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Health Reform: Medicaid Expansion Is a Bargain for Georgia

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Summary

In Georgia and throughout the nation, millions of low-income adults are uninsured and lack access to any affordable health insurance. The health reform bill that has passed in the House of Representatives and the bill now making its way through the Senate would expand the Medicaid program to provide thousands of low-income, uninsured adults in Georgia with affordable health coverage.

Georgia's share of the costs would be minimal — ten percent or lower — because both bills provide significant federal funding to the states for the expansion. Georgia's healthcare infrastructure, as well as the economy as a whole, would benefit greatly from increased federal funding, while bringing needed health coverage to many uninsured Georgians.

Low-Income Georgians Face Lack of Insurance Access at High Rates

Nearly 1.7 million non-elderly Georgians lacked health insurance coverage in 2007-2008, according to recent census data, and this figure is likely higher now as a result of rising unemployment in the last 18 months.

Although people across the income scale often find themselves uninsured, Georgians with incomes below twice the poverty level (which is \$21,700 for an individual and \$36,600 for a family of three) are far more likely to be uninsured than their counterparts with income above this threshold. For instance, 35.9 percent of Georgians with incomes below twice the poverty level lacked coverage in 2007-2008, but the uninsured rate for families with incomes above this threshold was considerably lower, at 10.9 percent.¹

One of the significant factors contributing to this coverage disparity is the lack of access to employer-sponsored insurance coverage for workers at the low end of the income scale. Although 76.6 percent of Georgians in families with incomes more than twice the poverty level have employer-sponsored coverage, only 24.9 percent of Georgians with incomes below this amount have such coverage.²

Public insurance programs such as Medicaid and the PeachCare help fill the gap for Georgia's children without access to employer coverage; however Georgia's Medicaid program is not available to most low-income adults. Medicaid eligibility for parents is extremely limited (incomes generally must be less

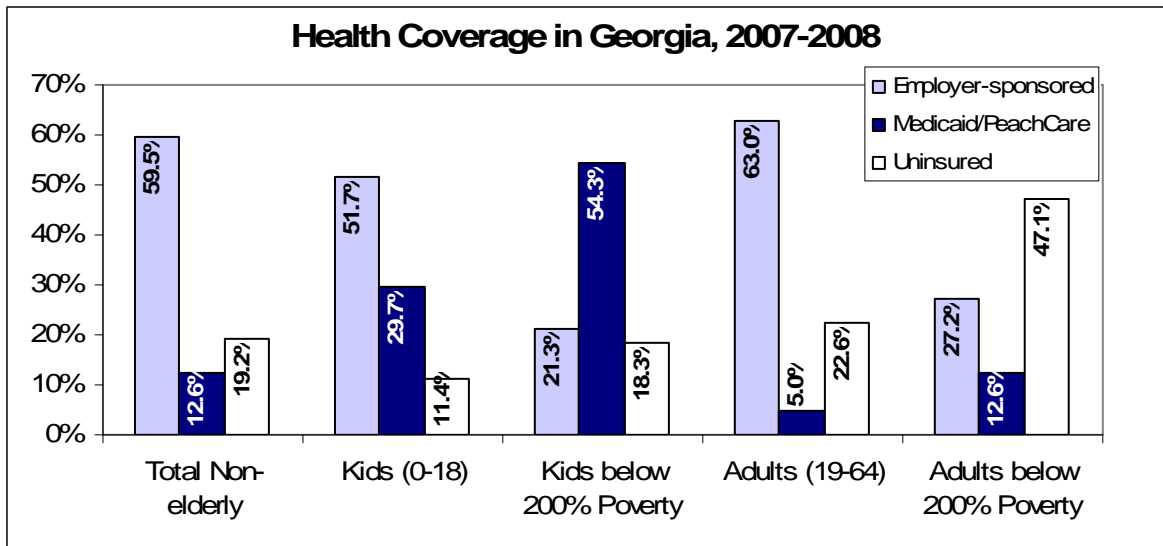
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than half the poverty level), and adults without dependent children are not eligible for Medicaid at all unless they are elderly or have a qualifying disability. As a result, nearly half of all low-income adults in Georgia were uninsured in 2007-2008 (47.1 percent), while adults in families with incomes above twice the poverty level experienced an uninsured rate of 12.6 percent.³

See Figure 1 for a further examination of health insurance coverage for Georgia’s non-elderly population during the 2007-2008 time period.⁴

Figure 1



Proposed Medicaid Expansion Increases Access to Health Insurance

In order to address the significant access concerns facing low-income families in Georgia and throughout the country, leading congressional health insurance reform efforts include provisions to expand the Medicaid program, thereby extending coverage to the lowest-income, uninsured Americans. Medicaid is an excellent avenue to cover low-income families as it has comprehensive benefits without monthly premiums or significant cost-sharing that can otherwise make accessing services difficult for families with limited means.

In an acknowledgement of the benefits of using Medicaid as a means to expand coverage to low-income adults, the bill passed by the House of Representatives and the bill merged from two Senate committees both contain significant expansions of Medicaid coverage. The merged Senate bill expands Medicaid to adults with incomes below 133 percent of the poverty level (\$14,400 for an individual, or \$24,350 for a family of three), while the recently passed legislation in the House expands Medicaid to 150 percent of the poverty level (\$16,245 for an individual, or \$27,465 for a family of three).

In 2008, roughly half of Georgia’s uninsured population came from families with incomes below 150 percent of the poverty; therefore, either of these expansions would be a significant step in extending health insurance coverage to thousands of uninsured adults in Georgia and millions across the nation.⁵

Furthermore, research shows that eligible children are more likely to be enrolled in coverage when their parents are also eligible; therefore, expanding Medicaid to more low-income parents likely will help more Georgia children receive the healthcare they need.⁶ Currently, there are nearly 300,00 Georgians (primarily children) who are likely eligible for Medicaid or PeachCare but not enrolled.

Expanding Georgia's Medicaid program up to 150 percent of the poverty level could expand eligibility to potentially 600,000 currently uninsured adults.

Federal Funds Will Cover Large Majority of Expansion Costs

To alleviate some of the fiscal pressure on states as they expand their programs to comply with the new eligibility requirements, both the House and the Senate bills provide substantial federal funding for the newly eligible population. The Senate bill pays 100 percent of the costs for newly eligible adults for three years (2014 to 2016) and then will provide federal funding to cover, on average, about 90 percent of the costs after this period.⁷

The House bill provides 100 percent of the funding for these adults for the first two years of the expansion, and then provides federal funds to cover 91 percent of these costs going forward. Under both bills, Georgia would realize approximately \$10 in federal funds for every \$1 state contribution after the initial period of full federal funding.

Even with the vast majority of the costs covered with federal funds, Georgia can expect increased Medicaid costs to the state as a result of the expansion. Estimating the potential costs under either the House or the Senate bill is a complicated process, as it depends on the amount of people that seek coverage and how quickly they are enrolled. The House bill start the expansion in the year 2013 and the Senate's version starts in 2014.

In addition to newly eligible adults who may seek Medicaid coverage, the state could also expect to see more Georgians who are already eligible seek coverage after health insurance reform is passed. This is referred to as the "welcome mat" effect, as individuals who may not have been aware of a program or who may not have thought themselves eligible, seek coverage for the new, expanded program. Although the costs for covering people who are eligible but not enrolled could hit the state at any time, it is likely that more of these people will enroll after health reform is passed.

Although official cost estimates of either the House or Senate plans are not yet available, the governor and lieutenant governor have stated that national health reform is not affordable for Georgia, citing preliminary and incomplete state estimates of the cost to Georgia. The governor is citing an estimate based on a prior version of the Senate Finance Committee's bill that since has been changed significantly. The lieutenant governor is citing an estimate based on only certain parts of the House proposal. Neither cost estimate is based on an up-to-date, complete analysis of the reform legislation under consideration.

Furthermore, both of these preliminary estimates assume full participation immediately after the expansion takes effect. Both full and immediate participation is very unlikely. Enrollment forecasts should be based on past experience instead of arbitrarily assuming a majority of (or in this case all) newly eligible Georgians will enroll in Medicaid immediately. Instead, forecasts should expect that enrollment would ramp up over time, as the state saw with the creation of PeachCare in the late 1990's, and that full participation may never even occur.

The Department of Community Health is currently in the process of analyzing more up-to-date Congressional proposals to estimate the potential state costs of the proposed Medicaid expansions and of likely enrollment increases among currently eligible populations. There is great uncertainty about how quickly newly eligible individuals will participate in an expanded program; therefore, cost estimates would vary widely under different enrollment assumptions. Although robust coverage gains are the end goal of expansion, estimates of the likely costs to the state need to realistically forecast enrollment growth so that the state and the healthcare system can plan accordingly.

Conclusion

At the heart of leading congressional health insurance reform proposals are provisions that give states significant new funding to expand state Medicaid programs to cover more low-income adults. In Georgia, such an expansion would provide access to quality health insurance coverage for a large portion of the state's uninsured citizens who would otherwise forgo needed care. Building on the current Medicaid program to insure more of the parents of children already enrolled, as well as low-income childless adults who often do not have access to affordable private coverage, would be a significant step in reducing the high number of uninsured people in Georgia. .

Although expanding the Medicaid program would increase costs to the state, the bulk of the costs of the expansion would be paid by the federal government. Thanks to the enhanced matching rates in bills in the House and Senate, Georgia's share of the costs for the newly eligible adults who enroll in Medicaid would be very low.

The significant federal funding that would flow to Georgia would be beneficial to the state's healthcare infrastructure as well as the economy as a whole. The proposed expansions would not take effect until 2013 or 2014 and enrollment is expected to grow over time; therefore Georgia will have plenty of time to ensure that it has adequate revenues to pay for the expanded Medicaid program so that it maximizes coverage gains and takes full advantage of the increased federal funding.

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¹ Author's analysis of data compiled by the Center on Budget and Policy Priorities from the U.S. Census Current Population Survey.

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Approximately 840,000 uninsured, non-elderly Georgians were in families earning less than 150 percent of the poverty level, which is 50.4 percent of the state's non-elderly uninsured population in 2008.

⁶ "Patterns of Child-Parent Insurance Coverage: Implications for Coverage Expansions," by Amy Davidoff, Genevieve Kenney, Lisa Dubay, and Alshadye Yemane. The Urban Institute, November 2001, http://www.urban.org/UploadedPDF/310359_anf_b39.pdf

⁷ After the period of full federal funding, the federal share will vary to some degree. According to analysis of the bill by the Congressional Budget Office, the federal share would ultimately average about 90 percent. (Full analysis of Senate bill can be found here: http://www.cbo.gov/ftpdocs/107xx/doc10731/Reid_letter_11_18_09.pdf.)

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