



How Medicaid Works

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

Virginia Poverty
Law Center



THE
COMMONWEALTH
INSTITUTE

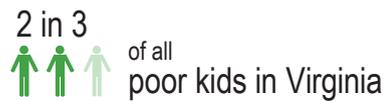
SECTION I	Understanding Virginia's Medicaid Program Today	1
SECTION II	Virginia's Opportunity to Close the Coverage Gap	7
SECTION III	The Economic & Other Benefits of Closing the Coverage Gap	17
SECTION IV	Medicaid Isn't Broken	27
	For More Information	31



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: TCI analysis of Kaiser Family Foundation data

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, nearly 1 million 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.

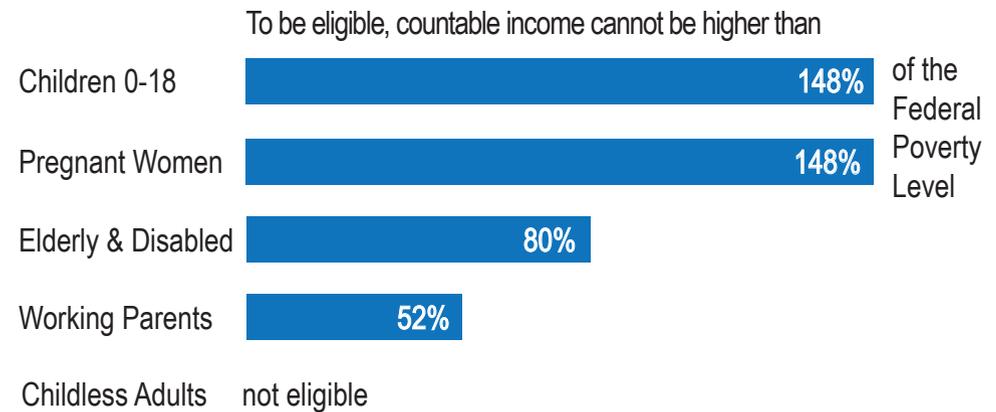
Virginia has very restrictive Medicaid eligibility:

- Pregnant women and children through age 18 cannot have income higher than 148 percent of federal poverty level (FPL) or \$29,748 for a family of three. (Virginia's FAMIS program covers children and pregnant women up to 205 percent FPL or \$41,188 for a family of three.)
- Elderly and disabled people (unless on a spend down or in long term care) cannot have income higher than 80 percent FPL or \$12,744 for an elderly couple.
- Working parents must have income below 52 percent FPL or \$10,464 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: TCI analysis of DSS data

Virginia's Medicaid Program Is Stingy

48th Only 2 states invest less per resident in their Medicaid program.

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, 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

\$6,672

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

\$7,908

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

\$10,464

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 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.

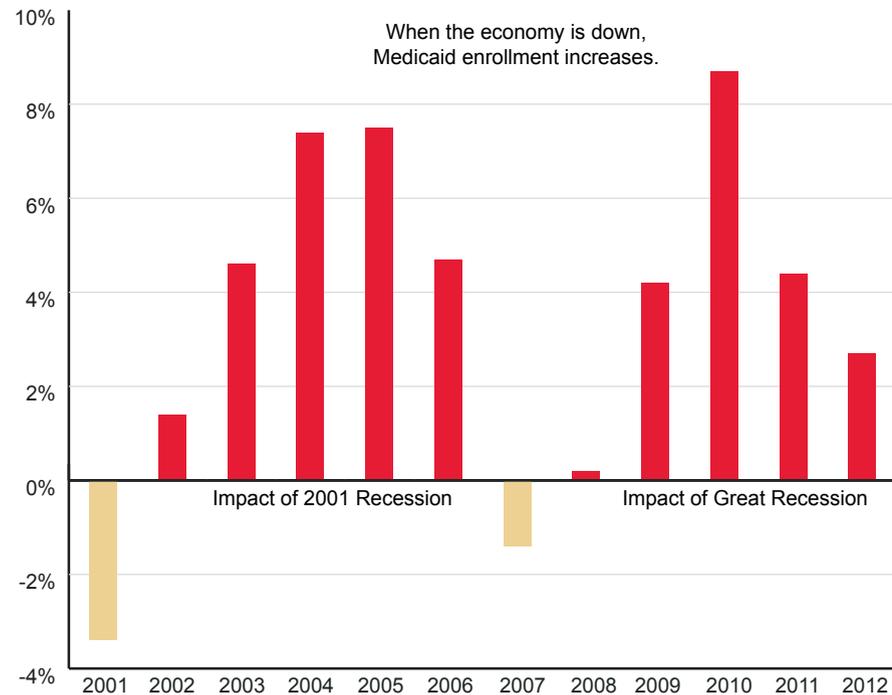
As a result, more people have enrolled in Medicaid, and Medicaid costs increased.

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



Medicaid Protects Virginians During Economic Downturns

Percent Change in Medicaid Enrollees Per Total Population

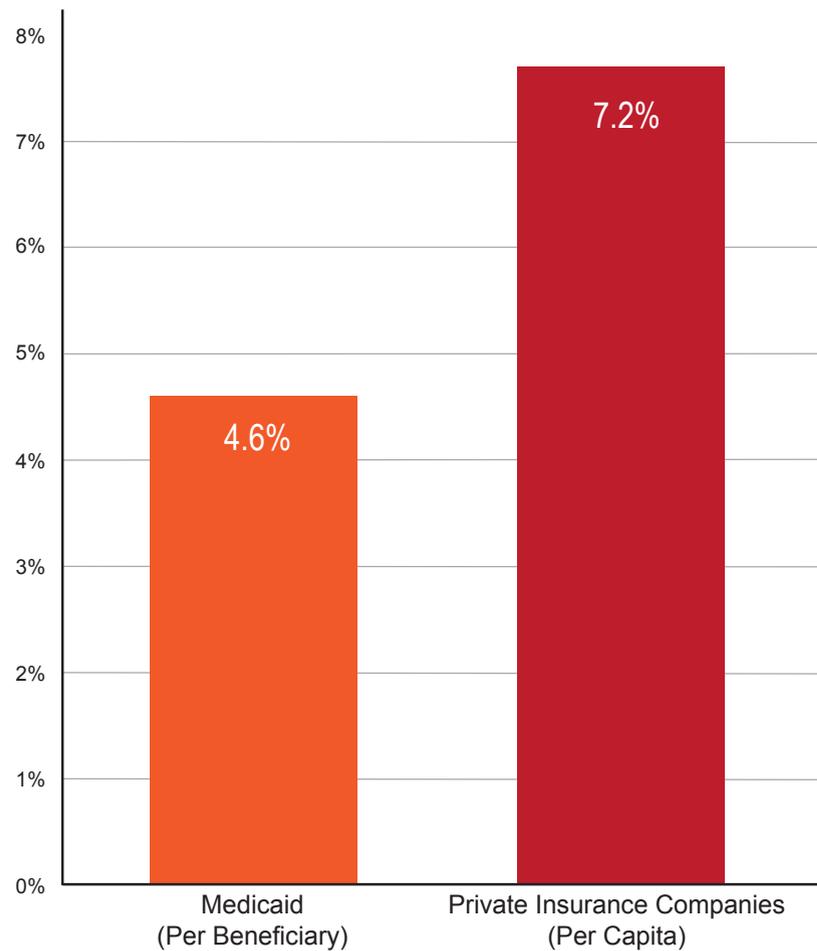


Source: TCI analysis of DMAS and Weldon Cooper Center for Public Service data

Medicaid Controls Costs Better

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

Percent yearly increase



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 the rate of growth has been much slower than private insurance.



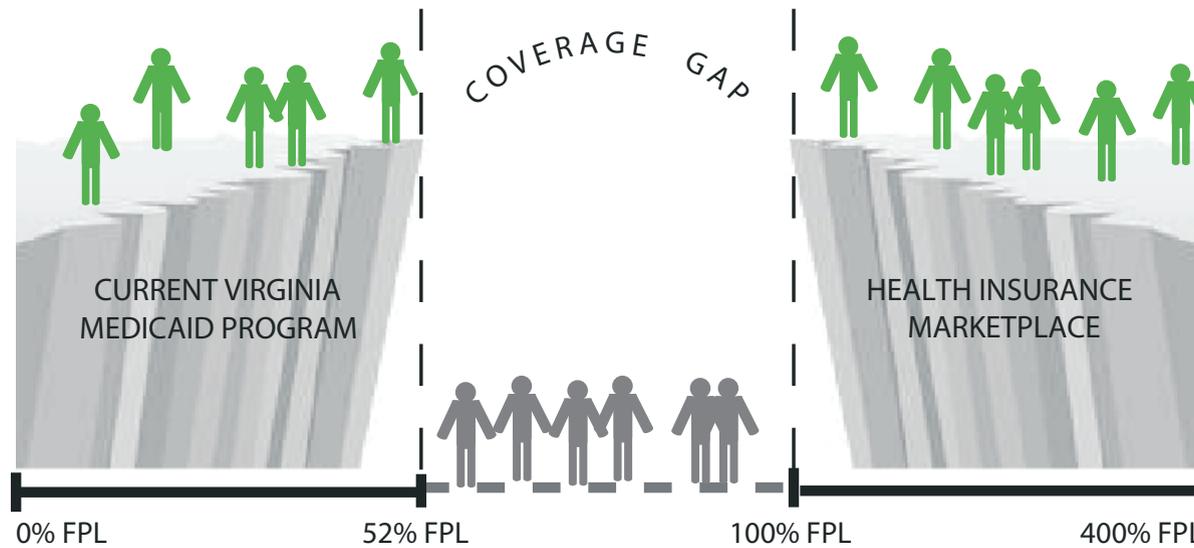


SECTION II

Virginia's Opportunity to Close the Coverage Gap

Coverage Gap

230,000 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 52% 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

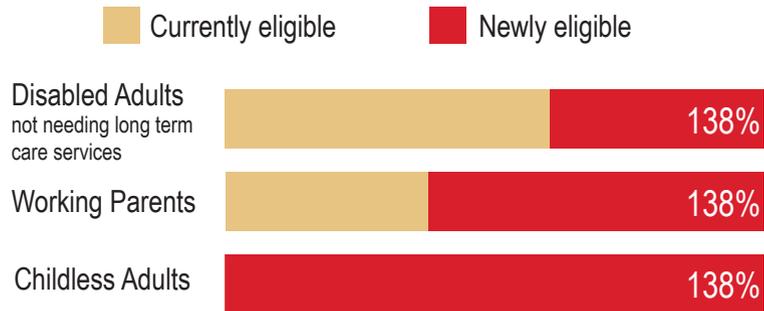


Virginia lawmakers could close the coverage gap by taking the option offered to states to increase Medicaid eligibility for most adults to 138 percent of the federal poverty level (FPL). This is equal to an annual income of \$16,243 for an individual and \$27,724 for a family of three in 2015.

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

Using Medicaid to Close the Coverage Gap

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

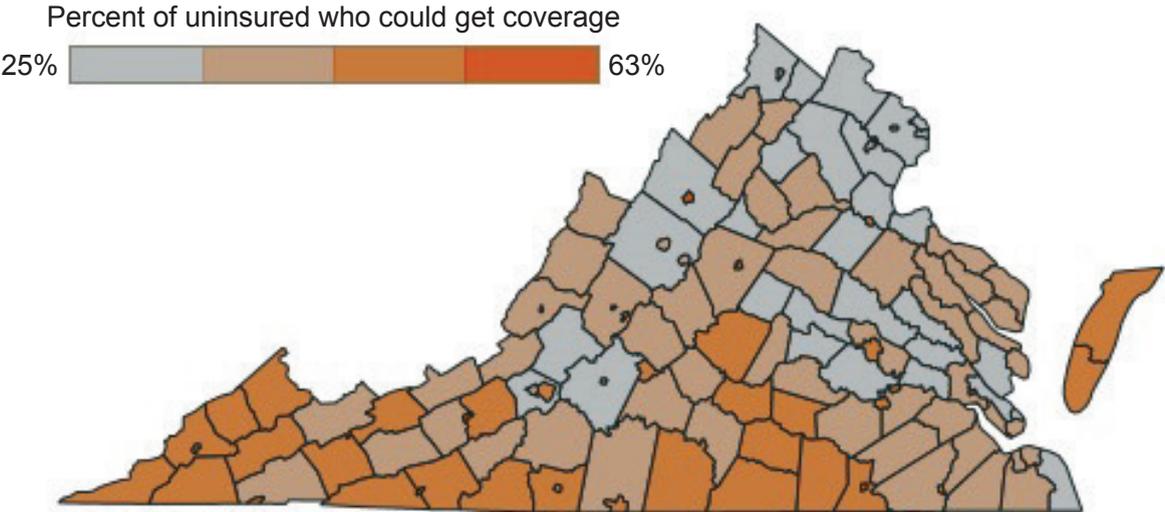


Source: TCI analysis of DMAS data



Localities Across Virginia Stand to Benefit

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.

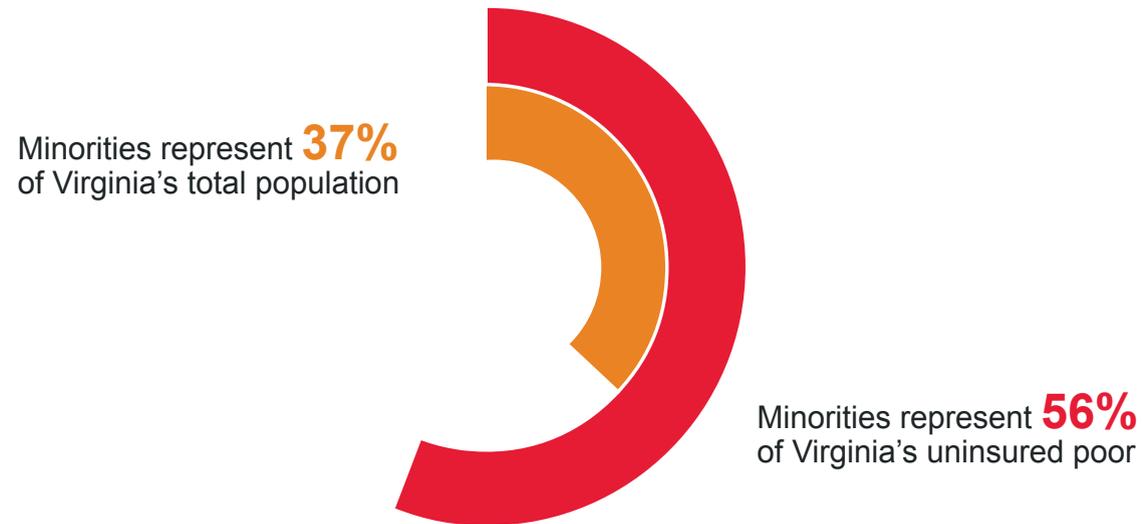


Note: Other includes Wholesale Trade, Information and Communications, Agriculture/Forestry/Fishing/Hunting, Mining, Utilities, and Armed Forces

Source: TCI analysis of 2014 ACS data

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 2014 ACS data

VIRGINIA'S VETERANS

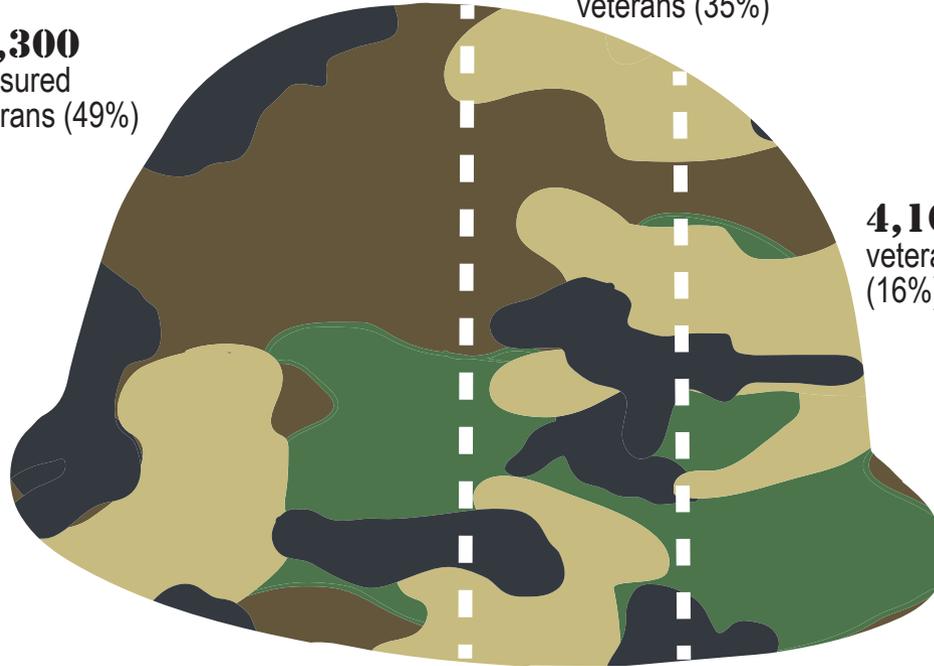
& MEDICAID EXPANSION

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%)



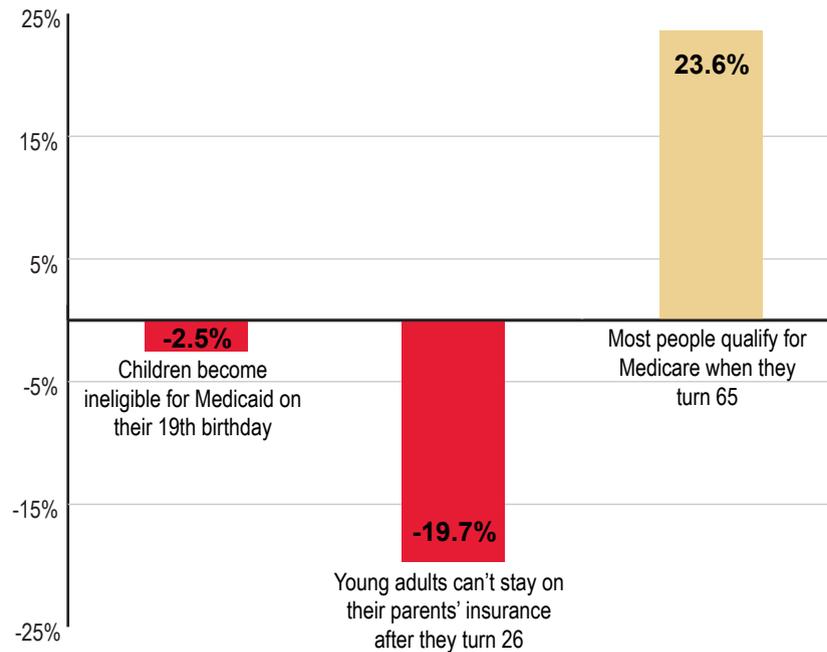
Source: TCI analysis of Urban Institute data



Happy Birthday?

Birthdays are often a reason to celebrate, but Virginia's failure to close the coverage gap can leave low-income 18 and 25 year olds dreading their next one. Meanwhile older Virginians look forward to turning 65.

Percent change year over year in low-income Virginians with insurance



Source: TCI analysis of 2014 US Census data

Virginia lawmakers' refusal to close the coverage gap means that low-income Virginians may have coverage one day and then lose it the next, through no fault of their own.

One of the ways this happens is through birthdays.

Nearly all children become ineligible for Medicaid on their 19th birthday. That contributes to a decrease of 2.5 percent in the number of insured 19 year olds relative to their slightly younger counterparts.

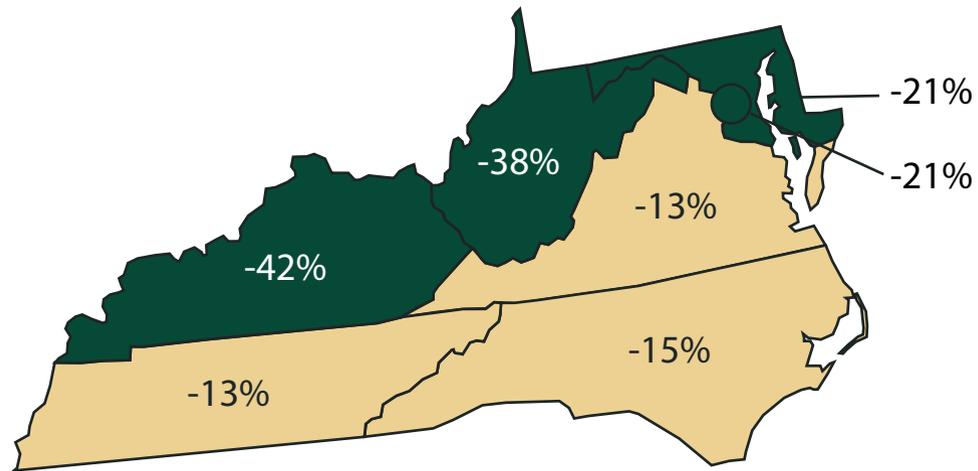
Similarly, adult children can't stay on their parents' coverage after they turn 26. There is a corresponding 19.7 percent decline in the number of insured 26 year olds.

And older Virginians are stuck in the position where they have increasing health needs, but limited access to coverage until they turn 65 and qualify for Medicare. Hitting that milestone results in a 23.6 percent increase in the insured rate relative to people who are 64.



Drastic Differences

Virginia's neighbors who closed the coverage gap saw their uninsured non-elderly population shrink by 33% between 2013 and 2014. Meanwhile, Virginia and its neighbors who did not close the coverage gap saw their rate fall by only 14%.



Source: TCI analysis of 2013 & 2014 ACS data



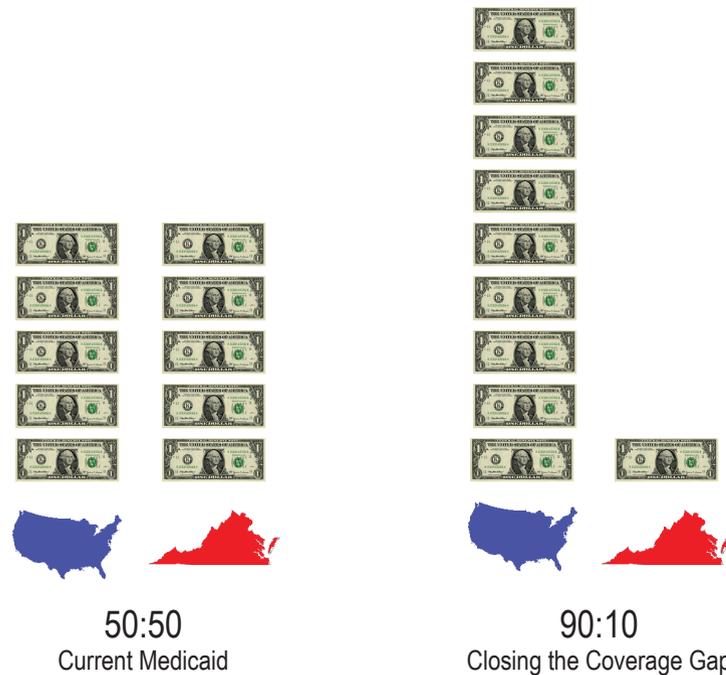


SECTION III

The Economic & Other Benefits of Closing the Coverage Gap

Closing the Coverage Gap Is a Great Deal

The federal government will cover the vast majority of the costs of closing the coverage gap. Virginia's current Medicaid program requires at least five times more state investment.



Source: TCI analysis of Kaiser Family Foundation data

Virginia's current Medicaid match rate is 50:50. That means the state has to match every federal dollar in the current Medicaid program with a state dollar to pay for the coverage of low-income Virginians.

If Virginia lifted eligibility to 138 percent FPL, the state would only have to match every federal dollar with 10 cents for the newly eligible.

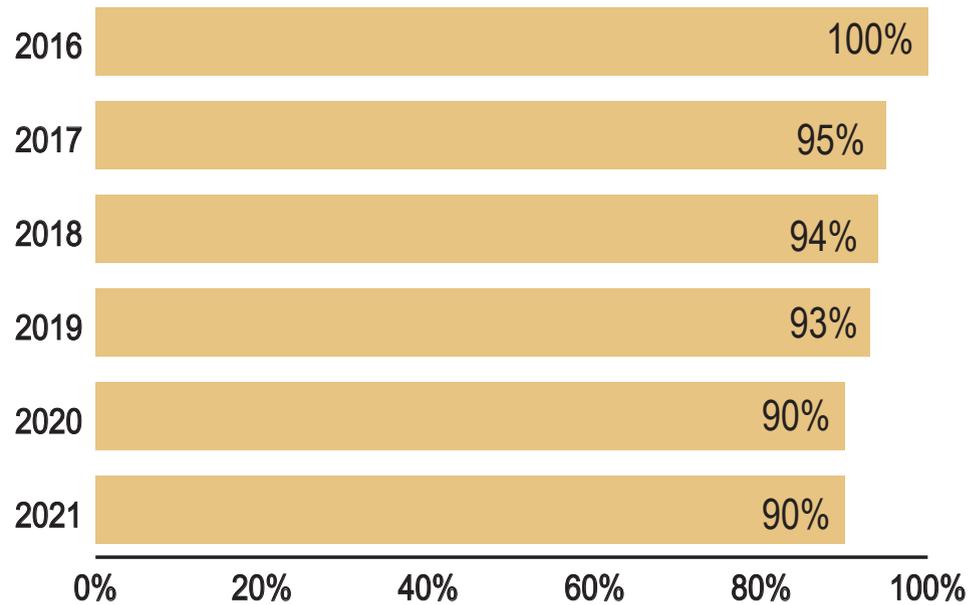
This enhanced match rate is similar to the newly enhanced rate for the Family Access to Medical Insurance Safety (FAMIS) program. Virginia only has to contribute 12 percent – 12 cents for every dollar – to that program now, saving the state as much as \$56 million in state fiscal year 2016 and as much as \$75 million a year through 2019.



State Responsible for Fraction of Costs

If Virginia closes the coverage gap, the state will be responsible for a small portion – never more than 10 percent – of the costs.

% Percent Federal Match

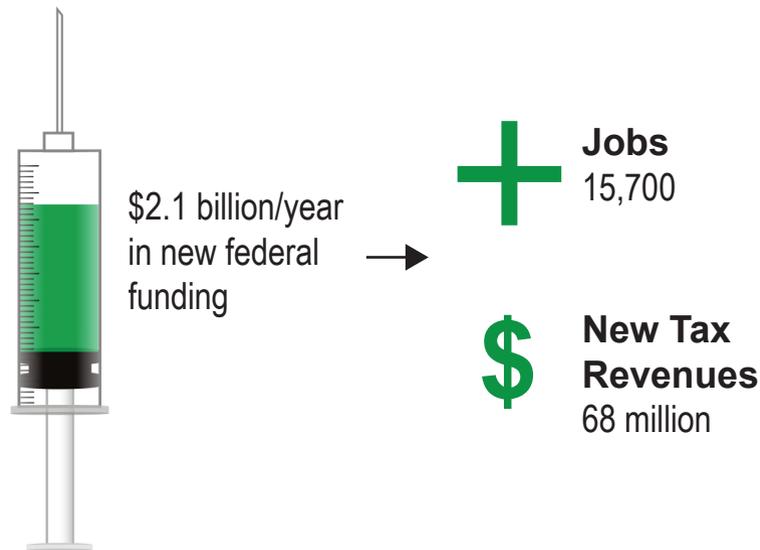


Source: Center on Budget and Policy Priorities



Booster Shot to Virginia's Economy

Closing the coverage gap in January 2017 would bring in an average of \$2.1 billion in new federal funding per year. Those new federal resources would help support good jobs and generate revenue for the state.



Sources: TCI analysis of DMAS data

Annually, the state could expect an infusion of \$2.1 billion per year in new federal funds, which could add up to \$12.8 billion over the next six 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 \$60,000. An annual infusion of \$2.1 billion could support approximately 15,700 health care jobs with benefits.

Those additional health care jobs could then translate into over \$68 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.



Closing the coverage gap could generate \$1.5 billion in state savings over the next six 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 – \$778 million over the next six 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 \$1.3 billion over six years, resulting in a net savings to the state of \$265 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.

Sooner Better Than Later

Virginia could save \$1.55 billion over the next six years by closing the coverage gap and using federal dollars to pay for some services currently provided with state general fund dollars.



\$778 M

Hospital Care
for the Poor



\$333 M

Enhanced Rate for
Currently Eligible



\$158 M

Mental Health
and Substance
Abuse Services



\$128 M

Hospital Care
for Prisoners



\$106 M

Replace GAP
Program

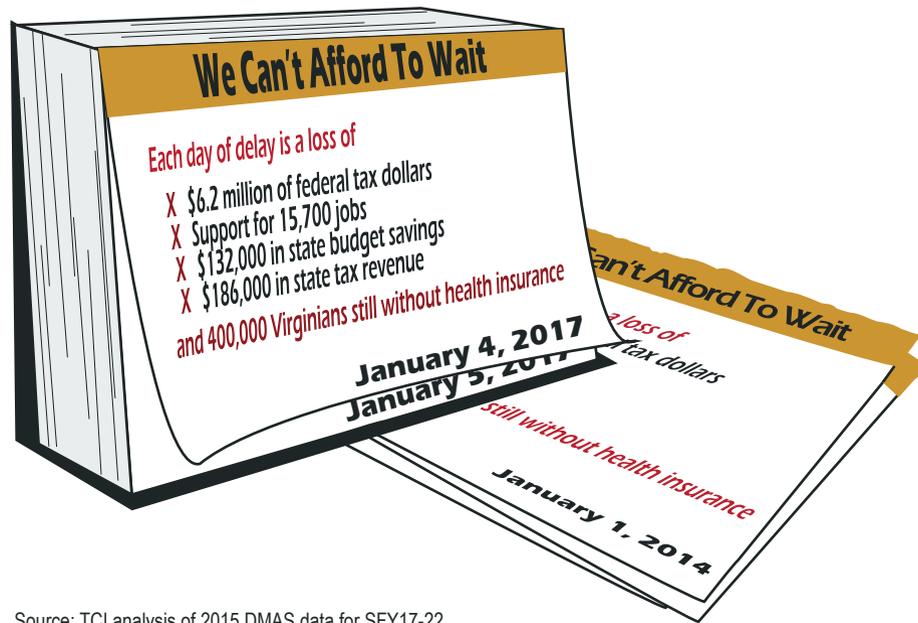


\$52 M

Programs That
Serve Vulnerable
People

Sources: TCI analysis of DMAS data





Source: TCI analysis of 2015 DMAS data for SFY17-22

Virginia could have closed the coverage gap on January 1, 2014. Since then, Virginia has given up over \$3 billion in tax dollars. That money could have helped hundreds of thousands of low-income Virginians get the health care they need.

Virginia is also 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.

And the amount Virginia is giving up will continue to grow. In fact, Virginia will forgo \$6.2 million each day, on average, from 2017 to 2022.



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

Under a conservative scenario, the savings could cover the costs until 2079. Mirroring how the state currently manages its existing trust funds, the early savings could fund the program for even longer.

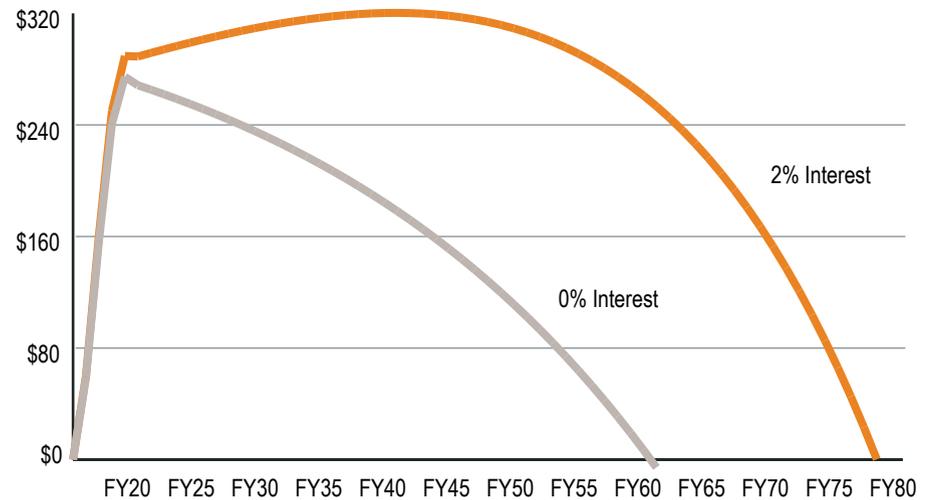
But that's only if the state chooses to close the coverage gap soon. Because the greatest savings are available before 2020 when the federal government pays for nearly all the cost of the expanded program, it is imperative to take action now.



Trust Worthy

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

Millions in Trust Fund



Source: TCI analysis of DMAS data released September 4, 2015

States are Saving Money by Closing the Coverage Gap

Other states are saving tens of millions of dollars while also covering people in need

Arkansas



\$118 million saved in FY15

248,000 people covered

Kentucky



\$83 million saved in FY15

393,000 people covered

Michigan



\$265 million saved in FY15

588,000 people covered

According to the Robert Wood Johnson Foundation, every expansion state should expect to:

- Reduce state spending on programs for the uninsured.
- See savings related to eligible Medicaid beneficiaries now eligible for the new adult group under expansion.
- See revenue gains related to existing insurer or provider taxes.

Sources: TCI Analysis of State Health Reform Assistance Network data





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.

Sources: The New England Journal of Medicine, Health Affairs, Annals of Internal Medicine





SECTION IV

Medicaid Isn't Broken

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 19 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

- Despite rhetoric to the contrary, Medicaid is being reformed. Seventeen reforms enacted by the legislature in 2013 are underway and already saving money.
- The budget for state fiscal years 2015 and 2016 counted \$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 \$157 million in the next two-year budget cycle if the state moves forward by January 1, 2017.
- Improvements to Medicaid should continue but there's no difference between the savings from Medicaid reforms and those from closing the coverage gap.
- To conclude that the commonwealth shouldn't close the coverage gap because there's room for improvement is just a thinly veiled delay tactic.



- 70 percent of Virginia doctors are accepting new Medicaid patients.
- Uninsured people who get sick today may get some medical services, but it's often through the emergency room, which is more costly and less efficient.
- 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 *Seven out of ten Virginia doctors are accepting new Medicaid patients*

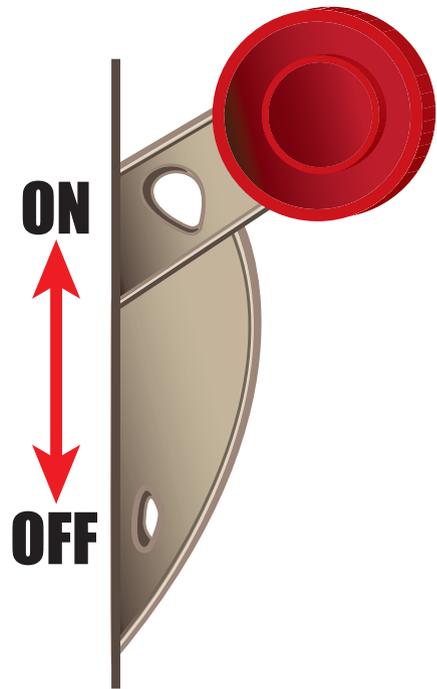


Source: CDC/NCHS, National Electronic Health Records Survey, 2013

The Commonwealth Institute for Fiscal Analysis
October 2015

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 30 states (including West Virginia, Kentucky and Ohio) and the District of Columbia.
- If the 90 percent match 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.

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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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