How Medicaid Works
A Chartbook for Understanding Virginia’s Medicaid Insurance and the Opportunity to Improve it

April 2018
SECTION I

Understanding Virginia’s Medicaid Program Today
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 at any time.
- 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.
- Seven out of ten office-based doctors in Virginia are accepting new Medicaid patients.

Virginia’s Medicaid Plays An Important Role in Health Coverage

1 in 8
- of all Virginians

3 in 10
- of all poor adults in Virginia*

2 in 3
- of all poor kids in Virginia

*Poor is defined as ≤ 100% Federal Poverty Level

Source: DMAS for all Virginians and TCI analysis of 2015 US Census Bureau ACS data, retrieved through IPUMS
• Medicaid’s important role and effectiveness lead to broad public support for maintaining it.

• Eighty-four percent of the public opposes cuts to Medicaid.
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 $30,240 for a family of three. (Virginia’s FAMIS program covers children and pregnant women up to 205 percent FPL or $41,880 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 $12,992 for an elderly couple.

- Working parents must have income below 52 percent FPL or $10,524 for a family of three. (See next page for income levels by geographic region.)

- Childless adults are not eligible for Medicaid in Virginia.
For working parents, maintaining eligibility is a highwire act. Because the maximum allowable income is so low and varies by locality, working parents can end up losing their eligibility—which not immediately—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.

Virginia’s Medicaid Program Is Stingy

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

- **$6,720**
  - **Cities**: Bristol, Buena Vista, Danville, Emporia, Franklin, Galax, Norton, Suffolk

- **$7,956**
  - **Counties**: Albemarle, Augusta, Chesterfield, Henrico, Loudoun, Roanoke, Rockingham, Warren
  - **Cities**: Chesapeake, Covington, Harrisonburg, Hopewell, Lexington, Lynchburg, Martinsville, Newport News, Norfolk, Petersburg, Pocahontas, Portsmouth, Radford, Richmond, Roanoke, Salem, Staunton, Virginia Beach, Williamsburg, Winchester

- **$10,524**
  - **Counties**: Arlington, Fairfax, Montgomery, Prince William
  - **Cities**: Alexandria, Charlottesvile, Colonial Heights, Falls Church, Fredericksburg, Hampton, Manassas, Manassas Park, Waynesboro

The parents would be ineligible for Medicaid.

* Data not available for North Dakota.

Sources: JLARC Virginia Compared to Other States 2018 and Virginia Medicaid Manual, Chapter M04, Appendix 3
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.

**Medicaid Controls Costs Better**

Between 1987-2015, the growth in per person cost was much lower in Medicaid than in the private insurance market.

*Percent yearly increase per enrollee*

Source: 2017 Center on Budget and Policy Priorities analysis
Virginia’s Opportunity to Expand Medicaid

SECTION II
Coverage Gap

240,000 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 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
Health Care for Low-Income Adults
• 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 $16,643 for an individual and $28,180 for parents in a family of three in 2017.
• This expanded eligibility would primarily help parents and other working adults who are not offered coverage through their jobs and cannot afford other coverage. As of October 2017, Washington D.C. and 31 states, including Kentucky, West Virginia, and Maryland have expanded, and the opportunity remains today. Virginia’s share of expansion cost is limited to 10 percent.

Health Care for Workers in Key Sectors
• 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: Accommodation and Food Services; Retail Trade; Education, Health, and Social Services; Construction; and Professional and Business Services.

Health Care for Veterans
• If Virginia expanded Medicaid and closed the coverage gap, Virginia’s military veterans would also benefit. 12,600 military veterans in Virginia could get quality, affordable health care coverage. An estimated, 5,300 Virginia veterans are uninsured, while another 7,300 are underinsured.

Health Care for Communities of Color
• 66 percent of the nonelderly population with Medicaid coverage in Virginia are people of color. Over forty percent of the adults left uninsured because of Virginia’s refusal to expand Medicaid are also people of color.

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.

<table>
<thead>
<tr>
<th>Currently eligible</th>
<th>Newly eligible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disabled Adults</td>
<td>138%</td>
</tr>
<tr>
<td>Working Parents</td>
<td>138%</td>
</tr>
<tr>
<td>Childless Adults</td>
<td>138%</td>
</tr>
</tbody>
</table>

Source: TCI analysis of DMAS data
If Virginia continues to refuse federal dollars for Medicaid expansion in 2019 and 2020, the state would be:

- Unable to save $5.7 million a month in state general fund dollars which are not used for state-funded health programs;
- Losing out on a total net state-savings of $115 million in general funds during fiscal years 2019 and 2020 (assuming an Oct. 1, 2018 start date);
- Forfeiting $2.9 billion in federal dollars by the end of the biennium. That money can be used to help hundreds of thousands of low-income Virginians get the health care they need;
- Foregoing support for 18,000 jobs in health care and Virginia’s overall economy that would generate $89 million per year in new state and local tax revenues; and
- Ignoring the best way to directly address mental health needs and the opioid crisis through direct services and treatments for uninsured adults.

**Booster Shot to Virginia’s Economy**

Closing the coverage gap in October 2018 would bring in an estimated $2.04 billion in new federal funding in fiscal year 2020. Those new federal resources would help support good jobs and generate revenue for the state.

- **Jobs** 18,000
- **New Tax Revenues** $88.6 million

Sources: TCI analysis of 2017 DMAS data
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.

**Improves Financial Health**
- 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 with gained coverage in Oregon versus those who remained uninsured.

**Controls Costs**
- 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.

**Reduces Death Rate**
- 4.5% reduction in potentially preventable deaths
- 220 fewer deaths annually in Virginia

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, HHS
The Commonwealth Institute
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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.