# Rx for an Ailing Virginia

## Budget Savings in Expansion States Can Happen in Virginia

*By Massey Whorley and Michael Cassidy*

The Commonwealth Institute

Nationwide, 27 states and Washington, D.C., have freed up precious resources for critical needs like education by closing their health coverage gaps and saving money on medical care. The same could be true for Virginia, to the tune of $161 million.

Instead, Virginia lawmakers' refusal to close the coverage gap has placed an unnecessary burden on state finances. That's because closing the gap – and tapping the significant federal funds available to do it – would help Virginia save money it normally spends on providing care for the uninsured. Detailed estimates provided by the state's own Medicaid office and others forecast significant state budget savings from closing the coverage gap. Yet, opponents refuse to accept those findings, even though they have no data of their own to refute them.

This report looks at how four states – Arkansas, Kentucky, Michigan, and New Mexico – are seeing actual savings of millions of dollars in their state budgets as a result of closing the coverage gap, the same way Virginia could if state lawmakers dropped their misguided opposition to the move.

### Other States Are Already Saving

While the majority of states have taken the opportunity to help their low-income, uninsured residents and save scarce state resources, they have done it in different ways. Federal officials have given states considerable flexibility in designing ways to close the coverage gap. States such as Kentucky and New Mexico took a direct approach, simply extending Medicaid eligibility to more people. Other states such as Arkansas and Michigan have taken alternative approaches to covering low-income adults. However, the one thing all four states have in common is that they are now booking significant state budget savings as a direct result of closing their coverage gaps.

### Kentucky


Kentucky has enrolled 267,000 people who were previously ineligible for coverage and, as a result, reduced state spending on a variety of health care programs by $80 million in the current budget year and $87 million in the next budget year. Kentucky has been able to use federal funding rather than state dollars for community mental health programs, local health departments, limited medical benefit programs, hospital treatment for prison inmates, and health insurance for youth transitioning out of foster care. For example, the state no longer has to pick up 30 percent of the cost for 23,500 people who were previously in a public health insurance program, since those men and women are part of the group now covered with all federal dollars.

### New Mexico


New Mexico has experienced similar enrollment and savings from closing the coverage gap. The state projects that enrollment among the newly eligible will top 163,000 people this year. New Mexico saved $23 million last budget year by transferring 37,000 people who were getting coverage through a program that was entirely state funded into the entirely federally funded expansion category. In the current budget year, New Mexico forecasts savings from this transfer will increase to $60 million plus another $18 million in savings from state funded mental health programs.

**With the demonstrated savings in other states and Virginia lawmakers' willingness to accept federal funds to pay for inmates' health care, lawmakers are out of excuses.**

## Arkansas


Arkansas was the first state to take an alternative approach to closing the coverage gap. Rather than placing newly eligible men and women in the state's existing Medicaid program, Arkansas got federal approval to use the federal dollars to purchase coverage in private health plans through the state's health insurance marketplace. There are now 205,000 people enrolled in Arkansas' "private option," and the state is saving a significant amount of money. The private coverage replaced $20 million in state-funded limited medical benefits and $22 million in state-funded care for the uninsured last budget year. In the current budget year, Arkansas lawmakers expect this savings to grow to $89 million.

## Michigan


Michigan has also taken an alternative approach to closing the coverage gap and began its new coverage program on April 1, 2014. The state has now enrolled 425,000 people who are newly eligible for coverage, and the state is expecting substantial savings. For the state budget year that just ended, Michigan lawmakers projected savings of $100 million in a variety of areas. They include replacing state funds for community mental health services, a state program that had been providing limited physical and mental health benefits to very low-income Michiganders, and prisoner-related medical care.

## Key Sources for Savings

Virginia could save $161 million next year, after accounting for costs, by closing the coverage gap and using federal dollars to pay for some services currently provided with state general fund dollars. Other states have already achieved savings in similar areas.

| | Virginia - No Action | Virginia - Closing the Gap | Other States |
|---|---|---|---|
| Hospital Care for the Poor | $0 | $114 M | $33 M AR |
| Hospital Care for Prisoners | $0 | $30 M | $6 M KY |
| Mental Health and Substance Abuse Services | $0 | $23 M | $87 M MI |
| Programs That Serve Vulnerable People | $0 | $10 M | $60 M NM |

Sources: TCI analysis of DMAS data

## Virginia


### Virginia

Closing the coverage gap in Virginia would save the state millions of dollars if lawmakers could agree to put the commonwealth and their constituents first. If the state accepted federal funding to close the coverage gap to begin on July 1, 2015, it could save $161 million while providing up to 400,000 uninsured Virginians access to quality, affordable health care.

Virginia, like the states that have already closed their coverage gaps, could use federal funds to replace state-funded health care programs that help low-income, uninsured adults get care, resulting in significant savings.

The greatest amount – $114 million – would come from saving money now spent on care for the uninsured poor provided by the University of Virginia and Virginia Commonwealth University health systems. 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 $30 million by using federal funds in lieu of state dollars to pay for inmates' hospital costs. Similarly, the state could save $23 million currently spent on community mental health care and $10 million for programs that provide specific benefits like cancer screening and family planning.

The total savings from closing the coverage gap would come to $178 million, though that would be slightly offset by comparatively modest costs to the state of $17 million. Those costs would cover administrative expenses and a portion of

the coverage for people who were already eligible for Medicaid but enrolling for the first time. All told, the state stands to save $161 million next year if lawmakers close the coverage gap.

Those savings could help offset a significant portion of the remaining $322 million budget shortfall that has already cost hundreds of public service workers their jobs and drained other resources from important services. But because Virginia has not closed the coverage gap, it is not seeing any of those savings.

### Sneaking a Taste

Despite refusing to close the coverage gap, Virginia lawmakers quietly agreed last year to take advantage of a provision of the Affordable Care Act that allows Medicaid to cover the inpatient hospital care of eligible prison inmates. As a result, the state now evenly splits the cost with the federal government instead of paying the entire cost itself.

In other words, state lawmakers have agreed to accept new federal funds to cover the cost of treating the state's prisoners, but not its hard-working men and women.

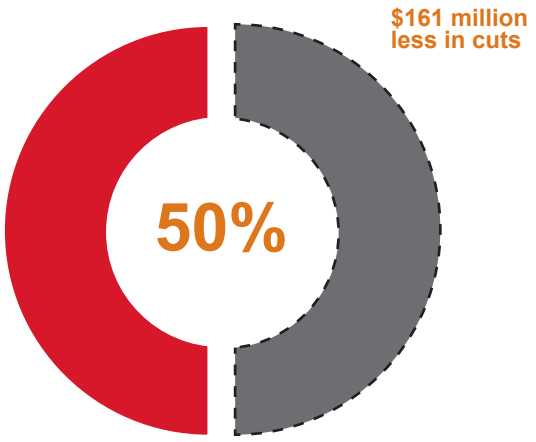
And using federal funds to cover inmates has been good for the state budget, just like closing the coverage gap would be. The policy change saved the state an estimated $1.3 million in the budget year that ended June 30, 2014. The state could save even more on inmate care – $29 million – if lawmakers took the bigger step of closing the coverage gap. More inmates would qualify for coverage when they are in the hospital. The federal government would pay 100 percent of the cost through 2016 and no less than 90 percent after that.

The willingness of state lawmakers to accept federal funds to help pay for the health care of prisoners stands in stark contrast to their refusal to help hard-working, law-abiding Virginians who are struggling to make ends meet. Everyone should be able to afford the health care they need when they are sick, not just prisoners.

With the demonstrated savings in other states and Virginia lawmakers' willingness to accept federal funds to pay for inmates' health care, lawmakers are out of excuses.

## Closing the Gap and the Shortfall

If state lawmakers close the coverage gap, the state could save $161 million in the next budget year. Using these savings could close over 50% of the revenue shortfall that remains for state fiscal year 2016.




Source: TCI analysis of DMAS data

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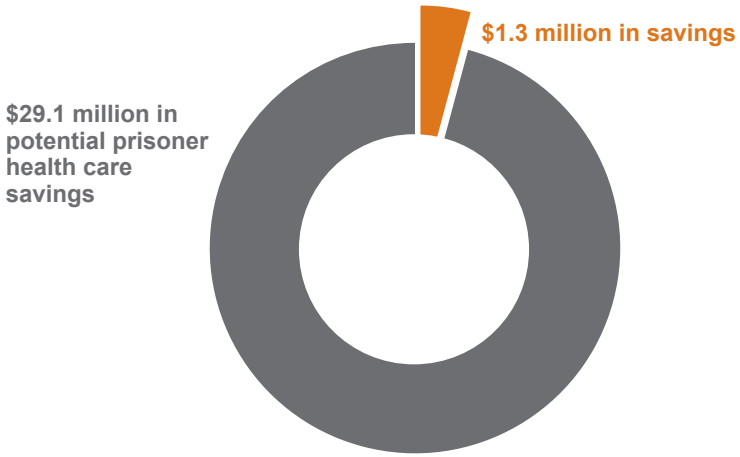
Virginia lawmakers have agreed to accept new federal funding to cover the inpatient hospital care of eligible prison inmates, saving the state $1.3 million. But they have refused to close coverage gap, which would save an additional $29 million per year in prisoner hospital care.




Source: TCI analysis of DMAS and DOC data

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