

# Medicaid Expansion:

## *We Already Know How the Story Ends*

Other states' experiences with expanding Medicaid reveal the likely impact on Florida

### EXECUTIVE SUMMARY

Supporters of the Affordable Care Act's optional Medicaid expansion have made a series of promises to Florida lawmakers as they decide if the government health program should include parents and childless adults earning up to 138 percent of the federal poverty level. These promises include a reduction in the rate of uninsured, gradual enrollment increases, low and predictable costs, and a reduction in the amount of charity care.

These same promises were made in other states that previously expanded their own Medicaid programs. Because of this, Florida lawmakers now have an opportunity to see how Medicaid expansion impacted those states, and if supporters' promises were actually kept.

This report takes a closer look at Arizona, Maine and other states that expanded Medicaid. It finds that, unfortunately, expansion supporters have a poor track record of keeping promises.

- Enrollment among the expansion populations was much higher and faster than the slow and gradual enrollment that was projected.
- Medicaid expansion had little impact on the rate of uninsured. Arizona's uninsured rate actually increased in the five years after expansion, while Maine's did not change.
- Per-person costs for the new expansion populations were much higher than projected—particularly for the childless adult populations.

The experiences of these other states are instructive for Florida lawmakers. In those states, promises made by supporters of Medicaid expansion were unable to be kept. The same will likely be true for Florida if lawmakers ultimately decide to expand.

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Florida lawmakers are faced with a choice. The federal Affordable Care Act (ACA) urges states to expand their Medicaid programs for those earning up to 138 percent of the federal poverty level.<sup>1</sup> However, a recent decision by the U.S. Supreme Court makes the expansion voluntary for Florida, and all states.<sup>2</sup>

Fortunately, Florida has the benefit of reviewing the experiences of other states that have already expanded Medicaid eligibility to a similar population. Before making any decision, state lawmakers should carefully review these experiences to better understand how the optional expansion could affect Florida.

## ARIZONA

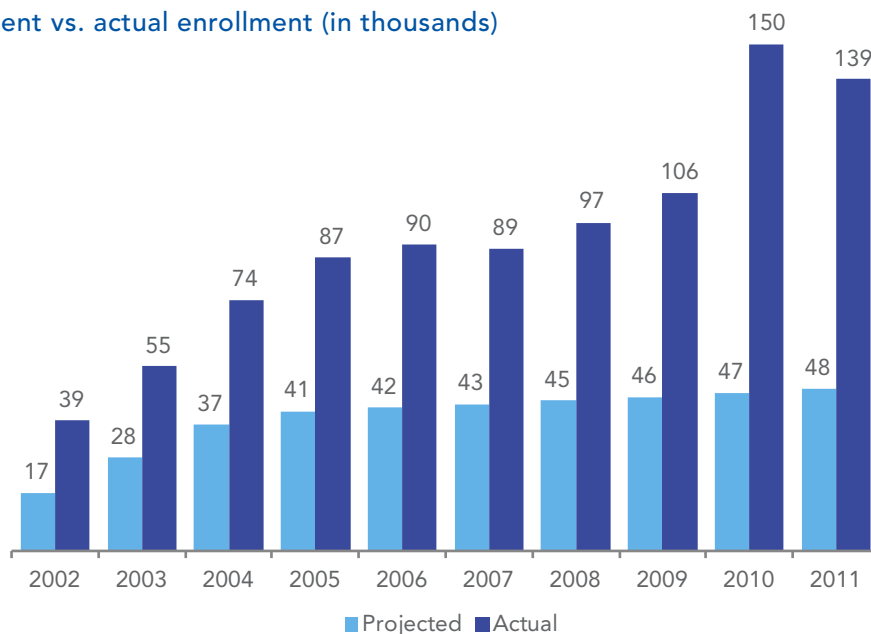
In 2000, Arizona voters enacted Proposition 204, which increased Medicaid eligibility for parents and created a new eligibility class for childless adults.<sup>3</sup> The new eligibility income limit was set at 100 percent of the federal poverty level.<sup>4</sup>

At the time, Arizona predicted that enrollment among newly eligible parents and childless adults would slowly phase in during the first four years of the expansion and only modestly grow thereafter. This was not to be the case.

Enrollment among parents was expected to phase in from 17,000 in 2002 to 41,000 in 2005.<sup>5</sup> Thereafter, enrollment growth was expected to be small and predictable. By 2010, just 47,000 parents in the expansion population were expected to enroll.<sup>6</sup> In reality, parents in the expansion population grew from 39,000 in 2002 to a whopping 150,000 in 2010.<sup>7</sup>

### Enrollment of low-income parents in Arizona's Medicaid expansion is nearly three times what was projected

Projected enrollment vs. actual enrollment (in thousands)

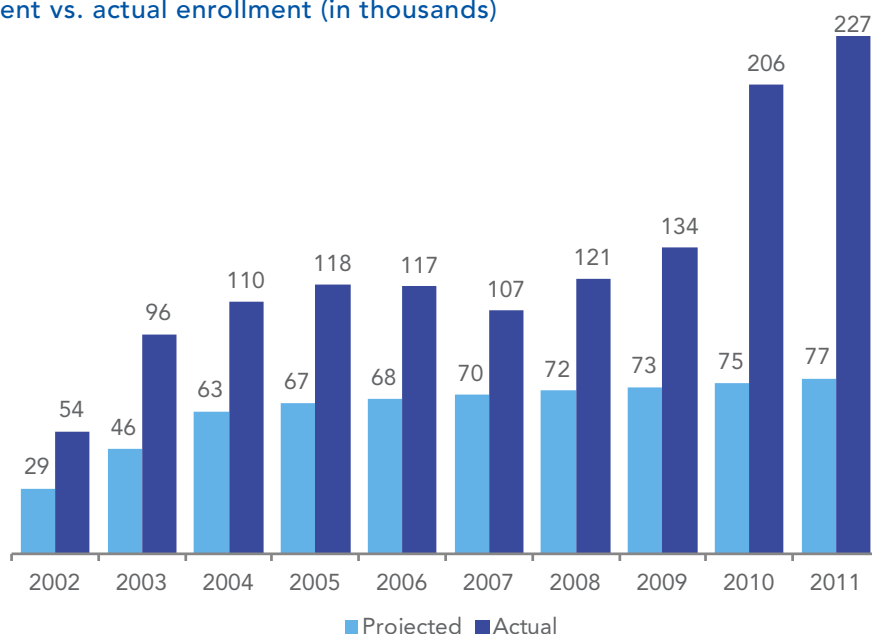


Sources: Arizona Joint Legislative Budget Committee; Arizona Health Care Cost Containment System

Similar projections were made for the childless adult expansion population. Enrollment was expected to phase in from 29,000 in 2002 to 67,000 in 2005.<sup>8</sup> By 2010, enrollment of the childless adult population was expected to be just 75,000.<sup>9</sup> In reality, childless adult enrollment grew from 54,000 in 2002 to more than 200,000 in 2010.<sup>10</sup>

## Enrollment of childless adults in Arizona's Medicaid expansion is nearly three times what was projected

Projected enrollment vs. actual enrollment (in thousands)



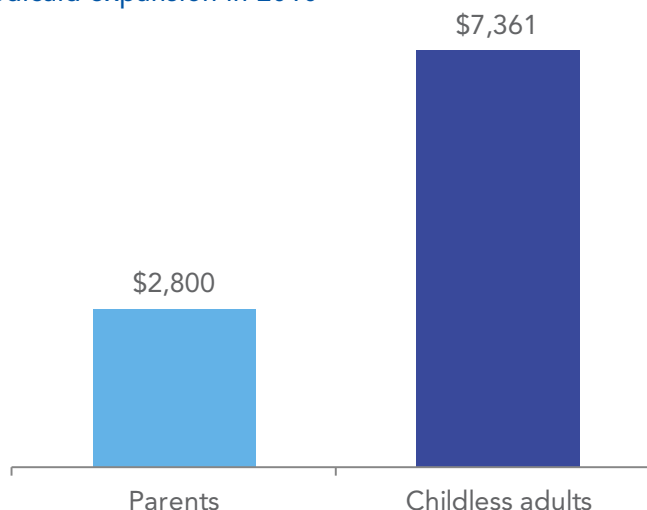
Sources: Arizona Joint Legislative Budget Committee; Arizona Health Care Cost Containment System

Not only were enrollment projections incorrect, per-person cost projections also proved inaccurate.

Arizona predicted the per-person cost of both the parent population and the childless adult population would be similar.<sup>11</sup> In reality, the cost to provide coverage to childless adults was much higher than the cost to cover low-income parents.<sup>12</sup> By 2010, the cost to provide coverage to childless adults was more than twice as high as the cost to cover parents.

## Childless adults cost more than twice as much as low-income parents in Arizona's Medicaid expansion

Per-person costs of the Medicaid expansion in 2010

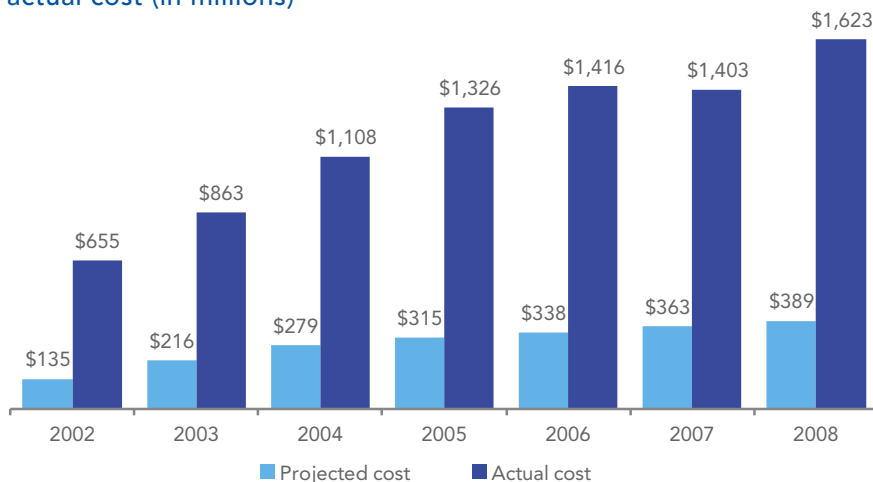


Source: Arizona Health Care Cost Containment System

As a result of these assumption flaws, the cost to expand eligibility far exceeded initial estimates. Indeed, the actual costs of Arizona's Proposition 204 Medicaid expansion have been more than four times what was projected. Between 2002 and 2008, Arizona expected to spend a total of just \$2 billion on the expansion populations.<sup>13</sup> In reality, it spent \$8.4 billion during that time.<sup>14</sup>

## Arizona's Medicaid expansion has cost four times what was originally projected

Projected cost vs. actual cost (in millions)

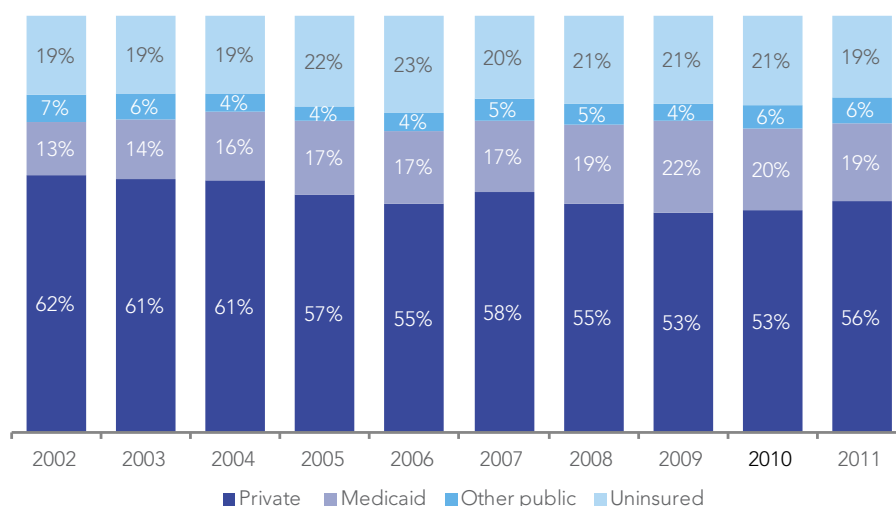


Sources: Arizona Joint Legislative Budget Committee; Arizona Health Care Cost Containment System

Despite Arizona's skyrocketing Medicaid enrollment, the Proposition 204 expansion did little to reduce the number of uninsured residents. In 2002, for example, approximately 18.7 percent of the non-elderly population was uninsured.<sup>15</sup> By 2011, that share had actually increased to 19.4 percent.<sup>16</sup> The share of people with private insurance, on the other hand, dropped to 55.5 percent in 2011, down from 61.8 percent in 2002.<sup>17</sup>

## Arizona's Medicaid expansion has not reduced the rate of uninsured

### Non-elderly population, by insurance status



Source: Census Bureau

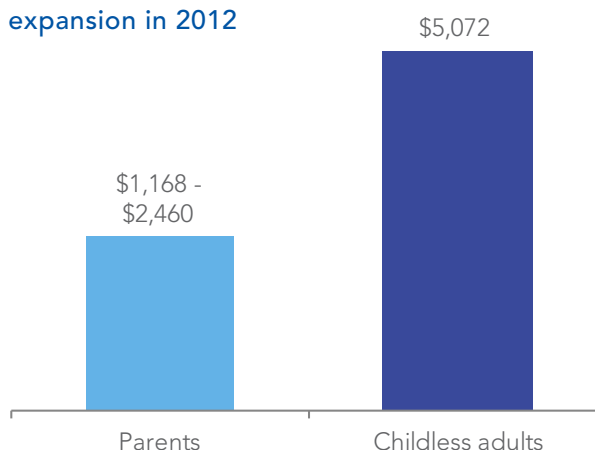
## MAINE

Arizona was not the only state to experiment with expanding Medicaid eligibility. In 2002, Maine followed suit, submitting a waiver to the federal government to expand eligibility to include childless adults.<sup>18</sup> At the time, Maine predicted a stable expansion population of just 11,000 individuals.<sup>19</sup> In reality, however, enrollment reached nearly 17,000 within 14 months.<sup>20</sup> Within two years, enrollment had peaked at 25,000.<sup>21</sup> Financial difficulties caused the program to be capped and re-opened at various times, causing sharp drops and spikes in enrollment. The program currently has nearly 11,000 enrolled individuals, while another 24,000 individuals are on a waiting list.<sup>22</sup>

Like in Arizona, this population proved expensive to cover. Even though the expansion population has limitations on inpatient stays, outpatient visits and prescription drug coverage, they still cost more than \$5,000 per year to cover in 2012, compared to \$1,168-\$2,460 per year for parents.<sup>23</sup>

## Childless adults cost more than four times as much as low-income parents in Maine's Medicaid expansion

### Per-person costs of Medicaid expansion in 2012

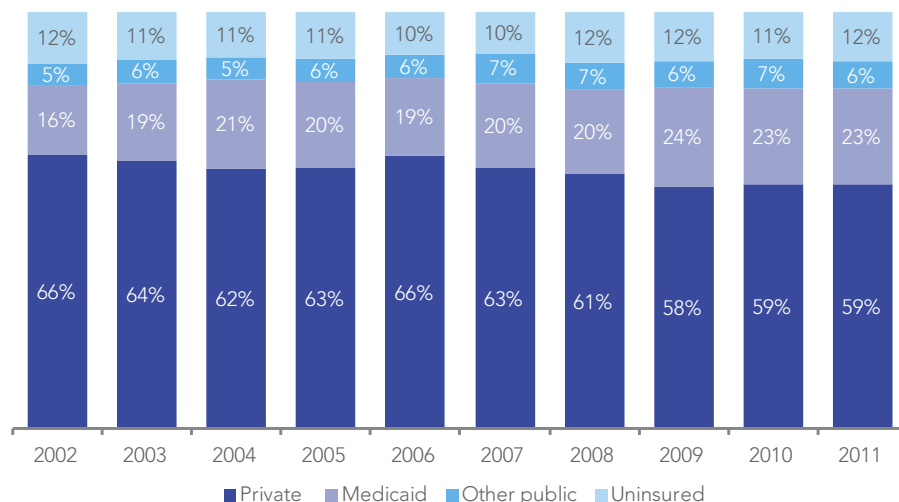


Source: Maine Department of Health and Human Services

Despite Maine's expansion of Medicaid eligibility, the share of Maine residents without health insurance remained relatively unchanged. In 2002, approximately 12 percent of the non-elderly population was uninsured.<sup>24</sup> By 2011, that share was still 12 percent, having fluctuated very little during the last decade.<sup>25</sup> The share of people with private insurance, on the other hand, dropped to 59 percent in 2011, down from 66 percent in 2002.<sup>26</sup>

## Maine's Medicaid expansion has not reduced the rate of uninsured

### Non-elderly population, by insurance status

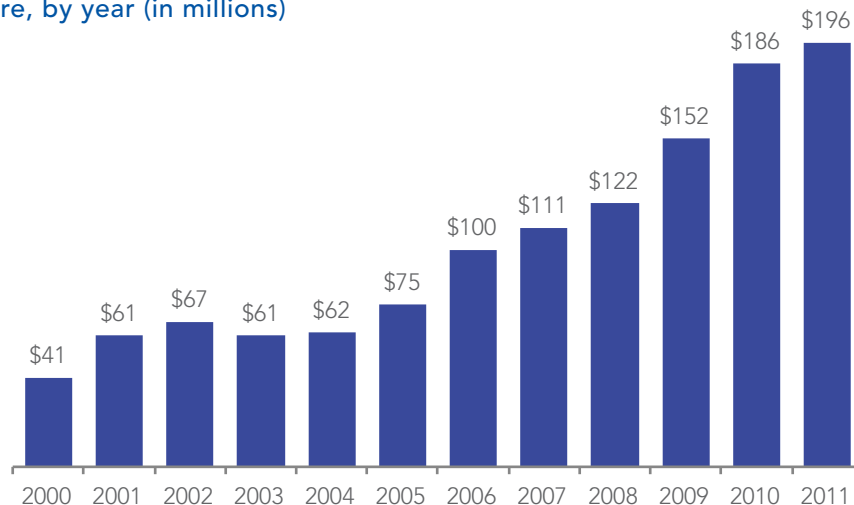


Source: Census Bureau

Expanding Medicaid also had little effect on reducing charity care. In 2000, charity care in Maine amounted to roughly \$40 million per year.<sup>27</sup> By 2011, charity care costs had risen to \$215 million per year.<sup>28</sup> Increasing Medicaid eligibility and enrollment appears to have had little effect on the amount of charity care delivered by Maine medical providers.

## Maine's Medicaid expansion did not reduce charity care

### Hospital charity care, by year (in millions)



Source: Maine Department of Health and Human Services

## OTHER STATES

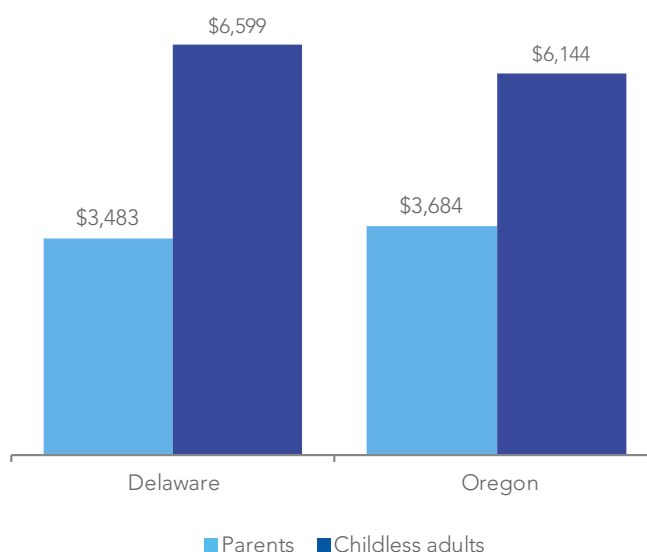
Expanding Medicaid eligibility to childless adults has also been tried in Delaware and Oregon under federal Section 1115 demonstration waivers.<sup>29,30</sup> In 1996, Delaware expanded its Medicaid eligibility to include childless adults earning up to 100 percent of the federal poverty level.<sup>31</sup> In 2003, Oregon followed suit and expanded eligibility to childless adults earning less than 100 percent of the federal poverty level.<sup>32</sup> While Delaware provides full Medicaid benefits, Oregon provides only limited benefits, defined by the state's prioritized list of services.<sup>33,34</sup>

As in Arizona and Maine, childless adults have proven more expensive to cover than low-income parents in both Delaware and Oregon.<sup>35</sup> In 2007, the median cost to cover childless adults in Delaware was 1.9 times the cost of covering low-income parents.<sup>36</sup> In Oregon, even with more limited benefits, the cost to cover childless adults was 1.7 times the cost of covering low-income parents.<sup>37</sup>

The Medicaid expansions in Utah, Vermont and Washington, D.C. followed similar patterns, though to a lesser extent in Utah and Vermont because childless adults received more limited benefits.<sup>38,39</sup>

### Childless adults cost more than low-income parents in Delaware's and Oregon's Medicaid expansions

#### Median per-person costs of Medicaid expansion in 2007



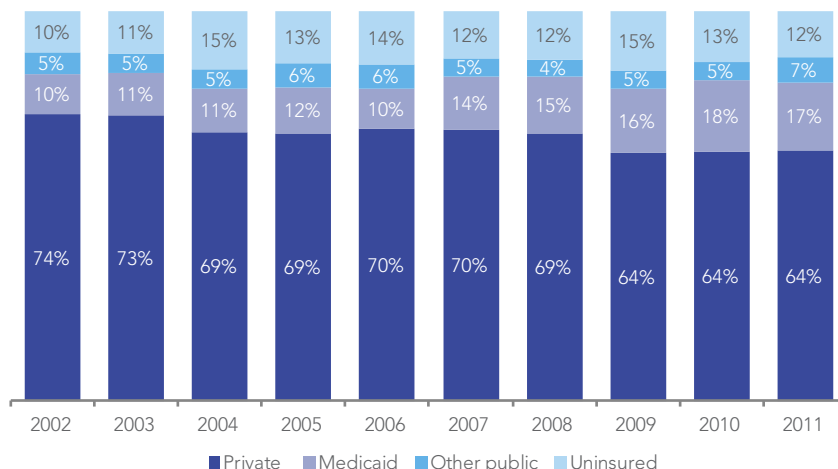
Source: Centers for Medicare and Medicaid Services

Despite more people enrolling in Medicaid in both Delaware and Oregon, there was little change in the number of uninsured residents. The share of non-elderly residents without health insurance did not decrease between 2002 and 2011 in either state.<sup>40</sup>

In both states, however, the share of residents with private insurance dropped significantly.<sup>41</sup>

## Delaware's Medicaid expansion has not reduced the rate of uninsured

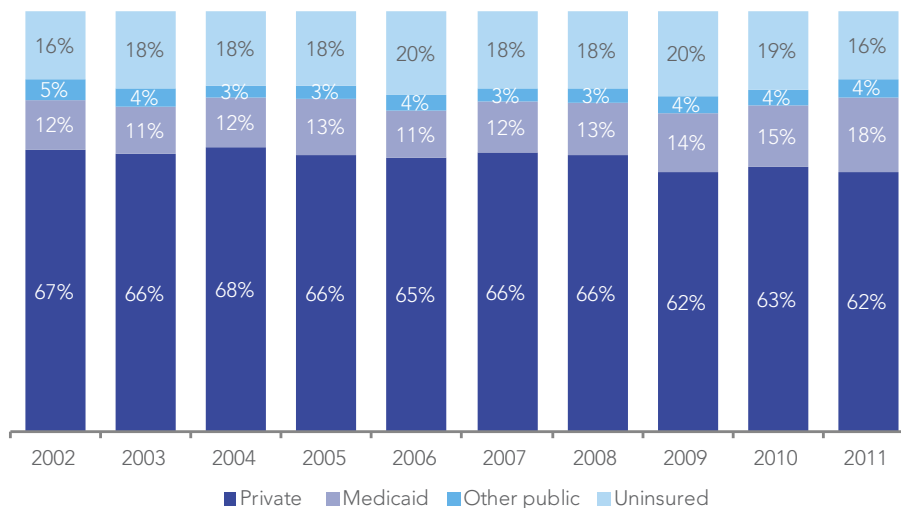
### Non-elderly population, by insurance status



Source: Census Bureau

## Oregon's Medicaid expansion has not reduced the rate of uninsured

### Non-elderly population, by insurance status



Source: Census Bureau

The Medicaid expansions in Michigan and Utah followed similar patterns, with the rate of uninsured increasing in the years following expansion. Michigan's rate of uninsured increased by 2.3 percentage points in the seven years after expanding eligibility to childless adults earning less than 35 percent of the federal poverty level.<sup>42</sup> Utah's rate of uninsured increased 1.9 percentage points in the nine years after expanding eligibility to include childless adults earning less than 150 percent of the federal poverty level.<sup>43</sup> On the other hand, Oklahoma did see its uninsured rate decline slightly after expanding Medicaid eligibility to include childless adults earning less than 200 percent of the federal poverty level. But even that slight decline amounted to less than one percentage point six years after the expansion took effect, with an uninsured rate still hovering at 17 percent.<sup>44</sup>



## CONCLUSION

Supporters of the Affordable Care Act's optional Medicaid expansion have promised it will reduce the number of uninsured and the amount spent on charity care, while enrollment and costs will remain low and predictable.

These promises are not new. Supporters of Medicaid expansion in other states made the same claims. Fortunately, Florida can look to the experiences of those states to see how these promises played out.

The results from other states are telling. Rather than low, predictable enrollment growth, Medicaid eligibility expansions caused huge spikes in enrollment. The cost to provide childless adults with coverage were greatly underestimated and ended up being far greater than the cost to cover low-income parents. Charity care continued to grow and the uninsured rate remained virtually unchanged.

Given these experience, Florida lawmakers should be wary of any similar promises concerning the Affordable Care Act's voluntary expansion of Medicaid eligibility. As George Santayana famously remarked, those that cannot remember the past are condemned to repeat it. Florida has no reason to repeat the mistakes of states like Arizona, Maine and others.

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