

The Health Express

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News on the national debate on health care reform and what it means for West Virginians



Expanding Medicaid Under Health Reform

One of the most significant features of the national health reform legislation working its way through Congress is the expansion of Medicaid. The House bill would expand Medicaid to 150 percent of the Federal Poverty Level (FPL), and the Senate bill would expand coverage to 133 percent of the FPL. This is especially important for West Virginia because current Medicaid eligibility for adults is among the lowest in the nation at 35 percent of the FPL.

Medicaid is a federal and state partnership that provides health coverage and long-term care services for children, families, the elderly and people with disabilities. In West Virginia, the program has remained fairly stable over the past several years, with 390,000 West Virginians receiving services through Medicaid in any given year.¹ More than half of Medicaid beneficiaries are children and low-income parents. Currently, Medicaid covers parents up to 35 percent of the FPL. Adults without children are not eligible for Medicaid coverage unless they are pregnant, elderly or disabled.

Expanding Medicaid to 150 percent of the FPL for parents and other adults will make health coverage available to 104,000 West Virginians who currently have no coverage, or about 38 percent of all West Virginians who were uninsured for the entire year in 2008.²

Medicaid is Crucial to West Virginia's Health and Economy

Medicaid is a good deal for West Virginia. About three-quarters of the cost is borne by the federal government, while about one-quarter comes out of the state budget. Medicaid infused about \$2.6 billion into the state's

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2009 Federal Poverty Level

Persons in Family	Income at 133% of FPL	Income at 150% of FPL
1	\$14,404	\$16,245
2	\$19,378	\$21,855
3	\$24,352	\$27,465
4	\$29,327	\$33,075
5	\$34,301	\$38,685

Source: U.S. Department of Health and Human Services

economy in FY 2009, of which \$2 billion came from the federal government. State spending on Medicaid is expected to be lower for FY 2009 due to federal Recovery Act funds, which increased the federal match to 81 percent beginning in the third quarter of 2008.³

Most policymakers, including Governor Manchin, have recognized that the benefits of the Medicaid program far outweigh its cost. Medicaid pays almost 20 percent of the total cost of West Virginia's health care system. Beyond the 390,000 West Virginians and their families who benefit directly from Medicaid, there are other beneficiaries. An

West Virginians for Affordable Health Care and the **West Virginia Center on Budget and Policy** are working together to provide timely updates on the rapidly changing health care debate. We invite you to contact the authors for further information or for presentations to your group. See last page for contact information.

Impact of New Federal Medicaid Funding on West Virginia's Economy

Federal Medicaid Funding	\$100 million	\$500 million
Increased business activity	\$183 million	\$913 million
Increased wages	\$64 million	\$319 million
Increased employment	1,900 new jobs	9,300 new jobs

Source: West Virginia Center on Budget and Policy analysis using Families USA data from *A Shot in the Arm for West Virginia, Increasing Health Coverage for Working Families*, January 2009.

An increase in Medicaid beneficiaries will boost jobs, wages and business activity in West Virginia

estimated 19,800 jobs are made possible by current Medicaid funding.⁴ Employers and individuals with insurance also benefit because without the financial contributions of Medicaid, uncompensated and charity care in West Virginia would be much higher, adding to premium costs of the privately insured.

Federal Medicaid Proposals Bring Even More Bang for the Buck

In January 2009, Families USA analyzed the value of Medicaid expansion for low-income parents in its report, *A Shot in the Arm for West Virginia: Increasing Health Coverage for Working Families*. According to their analysis, expanding Medicaid would provide a significant boost to jobs, wages and business activity in West Virginia. Every \$100 million in new federal Medicaid funding would generate an estimated \$183 million in increased business activity, \$64 million in increased wages, and 1,900 new jobs. (See table at top of page.)

While Medicaid has a highly favorable match rate already, the health reform proposal passed by the House of Representatives would do much more by providing 100 percent federal support during the first two years of reform and 91 percent support through 2019. It is not clear what would happen after 2019.

The Senate Bill released on November 18 has an even more favorable match for states. Under the Senate Bill, the West Virginia Medicaid expansion would be supported solely with federal dollars for the first three years and receive a 95 percent match for the next several years through 2019.

While the proposed health reform expansion of Medicaid will increase the state budget beginning in 2015 or 2016, depending on which version passes, it will also produce savings for families and employers. West Virginians would save \$611.5 million per year in 2014, according to an analysis done by CCR Actuaries for West Virginians

Federal Funds Generated for West Virginia by Expanding Medicaid to 150% FPL (Included in House Bill Passed on November 7, 2009)⁵

Year	Federal Share in millions	State Share in millions	Total Cost in millions	Percent Federal Share	Percent State Share
2013	\$419	\$0	\$419	100%	0%
2014	\$440	\$0	\$440	100%	0%
2015	\$422	\$40	\$462	91%	9%
2016	\$443	\$42	\$485	91%	9%
2017	\$466	\$44	\$510	91%	9%
2018	\$489	\$46	\$535	91%	9%
2019	\$513	\$48	\$561	91%	9%

New federal dollars for Medicaid
will act as a stimulus to West Virginia's
economy, lifting all boats.

for Affordable Health Care and other organizations, using the current cost-sharing formula with the federal government. By 2019, expanding Medicaid to 100 percent of all uninsured adults would save \$789.5 million per year. Savings would be in the form of less charity care paid by health care providers, and lower premiums for currently insured West Virginians, who pay higher premiums to subsidize charity care.

**Projected Return on Investment of
Expanding Medicaid to 100% FPL for Adults
(in millions)**

	2014	2019
Cost to federal government	-162.0	-208.3
Cost to state government	-56.8	-73.0
Savings on charity care	+238.8	+307.6
Savings for individuals and families	+591.5	+763.2
Net return on investment	\$611.5	\$789.5

Source: CCR Actuaries, "Health Care Financing in the State of West Virginia An Analysis and Projection of the Current System and Potential Transformations." August 2009.

Savings would also be realized by uninsured West Virginia families who are now spending millions of dollars out-of-pocket to pay for health care. Health care savings would be available to spend on other important goods and services, such as housing, food and transportation, thus providing an overall boost to the state's economy.

Clearly, Medicaid expansion under health reform will both save lives⁶ and improve the budgets of many low income West Virginians. More than 100,000 additional West Virginians will be covered. Many more West Virginians will be comforted by knowing that their brothers and sisters, children and grandchildren, aunts and uncles, and nephews and nieces have health care access when they need it. It will also give West Virginians the security of knowing there is a safety net if they lose their employer coverage. Beyond the impact on individuals, new federal dollars in West Virginia will act as a stimulus to the economy, lifting all boats.

Endnotes

- 1 Medicaid data in August 2009 showed 325,000 West Virginians receiving services from Medicaid during that month. The cumulative number of West Virginians receiving services through Medicaid during one year have consistently been about 390,000 per year for the past decade.
- 2 US Census Bureau. US Census surveys put the total number of uninsured West Virginians for the entire year of 2008 (the latest data available) at 271,000. Accessed on November 20, 2009 at http://www.census.gov/hhs/www/cpstables/032009/health/h05_000.htm. Given the economic downturn in 2009, this number is likely much higher today.
- 3 Under the American Recovery and Reinvestment Act (ARRA) of 2008, the federal match for West Virginia Medicaid was increased to 81%. Unless Congress continues the match provisions, they will end December 31, 2010.
- 4 The estimates are based on data from the Regional Input-Output Modeling System (RIMS II) economic model, created by the U.S. Department of Commerce, Bureau of Economic Analysis, to assess the effect of Medicaid spending on business activity, jobs and wages. It assumes that each \$1 million in state spending creates about 33 jobs in West Virginia. Families USA, A Shot in the Arm for West Virginia, Increasing Health Coverage for Working Families, January 2009, Page 11.
- 5 The analysis makes the following assumptions:
 - Number of uninsured up to 150% of the FPL remains constant at 104,000 per year. Census Data, CPS, 2008 shows 104,000 West Virginians were uninsured in 2008.
 - Average state cost per uninsured adult is \$959 based on actuarial analysis by CCRC Actuaries in 2009.
 - Medical inflation is 5% per year between 2009 and 2013 and 5% for every year thereafter.
- 6 Two new research reports show that uninsured adults die at higher rates in hospital emergency rooms and that uninsured children die at higher rates in hospitals. Johns Hopkins Children's Center, Lack of Insurance May Have Figured in Nearly 17,000 Childhood Deaths, Study Shows, October 29, 2009. www.hopkinschildrens.org/Lack-of-Insurance-May-Have-Figured-In-Nearly-17,000-Childhood-Deaths. Accessed on November 19, 2009.

Karen Kaplan, Uninsured Trauma Patients Are Much More Likely to Die. The Risk of Dying from Traumatic Injuries is 89% Higher for Those Without Insurance, A Study Says. ER Physicians Say They're Surprised by the Findings. Los Angeles Times, November 17, 2009. www.latimes.com/news/nationworld/nation/la-sci-trauma-uninsured17-2009nov17,0,4308260.story. Accessed on November 20, 2009.



West Virginians for Affordable Health Care (WVAHC) is a public interest group working on systemic health care reform. Learn more online about WVAHC and their health care reform proposals at www.wvahc.org. Or contact Perry Bryant at pbryant@wvahc.org, 1544 Lee Street East, Charleston, West Virginia 25311, 304-344-1673.



The West Virginia Center on Budget and Policy is a policy research organization that focuses on how policy decisions affect all West Virginians, especially low- and moderate-income families. Learn more online about the Center and its work at www.wvpolicy.org. Or contact Renate Pore at renatepore@verizon.net, 723 Kanawha Blvd. East, Charleston, WV 25301, 304-720-8682.