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Ohio should say yes to Medicaid expansion

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Ohio has a big decision to make. In its ruling on the nation's health reform law, known as the Patient Protection and Affordable Care Act (ACA), the U.S. Supreme Court left it up to the states whether to expand the Medicaid program and provide health insurance coverage to large numbers of people who lack it now, with the cost mostly covered by the federal government. Ohio's leadership hasn't decided. Here are five basic reasons Ohio should say yes to Medicaid expansion.

Key findings

- More than 900,000 people could benefit.
- Federal dollars for expansion could pay for up to 50,000 new health-care jobs.
- Decreases in uncompensated care could save Ohio $1.2 billion to $2.3 billion between 2014 and 2019.
- Opting out would leave Ohio's poorest out of the national health care system.

1) Medicaid expansion means a healthier Ohio.

Ohio needs the Medicaid expansion because it will provide health care for many Ohioans with no other options and in so doing, make our families and communities healthier.

Medicaid is already a critical part of Ohio's health care system, serving 2.3 million, including 38 percent of Ohio's children.[1] However, many people who need care are left out. For example, a parent with one child who earns $12,000 working 30 hours per week at the Ohio minimum wage is eligible for Medicaid. But if that parent works 35 hours per week and earns $14,000, she is not, although the difference in earnings wouldn't even cover a trip to the emergency room for a broken bone. Adults without children are not eligible at all. As Table 1 shows, the Medicaid expansion would extend health insurance coverage to all adults earning up to 138 percent of the federal poverty line, or about $23,000 for a family of four.

Between 667,000 and 901,000 Ohioans will enroll in Medicaid between 2014 and 2019, according to the Kaiser Commission on Medicaid and the Uninsured, depending on how successful Ohio's efforts are to reach and enroll eligible people.[2] This will bring significant benefits, not just for people who gain coverage, but for all of us.

Preventive care, like cancer screenings and regular check-ups, enables some illnesses to be caught and treated early, which can be less costly and can also catch diseases before they become serious, sometimes dramatically reducing suffering and boosting the opportunity for a healthy and productive life. Access to care can also reduce the spread of infectious disease, helping our communities, including people with private coverage. Preventive treatment offers the best public health protection to all.[3]

Insurance and regular care also can prevent financial crisis and reduce financial burdens that people with chronic illness face.[4] Uninsured patients who face a medical crisis are disproportionately likely to end up in bankruptcy or foreclosure; better coverage will prevent these financial disasters.[5]

Ohio is one of the nation's least healthy states, ranking 42nd in 'Healthy Lives' statistics in the Commonwealth health scorecard for the states,[6] yet it is also a state with high per-person health care costs.[7] Medicaid expansion would provide earlier diagnosis and preventive treatment to hundreds of thousands of people, which should improve overall health rankings, making Ohio more attractive to new residents and businesses looking to locate or expand.

Table 1

Medicaid expansion would provide health coverage to many of Ohio's working parents

Eligibility now set at 90 percent of poverty; expansion would raise it to 138 percent

Persons in family/household	Annual eligible income: Poverty guideline	90 percent of poverty	138 percent of poverty
1	$11,170	$10,053	$15,415
2	$15,130	$13,617	$20,879
3	$19,090	$17,181	$26,344
4	$23,050	$20,745	$31,809
5	$27,010	$24,309	$37,274
6	$30,970	$27,873	$42,739
7	$34,930	$31,437	$48,203
8	$38,890	$35,001	$53,668

Source: Policy Matters Ohio, based on United States Department of Health and Human Service guidelines for 2012.

2) The expansion is a great deal for Ohio. The federal government, not the state, will pay for most of the costs.

The federal government will cover 100 percent of the cost of providing health insurance to Ohioans newly eligible for Medicaid for the first three years of the expansion (2014 through 2016), and then phase down its share over the next 6 years to cover 90 percent of that group on a permanent basis after 2022. (Federal dollars cover 63 percent of current enrollees' cost.)

Ohio's costs will rise by a modest 1.6 percent between 2014 and 2019 compared to what total state and federal Medicaid spending would be without the expansion, the Kaiser Commission on Medicaid estimates. Ohio's share of the costs over those six years is forecast to be $830 million,[8] or roughly $138 million dollars annually – just 2.1 percent of total state Medicaid expenditures in 2013.[9]

3) Medicaid expansion will bring billions of dollars into the Ohio economy. Ohio will receive $17.3 billion new federal dollars as a result of Medicaid expansion between 2014 and 2019, according to Kaiser Commission estimates.[10] In the first year alone, federal funds could pay the annual wages of 50,000 health care workers.[11] This would directly boost the economy. There would also be spin-off: 'indirect' economic impact as hospitals and doctors increase purchasing and suppliers hire to meet the new demand, and 'induced' economic impact as workers spend their earnings and local stores and businesses grow. The boost in economic activity will generate new state and local tax revenues.

4) Ohio's savings can offset its costs. Ohio's hospitals treat more people in their emergency rooms than hospitals in other states.[12] That includes treatment for many people without insurance. Medicaid expansion could lead to a big decline in Ohio's costs for treating people who don't have insurance, called uncompensated care. The state could save between $1.1 billion and $2.3 billion between 2014 and 2019.[13] Other states have identified additional potential savings, including lower insurance premium costs for employers, including the state,[14] the federal government covering more of the costs of prison inmate hospitalization,[15] and a possible decline in state and local costs associated with mental health treatment.[16]

5) Ohio can't afford *not* to expand. If Ohio does not implement the expansion, federal funds that help pay for care for people without insurance will decline here, but costs for treating those people will not. Federal funds that help states pay for care for people without insurance are set to drop starting in 2014. That's because the health reform law anticipates that as states expand Medicaid, there will be fewer people without insurance needing emergency room care. But in states that do not expand Medicaid the treadmill of treating the poorest and sickest in emergency rooms will continue. If that's the case in Ohio, hospitals would face unattractive options: reducing services, shutting down, raising treatment fees on people with insurance, or seeking state tax dollars.[17]

States that do not expand Medicaid will leave many low-income individuals and families out in the cold: too poor to qualify for health insurance subsidies under the Affordable Care Act but not eligible for Medicaid.[18] In Ohio, as many as 789,000 individuals could be shut out in this way, according to the Urban Institute.[19] For these people, the choice to expand Medicaid in Ohio could literally be a life-and-death decision.

Ohioans pay federal taxes, and federal dollars will fund the Medicaid expansion. Taxpayers in states that do not implement the expansion will see their dollars going to states that do expand.

It is anticipated that some new enrollment in Medicaid will stem from people who are currently eligible but not enrolled. For example, the American Academy of Pediatricians estimated in 2011 that 194,000 Ohio children – 6.7 percent – were uninsured. Of those, 66 percent were eligible, but not enrolled. A share of these children will enroll as they become aware of access to the health care system. Since these children were already eligible, the federal government will cover 63 percent of the cost, the same share as in the current program, not the 90 percent it will cover for newly eligible Ohioans. This enrollment increase will be better absorbed if Ohio expands Medicaid, because of the increased efficiency and better cost control the expansion will bring.

Conclusion

Expanding Medicaid will give people who need health care access to preventive treatment and early diagnosis, which will expand opportunity and increase families' economic security. The state share of costs is modest, and the federal subsidies to Ohio – an estimated $17.3 billion over six years – will help our state. Ohio could save billions of dollars. The expansion would benefit public health and improve the health system. The Ohio Hospital Association has endorsed Medicaid expansion. OHA President and CEO Mike Abrams said,

> *"Ohio hospitals strongly support the responsible implementation of Medicaid expansion. Ohio's hospitals recognize expanding Medicaid is a complex undertaking and look forward to continuing to work with the administration of Gov. John Kasich to expand access to Medicaid in Ohio."*[20]

There is much to gain from expanding and much to lose from opting out. This is a long-term investment in Ohio's people. Ohio should participate in making people healthier and controlling costs by implementing the Medicaid expansion of the Affordable Care Act.

Endnotes

[1] Health Policy Institute of Ohio, "Ohio Medicaid Basics", May 2011 at http://bit.ly/QFYxur (accessed 9/11/2012).
[2] John Holahan and Irene Headen, "Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133% FPL," Kaiser Commission.
on Medicaid and the Uninsured, May 2010 at http://bit.ly/Pj95w8 (accessed 9/2/2012).
[3] Harvard Law School Center for Health Law & Policy Innovation, cited in #3, above.
[4] Harvard Law School Center for Health Law & Policy Innovation, "Expanding Medicaid under the Affordable Care Act: Where do States Stand Today**?"** at http://hvrd.me/RSffYv. (Accessed 9/2/2012); also see Kaiser Family Foundation brief on the health problems of low-income adults at http://www.kff.org/healthreform/upload/7914.pdf.
[5] Christpher T. Robertson et. Al., "Get Sick, Get Out: The Medical Causes of Home Mortgage Foreclosures" Health Matrix: Journal of Law-Medicine, Vol. 18, No. 65, 2008
[6] Commonwealth Fund's Health System Data Center state scorecard for Ohio at http://bit.ly/UKJ5Ol.
[7] Kaiser Family Foundation State Health Facts (March 2011), cited in State of Ohio, Governor's Office of Health Transformation, "Building Momentum: Improving Overall Health System Performance," updated December 2011, at http://1.usa.gov/UKJjVP (accessed 9/12/2012).
[8] John Holahan and Irene Headen, "Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133% FPL," cited above in #2.
[9] State of Ohio, Governor's Office of Health Transformation, "Medicaid funding summary" at http://1.usa.gov/QKDmcK. (Accessed 9/8/2012). Total state GRF share in 2013 is $4,996,111,803 and state non-GRF share is $1,597,052,277; total is $6,593,164,080 for state GRF and non-GRF share of Medicaid spending in 2013.
[10] John Holahan and Irene Headen, "Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133% FPL," cited above in #2.
[11] There are two different sections of jobs within the healthcare sector listed in the Bureau of Labor Statistics Occupational Wage Tables: Healthcare Practitioners and Technical Occupations, and Healthcare Support Operations. Policy Matters Ohio calculates the number of health workers' annual salaries funds associated with federal funds the Medicaid expansion portion of the ACA are expected to bring into Ohio in three steps, described here:
Step 1: Combining these two sections, total employment comes to 11,469,050 workers. 65.52 percent of these workers are in Healthcare Practitioners and Technical Occupations and the average annual salary of this section is $72,730. The other 34.48% of workers in the healthcare sector are in the Healthcare Support Occupations section and their average annual salary is $27,370.
Step 2: To get an average annual salary for all workers in the healthcare sector, the two separate salaries are weighted by their relative percentage of the workforce: .3448*(27,370) + .6552*(72,730) = $57,090. This is the weighted average salary of a worker in Ohio's healthcare sector.

Step 3: The Kaiser Commission's low-end estimate of federal share of Medicaid spending is $17.3 billion over six years, or about $2.88333 billion annually. If is divided by this weighted salary: 2,883,333,333/$57,090 = $50,505.

[12] Governor's Office of Health Transformation, "Medicaid Hot Spots," at http://1.usa.gov/Pj8D1a (accessed 9/4/2012).

[13] Matthew Buettgens, Stan Dorn and Caitlin Carroll "Consider Savings as Well as Costs: State Governments Would Spend at Least $90 Billion Less With the ACA than Without It from 2014 to 2019," The Urban Institute, *Timely Analysis of Immediate Health Policy Issues*, (Table 7) July 2011 at http://bit.ly/NowjVj.

[14] Jack Hadley, *et al.,* "Covering the Uninsured in 2008: Current Costs, Sources of Payment, and Incremental Costs," *Health Affairs,* August 25, 2008; cited in The Federal Government will Pick Up Nearly All the Costs of Health Reform's Medicaid Expansion", Center for Budget and Policy Priorities at http://bit.ly/QjMyke (accessed 9/2/2012).

[15] Pew Center for the States, "Medicaid Expansion seen as covering nearly all state prisoners," Stateline, October 11 2011 at http://bit.ly/Now24A (accessed 9/2/2011).

[16] National Association of State Mental Health Program Directors Research Institute, Inc., "SMHA-Controlled Mental Health Revenues, By Revenue Source and by State, FY 2006," at http://www.nri-inc.org.; Cited in "The Federal Government will Pick Up Nearly All the Costs of Health Reform's Medicaid Expansion", Center for Budget and Policy Priorities at at http://www.cbpp.org/cms/index.cfm?fa=view&id=3161#_ftn6 (accessed 9/2/2012).

[17] Washington Post, "The Super Wonky Reasons States may Join Medicaid Expansion," Ezra Klein blog, July 8, at http://wapo.st/QS1WTy (accessed 9/2/2012).

[18] Subsidies are available on a sliding income scale for people between 100 percent of the poverty level, about $23,000 for a family of four, and 400 percent, about $92,000. Kaiser Health News, "Ruling puts pressure on states to act," June 28, 2012 at at http://bit.ly/PbWlcd (accessed 9/2/2012).

[19]Genevieve M. Kenney, Lisa Dubay, Stephen Zuckerman, and Michael Huntress, "Making the Medicaid Expansion an ACA Option: How Many Low-Income Americans Could Remain Uninsured," The Urban Institute, June 29, 2012 at http://bit.ly/QS2SqQ (accessed 9/2/2012).

[20] Ohio Hospital Association, "Hospitals Support Medicaid Expansion" 8/21/2012 at http://bit.ly/TL0V5T. (Accessed 9/4/2012).