

How Medicaid Works

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

Virginia Poverty
Law Center



THE
COMMONWEALTH
INSTITUTE

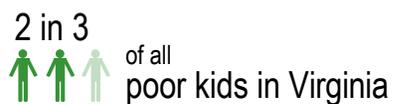
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SECTION I

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 children, pregnant women, parents, seniors over age 65, and people with disabilities.

In Virginia, over 958,000 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.



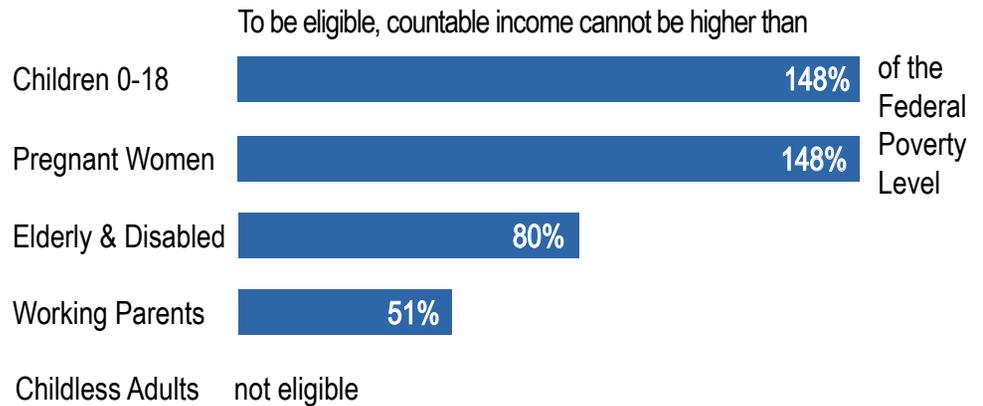
Eligibility levels determine who can receive coverage. States set eligibility levels based on personal income and assets. Eligibility levels for children, parents, and pregnant women include a 5 percent income disregard.

Virginia has set very restrictive Medicaid eligibility:

- Pregnant women and children through age 18 cannot have income higher than 148 percent of federal poverty level (FPL) or \$29,280 for a family of three. (Virginia's FAMIS program covers children and pregnant women up to 205 percent FPL or \$40,564 for a family of three.)
- Elderly and disabled people (unless on a spenddown or in long term care) cannot have income higher than 80 percent FPL or \$12,584 for an elderly couple.
- Working parents must have income below 51 percent FPL or \$10,128 for a family of three. (See next page for income levels by geographic region.)
- 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?

46th Only 5 states make it harder for working parents to get Medicaid.

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

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

\$6,468

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

\$7,656

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

\$10,128

the parents would be **ineligible** for Medicaid

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.

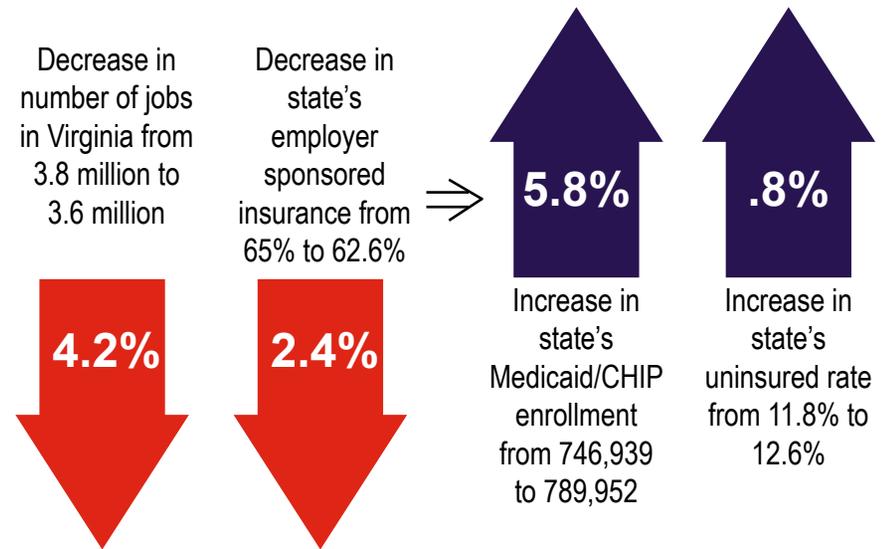
Or, if they have to move to another Virginia locality, they may suddenly find they have lost their eligibility.

The last recession caused many Virginians to lose their jobs and their health insurance. The economic recovery has been sluggish and uneven, with many of the new jobs created only offering part-time hours without benefits.

As a result, more people have 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)

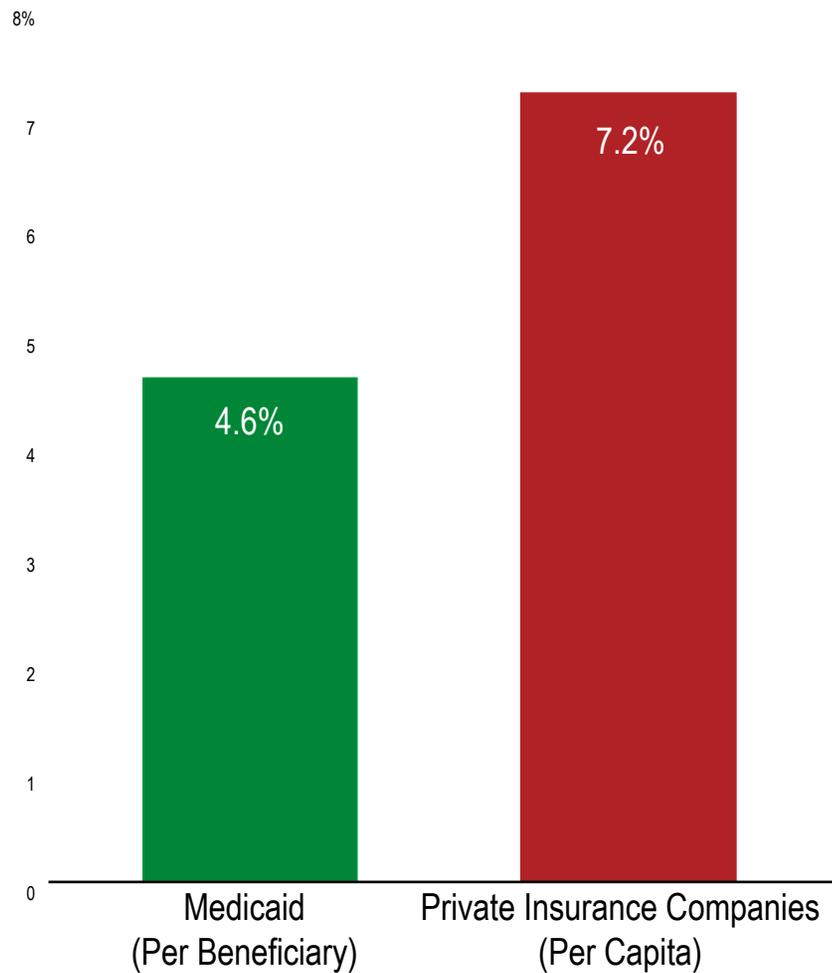


Sources: Current Population Survey, Bureau of Labor Statistics, DSS



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 shrunk during the recession, 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

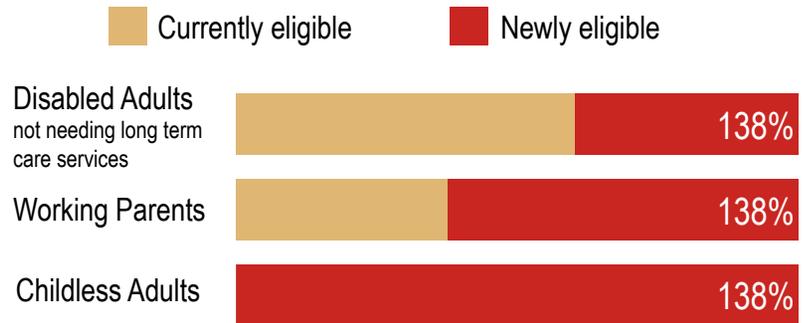
Virginia's Opportunity to Close the Coverage Gap

The Affordable Care Act (ACA) offers states an option to increase Medicaid eligibility for adults to 138 percent FPL. This is equal to an annual income of \$16,113 for an individual and \$27,308 for a family of three in 2014.

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

How Does Expansion Change Eligibility?

New coverage groups will be added and the income eligibility will increase up to 138% of the federal poverty level for most adults.

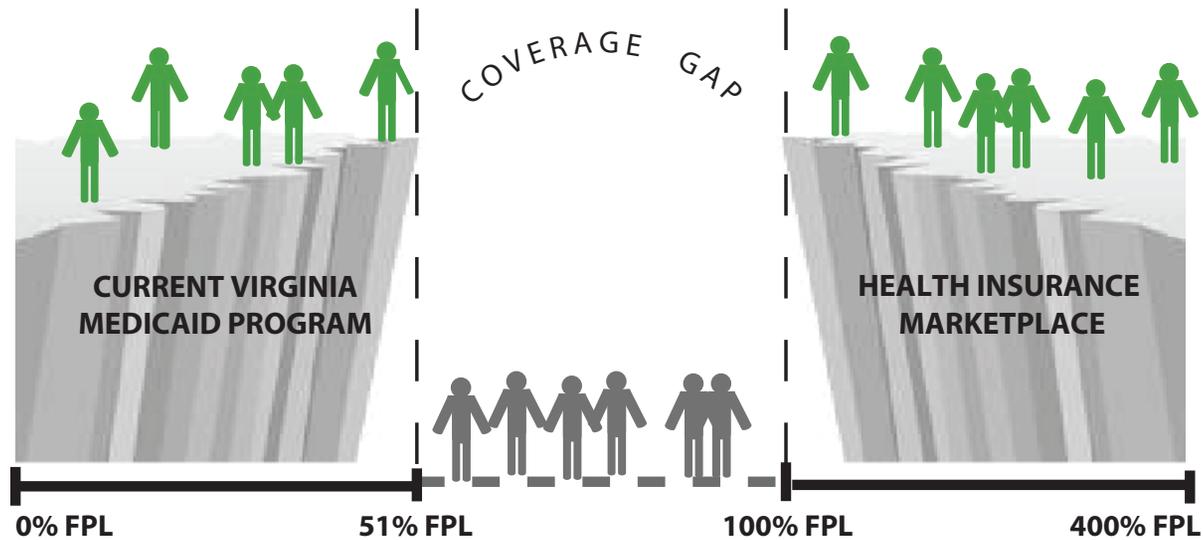


Source: TCI analysis of DMAS data



Coverage Gap

195,000 uninsured Virginians are now in the coverage gap, where they are unable to enroll in Medicaid or get tax credits to help buy coverage in the new marketplace.



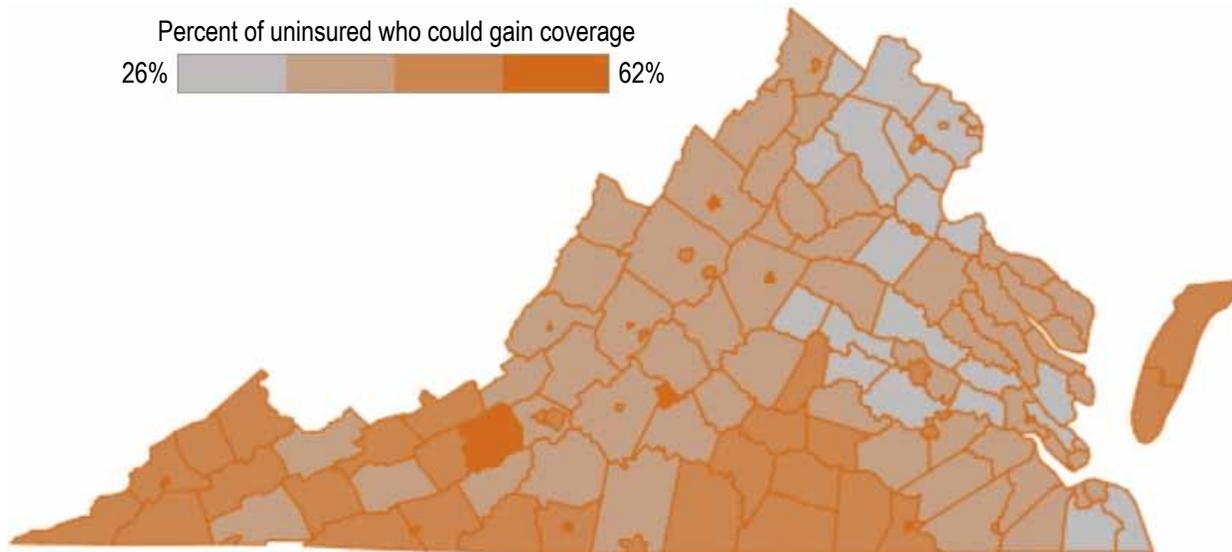
Under Virginia's current Medicaid program, working parents must have incomes below 51% FPL to be eligible, but in many parts of the state the eligibility level is even lower. Childless adults are not currently eligible for coverage no matter how poor they are, unless they are elderly, disabled, or pregnant.

Source: TCI Analysis of DMAS data



Localities Across Virginia Stand to Benefit

Nearly 400,000 Virginians all across the commonwealth would get access to quality, affordable health insurance, drastically reducing the number of people without health insurance, if state lawmakers close the coverage gap.



Source: TCI analysis of United States Census Bureau data

Closing the coverage gap is a smart investment in the hard-working people who call Virginia home, raise their families here, and make the economy tick. More and more Virginians are working but not getting the health coverage they need through their jobs.

In fact, 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 largest employment sectors have the most to gain: Tourism; Retail Trade; Educational, Health, and Social Services; Construction; and Professional Business Services.

Coverage for Workers in Key Sectors

Thousands of uninsured Virginians working in sectors vital to the state's economy could qualify for coverage through closing the coverage gap.



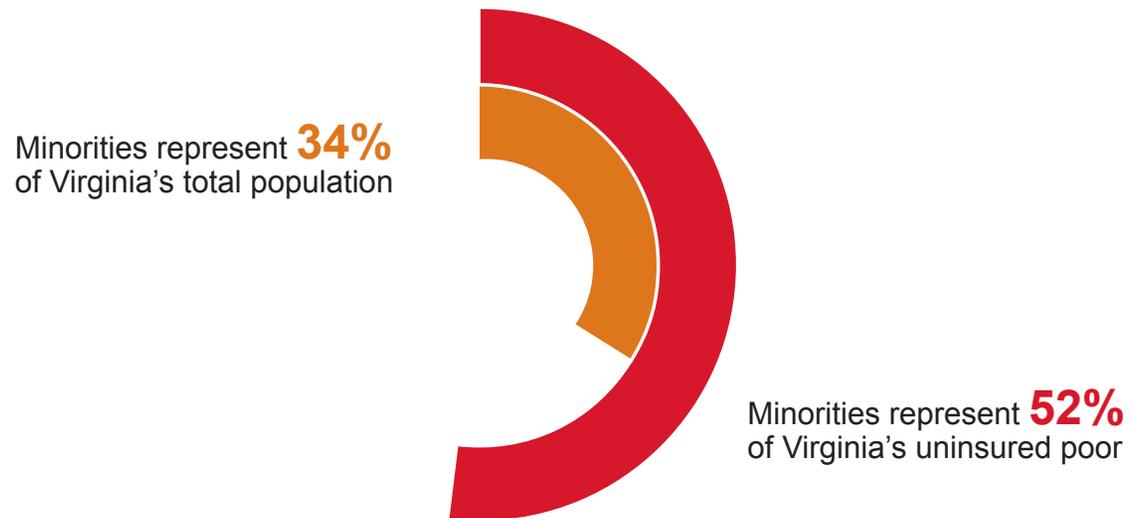
Note: Other includes Wholesale Trade, Information and Communications, Agriculture/Forestry/Fishing/Hunting, Mining, Utilities, and Armed Forces

Source: TCI analysis of 2012 ACS data retrieved from IPUMS



Majority Minority

Racial and ethnic minorities disproportionately have lower incomes and lack health insurance. Minorities make up more than half the uninsured poor despite representing only one-third of the total population.



Source: TCI analysis of 2012 United States Census data using IPUMS



VIRGINIA'S VETERANS

& MEDICAID EXPANSION

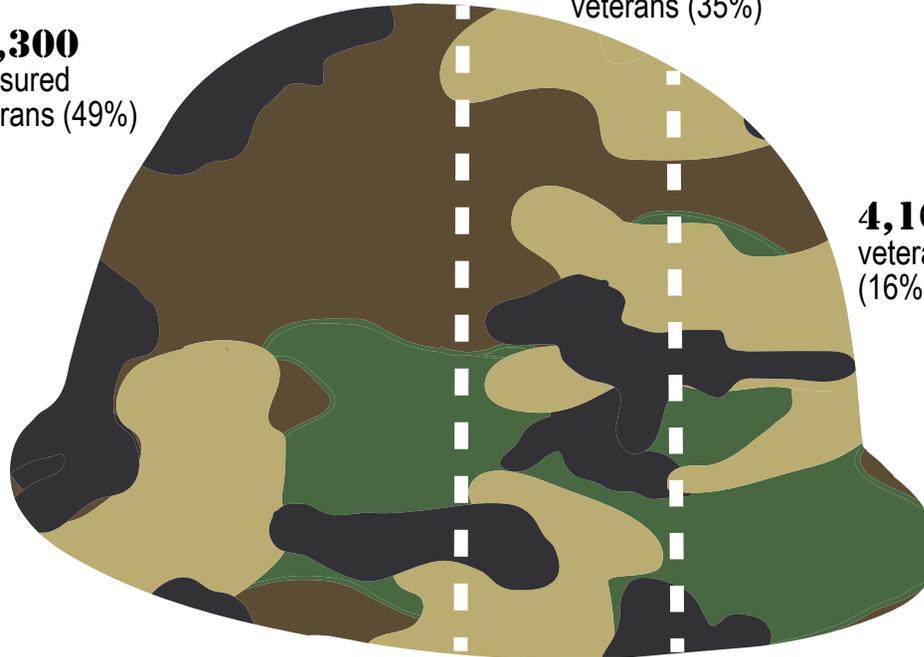
25,200

Military veterans and their spouses could get quality, affordable health care coverage through Medicaid expansion.

12,300
uninsured
veterans (49%)

8,800 underinsured
veterans (35%)

4,100 uninsured
veteran spouses
(16%)



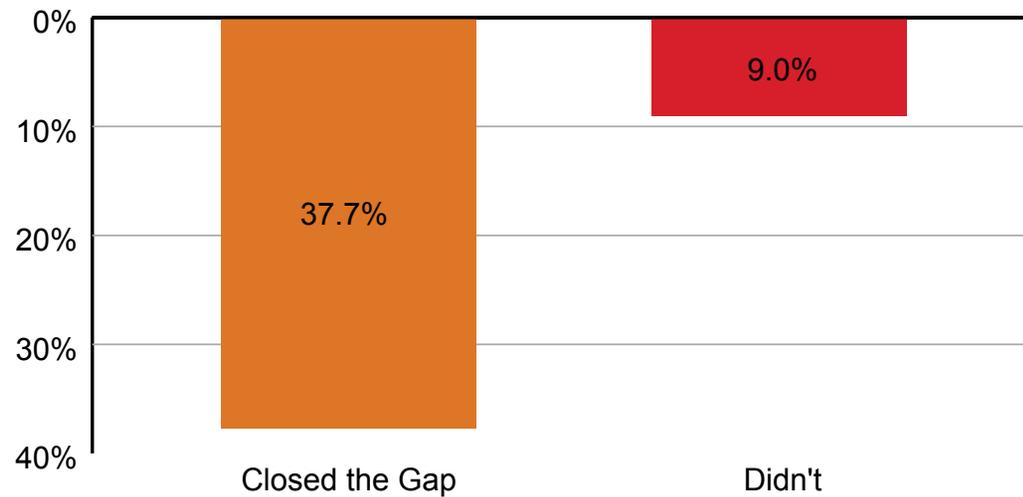
Source: TCI analysis of Urban Institute data



Drastic Difference

States that closed their coverage gaps have seen the number of adults without health coverage drop by 37.7 percent over the last nine months. Compare that with just a 9 percent drop in states, like Virginia, that didn't close the coverage gap.

Percent reduction in uninsured nonelderly adults



Source: Urban Institute survey results released July 10, 2014



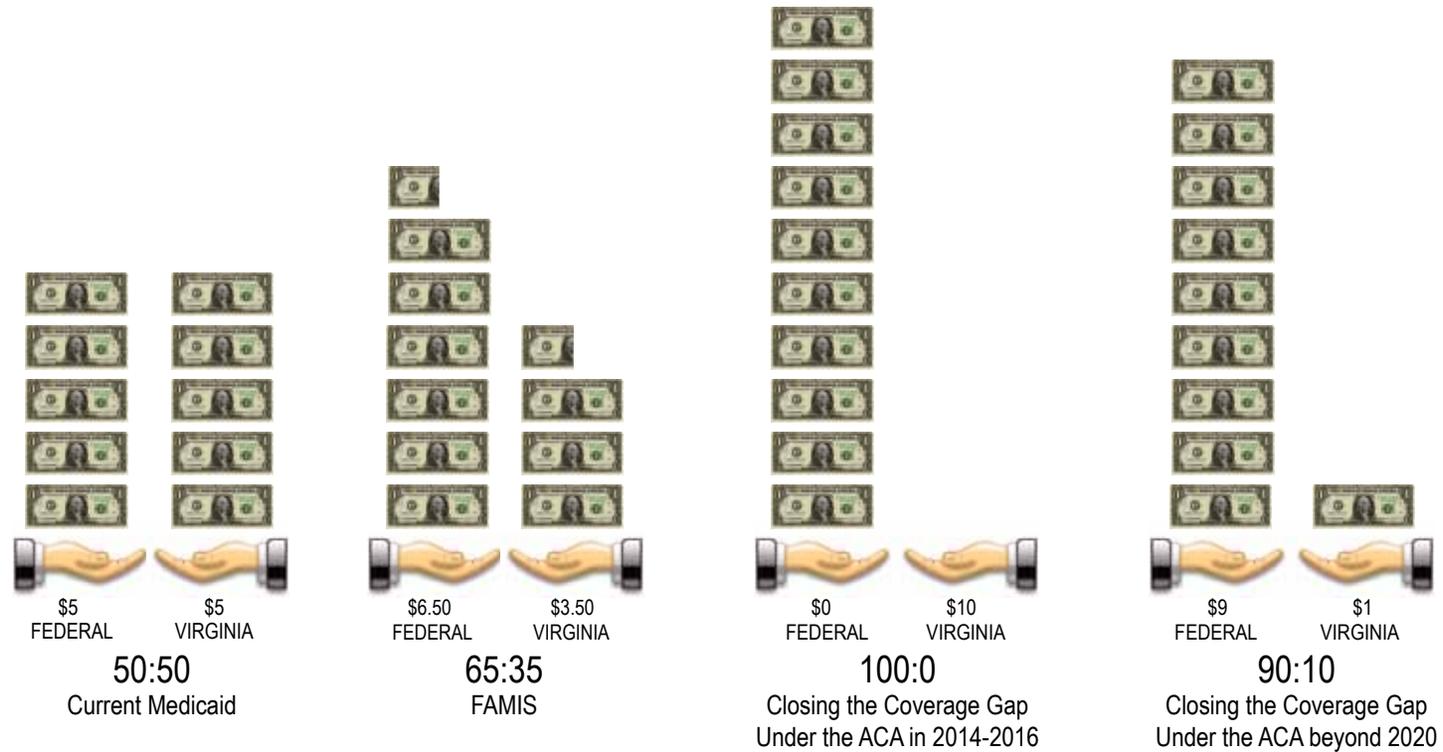


SECTION III

The Economic & Other Benefits of Closing the Coverage Gap

Closing the Coverage Gap is a Great Deal for Virginia

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



Source: Kaiser Family Foundation



Annually, the state could expect an infusion of \$1.8 billion per year of federal funds, which could add up to \$14.5 billion over the next eight years. 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.

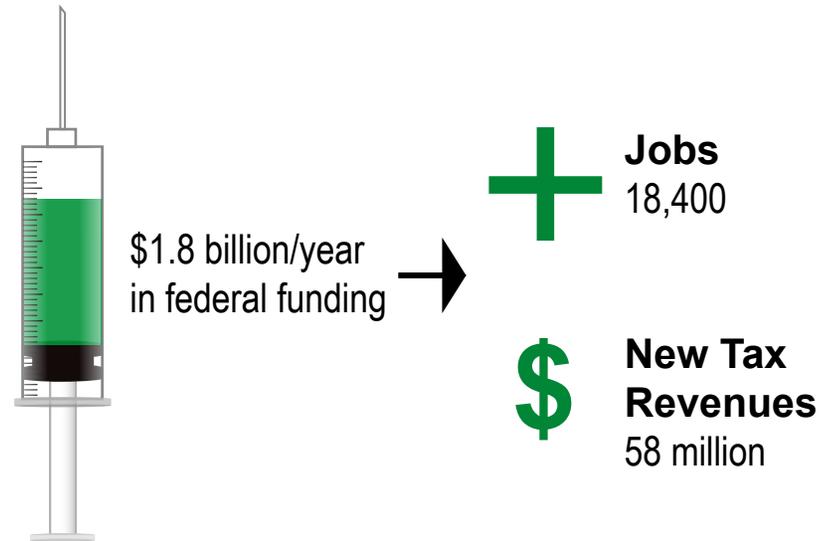
In Virginia, the average health care sector job pays about \$50,000. An annual infusion of \$1.8 billion could support approximately 18,400 health care jobs with benefits.

Those additional health care jobs could then translate into over \$58 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.

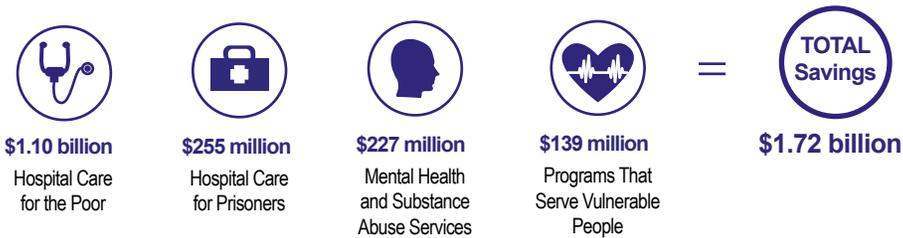


Sources: Senate Finance Committee, TCI analysis



Key Sources for Savings

Closing the coverage gap would allow for some of the services currently provided with state general fund dollars to be paid with federal funds. The savings could offset all of the costs, ease state budget pressures, and provide funding for unmet health needs in Virginia.



Sources: TCI analyses of DMAS and Senate Finance Committee

Closing the coverage gap could generate \$1.7 billion in state savings over the next eight years. That's because using federal funds to cover Virginia's uninsured poor would help reduce state costs for health care currently provided to people who would be covered by Medicaid.

The greatest source of savings the state could see from accepting the federal funds to cover more Virginians – \$1.1 billion over the next eight years – would come from care for the poor at the health systems run by the University of Virginia and Virginia Commonwealth University. Closing the coverage gap would allow the vast majority of the uninsured served by UVA and VCU to get health insurance, greatly reducing the need for state funding.

The state could also save hundreds of millions of dollars by using federal funds in lieu of state dollars to pay for inmate's hospital costs, community mental health care, cancer screenings, and temporary detention orders.

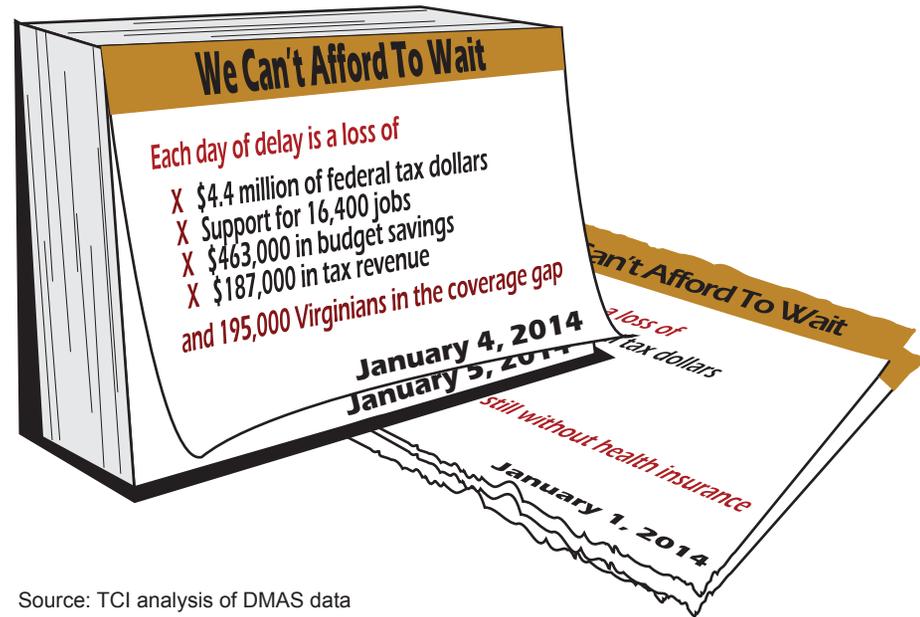
The new Medicaid coverage would require state contributions totaling \$1.1 billion over eight years, resulting in a net savings to the state of \$601 million.

Specific savings and costs of closing the coverage gap will depend on when Virginia expands coverage and the number of people who actually enroll.



Virginia could have closed the coverage gap on January 1, 2014. Since then, Virginia has forfeited over \$1 billion in federal tax dollars that Virginians have already paid. That money could have helped hundreds of thousands of low-income Virginians get the health care they need.

In addition, Virginia is forfeiting the economic benefits of thousands of well-paying jobs and the tax revenue those jobs would generate. The state is also losing budget savings from using federal funds, rather than state dollars, for existing health care programs.



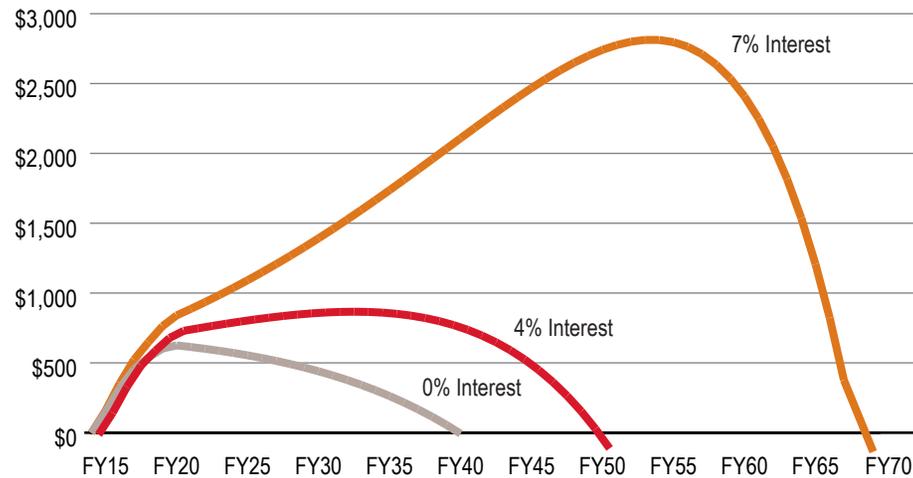
Source: TCI analysis of DMAS data



Trust Worthy

The state could pay its share of closing the coverage gap for years to come by capturing and investing early savings.

Millions in Trust Fund



Source: TCI analysis of DMAS data released January 24, 2014

A trust fund established to hold and invest the state budget savings from closing the coverage gap could cover the costs of expansion for years to come.

Under a conservative scenario, the savings could cover the costs until 2050. Mirroring how the state currently manages its existing trust funds, the early savings could fund the program for even longer.

But that's only if the state chooses to close the coverage gap soon. Because the greatest savings are available in 2014 through 2016 when the federal government pays for 100 percent of the cost of the expanded program, it is imperative to take action now.





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.



80%
less likely to have catastrophic medical expenses

50%
less likely to borrow money or fail to pay other bills because of medical debt

Results compare people who gained coverage in Oregon versus those who remained 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.



4.5%
reduction in potentially preventable deaths

235
fewer deaths in Virginia by 2018

Results compare the reduction in mortality when people in Massachusetts gained coverage with similar localities in other states where people didn't gain coverage.







SECTION IV

No Reason to Delay

Medicaid Reforms Underway, Saving Money

Medicaid reforms requested by lawmakers in 2013 are now in place. Lawmakers have already booked \$106 million in savings, and as noted on page 18 there are additional savings from extending coverage to nearly 400,000 uninsured Virginians.

-  Hire contractor to oversee behavioral health provider network
Savings: \$56.6M
-  Implement a Medicare-Medicaid demonstration pilot
Savings: \$21.3M
-  Implement new eligibility and enrollment system
Savings: \$16.4M
-  Transition children in foster care and adoption assistance into managed care
Savings: \$5.8M
-  Enhance program integrity
Savings: \$5.7M

Savings listed are for GF SFY15-16
Source: TCI analysis of DMAS data

- Medicaid IS being reformed. Seventeen reforms enacted by the legislature in 2013 are underway and already saving money.
- The budget for the next two years counts \$106 million in savings from those reforms which include improved oversight of mental health services (saving \$57 million) and a new program to better manage the care of people who get both Medicaid and Medicare (saving \$21 million).
- Closing the coverage gap could save the state as much as \$225 million more in the current two-year budget cycle. (See page 18)
- Virginia can save significant money by doing two things: Continue Medicaid reforms and close the coverage gap.

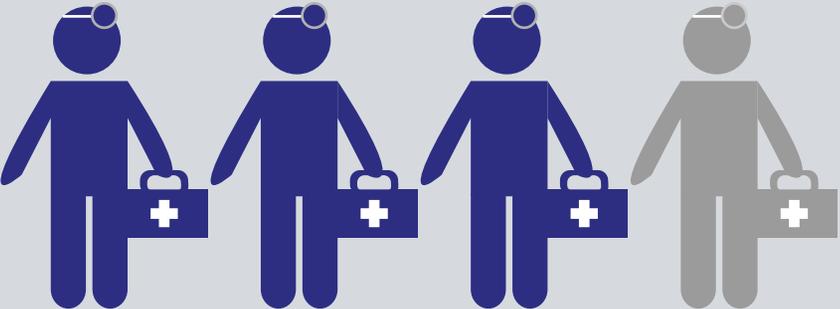


- About 76% of Virginia doctors are accepting new Medicaid patients.
- That's just about the percentage accepting new patients with Medicare or private insurance. Nationally, 83 percent of physicians are accepting new Medicare patients and 82 percent are accepting new patients with private insurance.
- Uninsured people who get sick today may get some medical services, but often in inappropriate and costly emergency rooms.
- If the uninsured could get preventive care and ongoing treatment for chronic conditions, they would have better overall health and fewer health emergencies.

PRESCRIPTION FOR ACCESS

R_x

Three out of four doctors are accepting new Medicaid patients



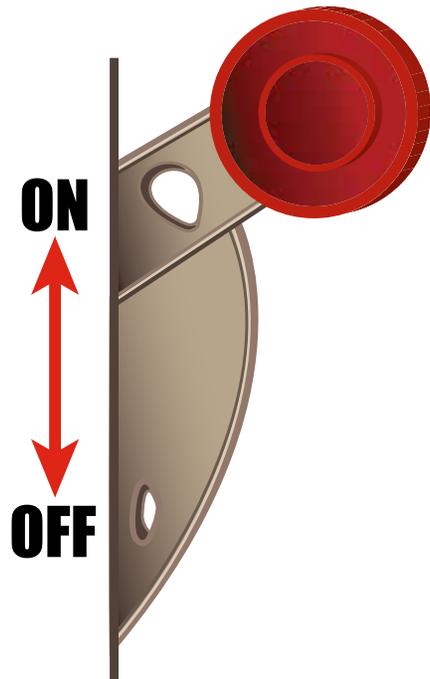
Source: National Ambulatory Medical Care Survey Electronic Medical Records Supplement, 2011

The Commonwealth Institute for Fiscal Analysis
July 2013



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 funds are available now and are being used by 27 states (including West Virginia, Kentucky, Ohio, and Pennsylvania) and the District of Columbia.
- If the promised federal match rate is reduced, Virginia can end the new coverage.
- The federal government's commitment to Medicaid has been strong for decades.

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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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