

Medicaid Expansion Circuit Breaker Can Manage the Load



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COMMONWEALTH
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If Federal Government Lowers the Match Rate, Virginia Can Throw the Switch

By Masey Whorley, Sookyoung Oh and Michael J. Cassidy

Medicaid expansion is a good deal for Virginia because the federal government would pay 100 percent of the cost through 2016 and then no less than 90 percent after that. But some Virginia lawmakers, including Governor McDonnell, are raising concerns that the federal government will decrease that generous match rate and shift costs to states.

That's a reasonable concern, and fortunately there is a solution: states can decide to change course and reduce coverage to pre-expansion levels if the federal government changes the match rate. In fact, many states considering expanding Medicaid coverage – including Virginia – are taking steps to make that reduction automatic.

Enhanced Match Rate Makes Expansion Good Deal

The primary reason Medicaid expansion is such a good deal for states is the enhanced federal match rate. As specified in the ACA, the match rate is 100 percent through 2016 with a gradual decline to 90 percent by 2020. After that, the match holds at 90 percent. This stands in contrast to the normal 50 percent match for most other Medicaid programs in Virginia.

Because of the high federal match rate, the state can provide nearly 400,000 uninsured Virginians access to quality, affordable health care for an estimated total cost to the state of \$137.5 million over the next nine years.

States Already Have Built-In Surge Protection

Federal law allows states that have expanded Medicaid eligibility to revert back to their original coverage limits at any time. That means that if the federal match for the expansion population is lowered, Virginia

could roll back coverage. However, it should be noted that in order for the federal rates to be lowered, Congress would have to pass legislation amending the Medicaid statute.

Some States Are Adding Redundant Protection

The Republican governors of Arizona, Florida, New Mexico, Nevada, and Ohio have recently embraced the Medicaid expansion, but they have also insisted that expansion depend on maintaining the enhanced federal match rate. Although federal rules already allow states to revert to pre-expansion eligibility levels, these states are including a “circuit breaker” as a condition of expansion. The circuit breaker would automatically roll back the expanded coverage if there is a reduction in the federal match rate.

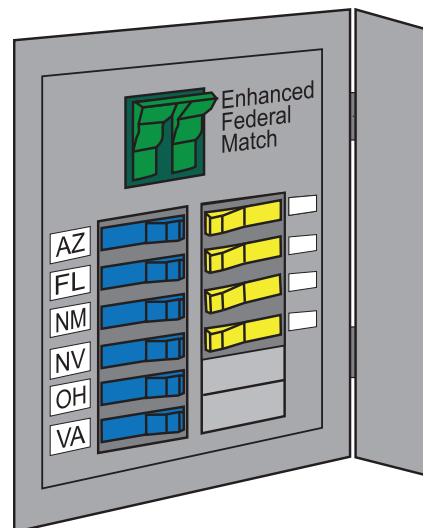
Though a circuit breaker is not necessary for states to reduce Medicaid eligibility to pre-expansion levels -- states could do this by filing a state plan amendment with the federal government -- it does offer states automatic protection from changes in federal funding. With a circuit breaker, expansion levels would automatically be reduced if Congress lowers the rate.

Virginia Budget Language Includes Circuit Breaker

The current House budget amendment expanding Medicaid contains a circuit breaker. The language authorizes the Virginia Medicaid office (DMAS) to begin dis-enrolling the expansion population if the federal match rate is lowered. The current Senate language does not contain a circuit breaker, but the state would still be authorized to roll back coverage at any time under federal rules.

Virginia Can Flip The Switch

A circuit breaker that would repeal expansion if Congress changes the enhanced federal match rate for Medicaid expansion would automatically protect Virginia.



Source: TCI analysis of state Medicaid legislation

Conclusion

States can shield themselves from the unlikely scenario that the federal government reneges on the enhanced expansion match rate. And Virginia lawmakers concerned about the federal government changing the match rate can expand Medicaid with language that automatically protects the state.

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