Un-Risky Business

Virginia Has Several Safeguards When it Comes to Extending Health Coverage

The Commonwealth Institute

By Massey Whorley and Michael Cassidy

Virginia has little to fear – and much to gain – by accepting federal money to provide health coverage to as many as 400,000 residents without insurance, given the safeguards state lawmakers have already built in and historically stable federal health care funding for states.

Despite the unfounded fears being stoked by some opponents, closing the coverage gap will actually save the commonwealth more than $600 million over the next eight years. That's because the new federal funding will allow Virginia to pay for a large number of health care services currently paid for with state funds.

While it's reasonable to look out for the state's interests, refusing to use available resources to get quality, affordable health care coverage to those who need it ignores the facts.

Virginia Not on the Hook

Closing the coverage gap is a great bargain for Virginia. The federal government will pay 100 percent of the cost through 2016, and no less than 90 percent in the years thereafter. Opponents have argued that if the federal government reduced its commitment, Virginia would be on the hook. But that runs contrary to federal and state law.

> "A state may choose whether and when to expand, and, if a state covers the expansion group, it may decide later to drop the coverage."

Federal law clearly allows states that close the coverage gap to return to their original coverage limits at any time. In 2012, the Supreme Court ruled that states cannot be compelled to help more people get health coverage through Medicaid. The federal Medicaid office (CMS) made this explicit in guidance by saying, "a state may choose whether and when to expand, and, if a state covers the expansion group, it may decide later to drop the coverage." That means if the federal commitment were reduced, Virginia could roll back coverage.

Virginia's Circuit Breaker

State lawmakers also have enacted safeguards that provide automatic protection from changes in federal funding. The state budget passed in 2013 includes a provision that would automatically reduce eligibility if Congress lowers the rate, and authorizes the Virginia Medicaid office (DMAS) to begin dropping coverage for those newly enrolled. Budget proposals for the next two years – including a Senate plan that would use the federal money to help those eligible buy private insurance – include similar safeguards.

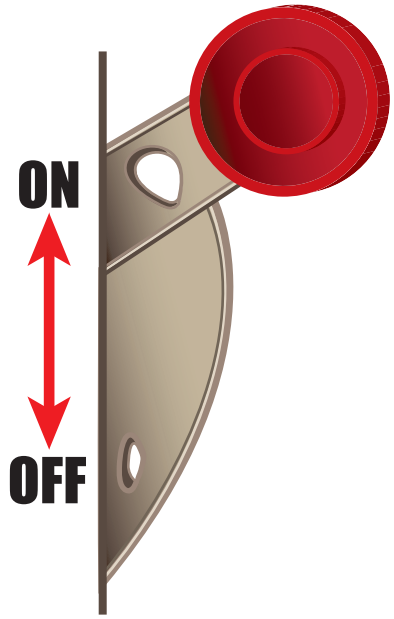
Newly eligible Virginians would be enrolled in privately managed health plans. This makes it easier for the state to drop coverage in the unlikely event Congress changes federal funding. The private companies that manage the plans would be responsible for the coverage rollback as a normal part of their business operations.

Federal Funding Historically Stable

Given the history of federal Medicaid funding, it is highly unlikely any of those safeguards would ever need to be triggered. Federal Medicaid funding rates have been very stable for decades.

Virginia Can Throw the Switch

If Congress lowers the enhanced federal match rate for covering low-income adults, Virginia can turn off the new program.



Source: TCI analysis of CMS guidance

The federal government has reduced its funding rate only once, temporarily, in the last 35 years. In fact, Congress actually boosted the rates in 2003-2004 and 2008-2011 to help states during economic downturns.

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. Contact 804-396-2051 or go to www.thecommonwealthinstitute.org.