

## Expanding Medicaid: The Benefits

*Low-income individuals with HIV living in non-expansion states would gain access to reliable and comprehensive health coverage if their state expanded Medicaid. In addition, health systems, communities and states stand to benefit fiscally. This brief highlights preliminary data on the benefits of expanding Medicaid.*

### Benefits to Low-Income Individuals

If the remaining states expanded Medicaid, nearly 5.2 million non-elderly adults would gain Medicaid coverage. 2.9 million of those currently fall into the “coverage gap” because they live on incomes below the federal poverty line and do not qualify for help purchasing Marketplace coverage.<sup>i</sup>

To see how Medicaid has improved access to healthcare in your state, visit the Center on Budget and Policy Priorities’ [Medicaid Works: Fact Sheets](#).

Medicaid expansion enrollees gain access to comprehensive health coverage that at a minimum includes the ACA’s “Essential Health Benefits.” States continue to have flexibility in determining their Medicaid benefit packages, but they must at least cover the 10 benefit categories highlighted in the *Essential Health Benefits Categories* table. Many also cover a range of other important Medicaid services, including medical transportation.<sup>ii</sup>

### Essential Health Benefits Categories

1. Ambulatory patient services
2. Emergency services
3. Hospitalization
4. Maternity and newborn care
5. Mental health and substance use disorder services
6. Prescription drugs
7. Rehabilitative and habilitative services and devices
8. Laboratory services
9. Preventative and wellness services and chronic disease management
10. Pediatric services

### Benefits to Hospitals

Since the ACA’s coverage expansion in 2014, hospitals have experienced increased demand for care and reductions in uncompensated care. The impact of the ACA coverage expansion on hospitals has been greater in Medicaid expansion states.<sup>iii</sup> A KFF study found that from 2013 to 2014, uninsured hospital stays in Medicaid expansion states declined by 36.9% as compared to a modest decline of 2.9% in non-Medicaid expansion states. Also during that period, Medicaid inpatient stays increased by 16.3% in Medicaid expansion states compared to .5% in non-Medicaid expansion states.<sup>iv</sup> Other studies also have concluded that hospitals in Medicaid expansion states had a greater reduction in uncompensated care.<sup>v,vi</sup>

## Looming Federal Funding Cuts for Safety-Net Hospitals

The Centers for Medicare and Medicaid Services provides funding to hospitals that serve high numbers of low income and uninsured patients through the **Disproportionate Share Hospital (DSH) program**. The ACA reduced funding for the DSH program since a majority of low-income and uninsured individuals were anticipated to gain access to health insurance coverage through the Medicaid expansion. Following the Supreme Court decision that the Medicaid expansion was optional, cuts to the DSH program have been delayed to avoid significant care disruptions and allow additional time for states to expand Medicaid. The DSH cuts are now slated to begin in FY 2018 (or Oct 1, 2017) and the total amount of the cuts will be higher than the levels included in the ACA. If not delayed again, non-expansion states will likely face greater pressures from safety-net hospitals to re-evaluate their decisions not to expand Medicaid.

Data on state DSH payments by state is available from [KFF](#).

## Benefits to State Economies

Medicaid expansion states are reporting early economic gains, including job growth, state budget savings and significant decreases in uncompensated care.

### Success in Kentucky

In Kentucky, the uninsured rate dropped dramatically from 14.3% in 2013 to 8.5% in 2014 following implementation of the ACA's coverage expansion.<sup>ix</sup> In addition, to expanding health coverage, the Medicaid expansion created 12,000 new jobs in 2014, and the combined federal funding and state savings is expected to result in a net economic benefit to the state of \$30 billion from 2014 to 2021.

Read the [full report](#).

## Slower Growth in State Medicaid Spending in Expansion States

State Medicaid spending grew by only 3.4% in expansion states as compared to 6.9% in non-expansion states despite an increase in enrollment of 18% in expansion states as compared to 5.1% enrollment growth in

non-expansion states.<sup>x</sup> For 2016, state Medicaid spending in Medicaid expansion states is expected to grow by 3.7% as compared to 5.2% in non-Medicaid expansion states with enrollment increases of 4.5% and 2.8% respectively.<sup>xi</sup>

## Faster Job Growth in States with the Medicaid Expansion

Jobs in the healthcare sector have grown faster in states that expanded Medicaid. Between 2013 and 2014 – in Medicaid expansion states – the rate of growth was 2.4% compared to 1.8% in non-Medicaid expansion states with jobs in the healthcare and social assistance sectors growing 30% faster in Medicaid expansion states.<sup>xii</sup> In addition to generating 12,000 new jobs in Kentucky in 2014 – the state expects a total of 40,000 new jobs will be created by 2021.<sup>xiii</sup>

## Savings for State-Funded Services

As documented in Kentucky, Medicaid expansion states also can realize savings in other state programs, such as mental health, corrections and state-funded health programs.<sup>xiv</sup> Based on a Kaiser Family Foundation study, for FY 2015 and 2016, 13 states reported state savings for behavioral health services; six states reported state savings for state uncompensated care and 15 states for state criminal justice/corrections services.<sup>xv</sup>

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- <sup>i</sup> Kaiser Family Foundation (KFF). The Coverage Gap: Uninsured Poor Adults in States that Do Not Expand Medicaid – An Update. Jan 22, 2016. Available online at: <http://kff.org/health-reform/issue-brief/the-coverage-gap-uninsured-poor-adults-in-states-that-do-not-expand-medicaid-an-update/>.
- <sup>ii</sup> Centers for Medicare and Medicaid Services. Essential Health Benefits in the Medicaid Program. November 12, 2012. Available online at: <https://www.medicaid.gov/Federal-Policy-Guidance/downloads/SMD-12-003.pdf>.
- <sup>iii</sup> KFF. New Analysis Shows States with Medicaid Expansion Experienced Declines in Uninsured Hospital Discharges. September 2015. Available online at: <http://kff.org/health-reform/issue-brief/new-analysis-shows-states-with-medicaid-expansion-experienced-declines-in-uninsured-hospital-discharges/>.
- <sup>iv</sup> IBID.
- <sup>v</sup> Robert Wood Johnson Foundation. State Health Reform Assistance Network. The Impact of Medicaid Expansion on Uncompensated Care Costs: Early Results and Policy Implications for States. June 2015. Available online at: <http://www.rwjf.org/en/library/research/2015/06/the-impact-of-medicaid-expansion-on-uncompensated-care-costs.html>.
- <sup>vi</sup> Hempstead, K., Cantor, JC. State Medicaid Expansion and Changes in Hospital Volume According to Payer. N Engl J Med. 347(2): January 14, 2016.
- <sup>vii</sup> KFF. How Do Medicaid Disproportionate Share Hospital (DSH) Payments Change Under the ACA? Nov 2013. Available online at: <https://kaiserfamilyfoundation.files.wordpress.com/2013/11/8513-how-do-medicaid-dsh-payments-change-under-the-aca.pdf>.
- <sup>viii</sup> Medicare Deal Delays But Deepens Hospital Cuts. Governing. The States and Localities. April 17, 2015. Available online at: <http://www.governing.com/topics/health-human-services/gov-medicare-deal-delays-hospital-cuts.html>.
- <sup>ix</sup> U.S. Census Bureau. Health Coverage in the United States: 2014. September 2015. Available online at: <https://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-253.pdf>.
- <sup>x</sup> KFF. Medicaid Enrollment & Spending Growth: FY 2015 & 2016. Oct 15, 2015. Available online at: <http://kff.org/medicaid/issue-brief/medicaid-enrollment-spending-growth-fy-2015-2016/>.
- <sup>xi</sup> IBID.
- <sup>xii</sup> Fitch Ratings. Healthcare Jobs Grew Faster in ACA Expansion States. Feb 19, 2015. Available online at: [https://www.fitchratings.com/gws/en/fitchwire/fitchwirearticle/Healthcare-Jobs-Grew?pr\\_id=980053&cm\\_sp=homepage- -FitchWire- -Fitch:%20Healthcare%20Jobs%20Grew%20Faster%20in%20ACA%20Expansion%20States](https://www.fitchratings.com/gws/en/fitchwire/fitchwirearticle/Healthcare-Jobs-Grew?pr_id=980053&cm_sp=homepage- -FitchWire- -Fitch:%20Healthcare%20Jobs%20Grew%20Faster%20in%20ACA%20Expansion%20States).
- <sup>xiii</sup> Deloitte. Commonwealth of Kentucky. Medicaid Expansion 2014. February 2015. Available online at: [http://jointhehealthjourney.com/images/uploads/channel-files/Kentucky\\_Medicaid\\_Expansion\\_One-Year\\_Study\\_FINAL.pdf](http://jointhehealthjourney.com/images/uploads/channel-files/Kentucky_Medicaid_Expansion_One-Year_Study_FINAL.pdf).
- <sup>xiv</sup> Kaiser Family Foundation. The Effects of the Medicaid Expansion on State Budgets: An Early Look in Select States. March 2015. Available online at: <http://files.kff.org/attachment/issue-brief-the-effects-of-the-medicaid-expansion-on-state-budgets-an-early-look-in-select-states>.
- <sup>xv</sup> KFF. Medicaid Enrollment & Spending Growth: FY 2015 & 2016. Oct 15, 2015. Available online at: <http://kff.org/medicaid/issue-brief/medicaid-enrollment-spending-growth-fy-2015-2016/>.