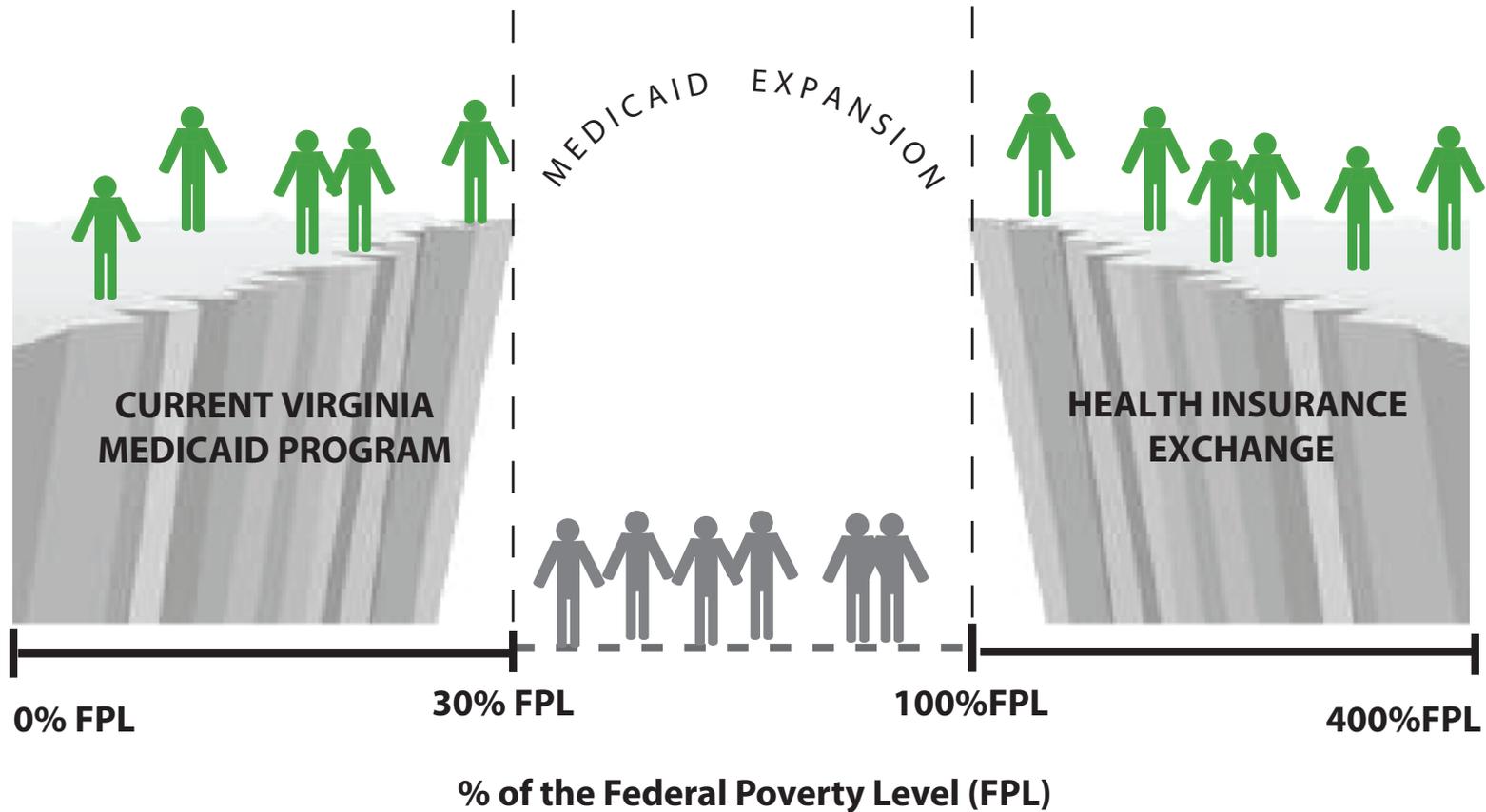
New coverage groups will be added and the income eligibility will increase up to 133% of the federal poverty level for most adults.



Source: DMAS

## Medicaid Expansion Bridges the Gap

If Virginia chooses not to expand Medicaid, thousands of Virginians will fall into a 'no-coverage ravine'— unable to enroll in Medicaid and barred from getting tax credits to buy coverage in the new health insurance exchange.



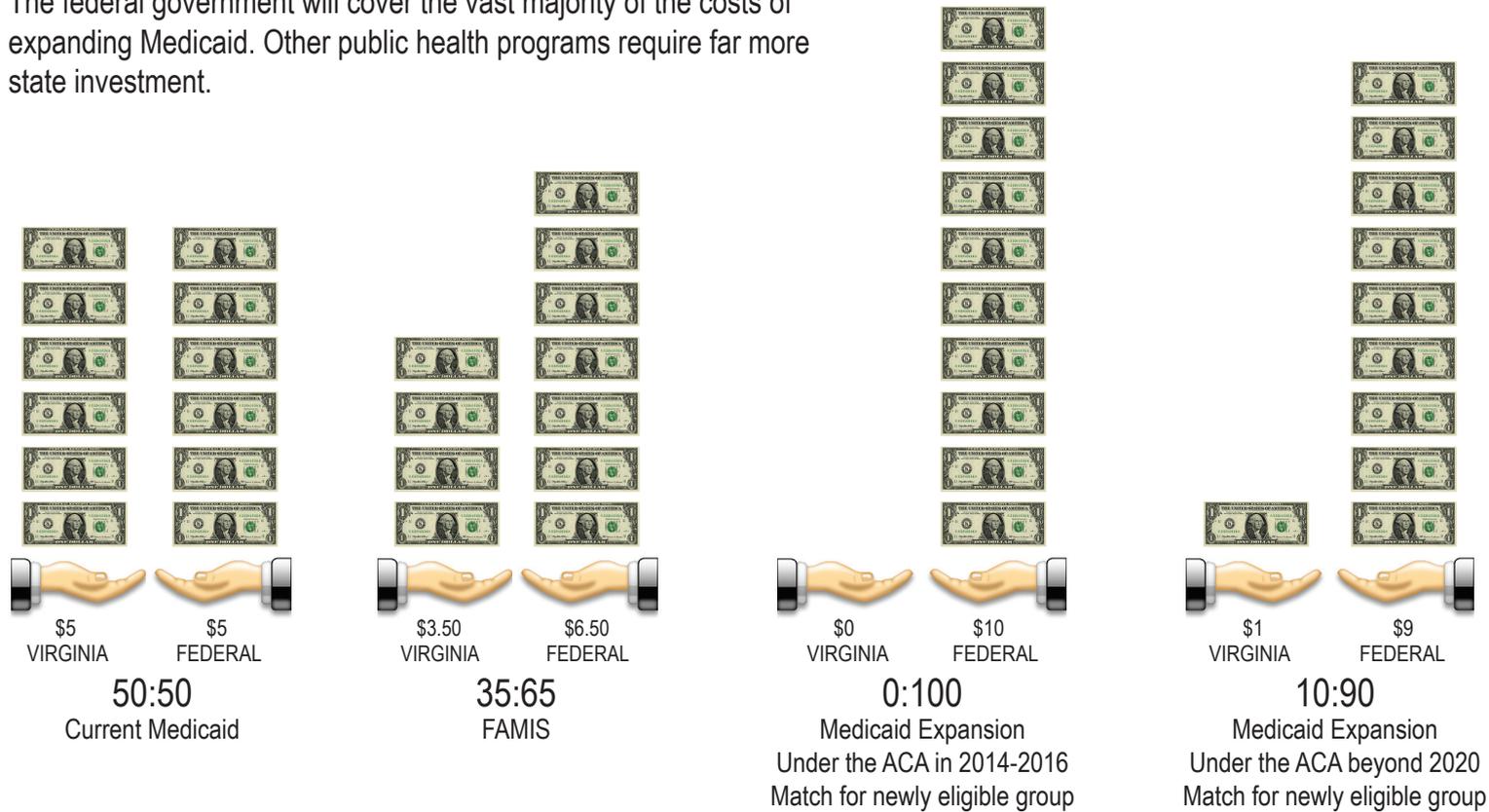
\*Note: Under the current Virginia Medicaid program, working parents may be eligible for coverage if income is under 30% of FPL. Pregnant women can get coverage up to 200% of FPL during their pregnancy and children are covered up to 200% FPL in FAMIS. Aged, blind, and disabled individuals are covered up to 80% of FPL.

Source: Department of Medical Assistance Services and IRS Revenue Bulletin Sept. 6, 2011



## Medicaid Expansion is a Great Deal for Virginia

The federal government will cover the vast majority of the costs of expanding Medicaid. Other public health programs require far more state investment.

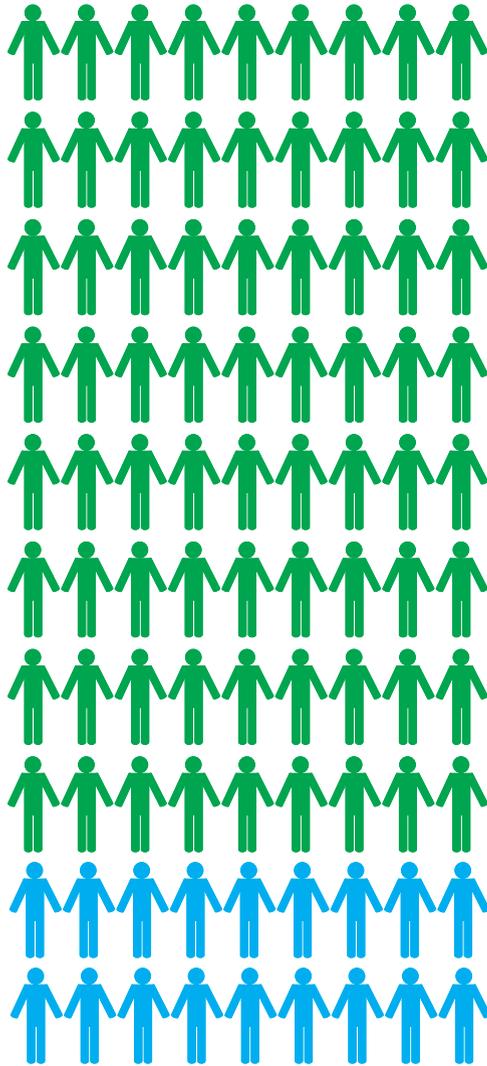


### Comparing federal and state shares of funding for public health programs

Source: Kaiser Family Foundation

## Medicaid is the Workhorse

The Affordable Care Act can help over 500,000 uninsured Virginians get health insurance, mostly through the expansion of Medicaid. If Virginia fails to expand Medicaid, thousands of Virginians will be left behind.



### MEDICAID

**420,000**

Uninsured Virginians  
Potentially Eligible for  
ACA's Medicaid  
Expansion

### THE EXCHANGE

**106,000**

Uninsured Virginians  
to Get Coverage  
through the Exchange

Sources: Urban Institute, TCI analysis

When working families have health insurance, parents can go to work and children can go to school knowing they will be able to see a doctor if they need to. And instead of seeking routine care in the emergency room, Virginians will be able to get quality, consistent care at a lower cost.

In Virginia, the largest reduction in the number of people who are uninsured would be due to the Medicaid expansion.

The most recent state estimates indicate that 241,100 of the newly eligible Medicaid recipients would enroll. Of these, 175,000 would be adults, 65,000 would be working parents, and 1,100 would be adults with disabilities.

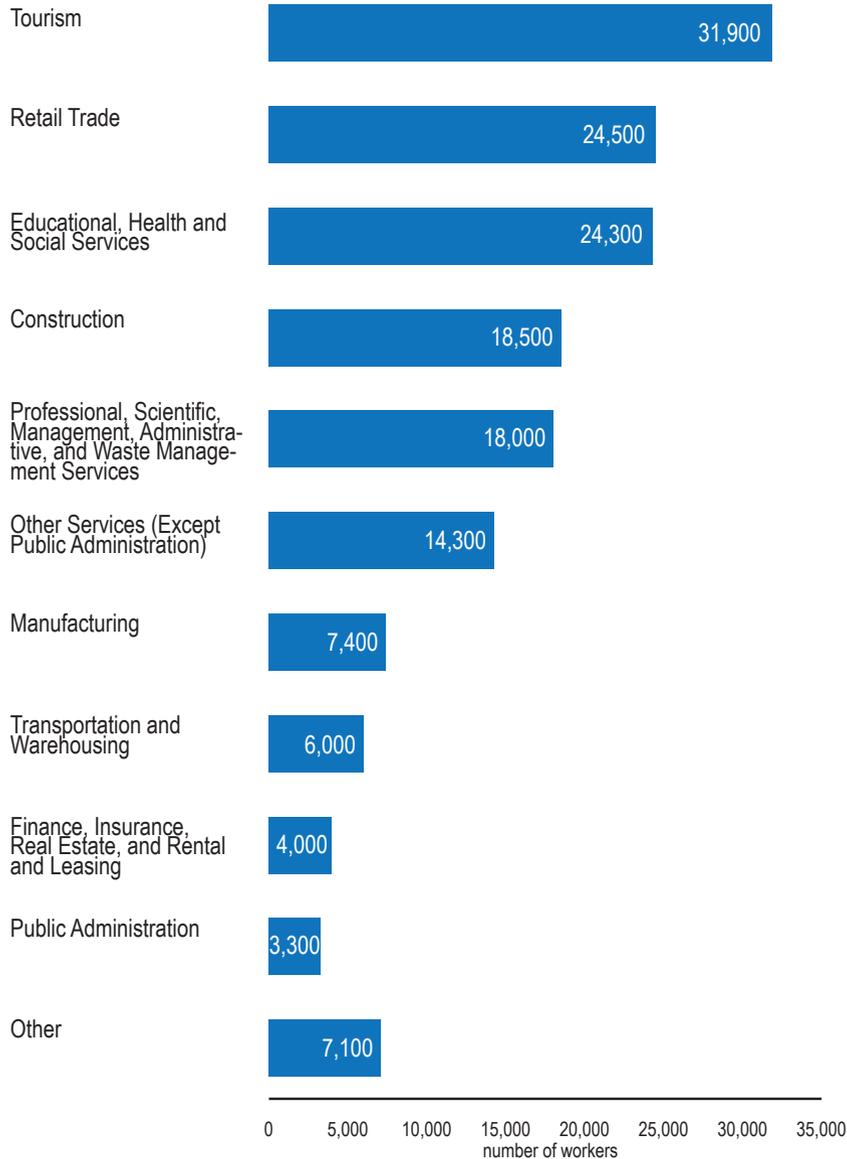
### Uninsurance Among Nonelderly Adults Below 138% Federal Poverty Level in Virginia Who Meet Medicaid Requirements, By Region

Region	# of Uninsured	% Uninsured
Arlington, Alexandria City	10,000	39.6%
Fairfax, Fairfax City, Falls Church City	29,000	39.3%
Manassas City, Manassas Park City, Prince William	13,000	48.8%
Clarke, Fauquier, Frederick, Loudoun, Shenandoah, Warren, Winchester City	20,000	44.7%
Albemarle, Charlottesville City, Fluvanna, Greene, Harrisonburg City, Louisa, Madison, Orange, Page, Rappahannock, Rockingham	22,000	29.8%
Culpeper, Fredericksburg City, King George, Spotsylvania, Stafford	12,000	36.4%
Alleghany, Augusta, Bath, Buena Vista City, Covington City, Craig, Floyd, Giles, Highland, Lexington City, Montgomery, Nelson, Pulaski, Radford City, Rockbridge, Staunton City, Waynesboro City	23,000	30.5%
Chesterfield, Goochland, Hanover, Henrico, Powhatan, Richmond City	46,000	38.3%
Botetourt, Roanoke, Roanoke City, Salem City	14,000	41.7%
Amelia, Amherst, Appomattox, Bedford, Bedford City, Buckingham, Campbell, Charlotte, Cumberland, Halifax, Lynchburg City, Nottoway, Prince Edward	25,000	35.8%
Accomack, Caroline, Essex, Gloucester, King and Queen, King William, James City, Lancaster, Mathews, Middlesex, Northampton, Northumberland, Poquoson City, Richmond, Westmoreland, Williamsburg City, York	20,000	42.4%
Hampton City, Newport News City	18,000	38.6%
Brunswick, Charles City, Colonial Heights City, Dinwiddie, Emporia City, Franklin City, Greensville, Hopewell City, Lunenburg, Mecklenburg, New Kent, Petersburg City, Prince George, Southampton, Surry, Sussex	21,000	42.5%
Bland, Bristol City, Buchanan, Carroll, Dickenson, Galax City, Grayson, Lee, Norton City, Russell, Scott, Smyth, Tazewell, Washington, Wise, Wythe	34,000	41.5%
Norfolk City, Virginia Beach City	37,000	41.4%
Chesapeake City, Isle of Wight, Portsmouth City, Suffolk City	22,000	40.8%
Danville City, Franklin, Henry, Martinsville City, Patrick, Pittsylvania	18,000	39.0%

Source: Urban Institute. Adults include all non-elderly, non-institutionalized, civilian, citizen or non-citizen with more than five years US residency individuals 19 - 64 years of age.



## Medicaid Expansion Covers Workers in Key Job Sectors



Note: Other includes Wholesale Trade, Information and Communications, Agriculture/Forestry/Fishing/Hunting, Mining, Utilities, and Armed Forces

Source: TCI analysis of 2010 ACS data retrieved from IPUMS

Expanding Medicaid is a smart investment in the hard-working people who call Virginia home, raise their families here, and make the economy tick.

The majority of people who would be newly eligible for coverage are working. And they are working in the most important sectors of our economy.

Workers in five of the state's six largest employment sectors have the most to gain: Tourism; Retail Trade; Educational, Health, and Social Services; Construction; and Professional, Scientific, Management, Administrative, and Waste Management Services.



Annually, the state could expect an infusion of \$2.6 billion per year of federal funds, which could add up to \$21 billion through 2021. The bulk of those resources will flow directly into Virginia's health care sector, resulting in increased employment in the full range of jobs required by that sector, an already important part of Virginia's economy.

In Virginia, the average health care sector job pays \$49,054. An annual infusion of \$2.6 billion could support 26,700 health care jobs in the state.

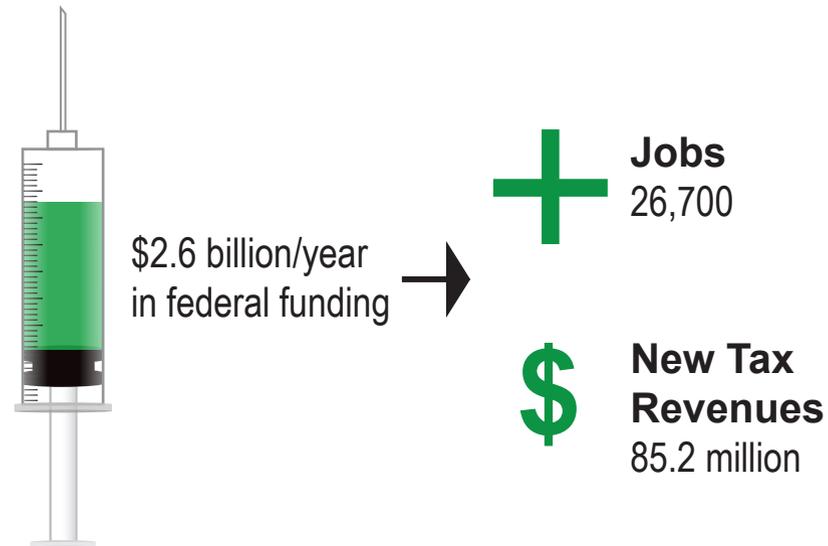
Those additional health care jobs could then translate into over \$85 million in state and local revenues each year, giving the state economy an extra boost.

A healthier, more productive workforce leads to a growing state economy, more local jobs and a vibrant future.



## Booster Shot to Virginia's Economy

New federal resources would bring new jobs and revenue to the state.



Sources: Senate Finance Committee, TCI analysis

## Medicaid Expansion Pays For Itself

2014	2017	2021
Savings Inside of Medicaid		\$339 million
Savings Outside of Medicaid		\$1.25 billion
New General Fund Revenue		\$493 million
State's Share of Expansion		\$1.02 billion
NET State General Fund Savings		\$1.06 billion

Sources: Senate Finance Committee, House Appropriations Committee, TCI analysis

Expanding Medicaid coverage would generate state savings and new revenue that are twice the cost over the next eight years (2014 - 2021). That is because expanding Medicaid would help reduce state costs for health care provided to people who do not have health insurance now, but would be covered by Medicaid in 2014.

There would be savings in the state's Medicaid program totaling \$339 million from pharmacy rebates and federal funds for programs currently funded with general funds.

Additional savings totaling \$1.25 billion would also occur outside of the state's Medicaid program through reducing the need for indigent care subsidies, supplanting general fund dollars with federal dollars, and reducing the increase in the cost of state employees' health premiums.

The state would also find itself with \$493 million of additional tax revenue as a result of the increased health sector employment (as described in the previous chart).

The new Medicaid coverage would require state contributions totaling \$1.02 billion over eight years, resulting in a net savings to the state of \$1.06 billion.

Although the specific savings and costs of Medicaid expansion will depend on the number of people who actually enroll, at every level of enrollment there will be related savings and new revenue for the state.



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## The Commonwealth Institute

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



## The Virginia Poverty Law Center

The Virginia Poverty Law Center is a non-profit organization that serves Virginia's legal aid system by providing advocacy, training, and litigation support on civil justice issues that affect low-income Virginians.





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