

The Supreme Court recently upheld the Affordable Care Act (ACA). This is an enormous victory for all Montanans, including the over 160,000 who currently do not have health insurance coverage.<sup>1</sup> Because of the ruling, young adults under age 26 can remain on their parents' health insurance until they obtain steady employment that provides coverage. This is a particularly important development as young people across Montana struggle to find employment in a sluggishly recovering economy. The decision also prevents insurers from denying coverage to people with pre-existing health conditions like cancer, diabetes, asthma, and autism. In addition, it bars insurance companies from cutting off coverage for people with costly medical conditions. Implementation of these provisions of ACA will be a huge benefit to Montanans all across our state.

However, the Supreme Court ruling also left one critical decision up to the states. Specifically, our elected officials must decide whether or not to expand our Medicaid program to cover low-income adults. The expansion of Medicaid is an integral piece of the ACA, particularly in reducing the societal costs of uncompensated and foregone care and in improving health care for American Indians. Expanding Medicaid coverage would be a bargain for Montana, resulting in a large decrease in the uninsured population with small costs to the state. In addition, the expansion will provide a much-needed boost to our economy as we continue to recover from the Great Recession.

### Current Medicaid Eligibility Is Uneven

Currently, eligibility for Medicaid in Montana varies dramatically based on certain characteristics of the person applying. Eligibility limits for Medicaid and/or Healthy Montana Kids are:

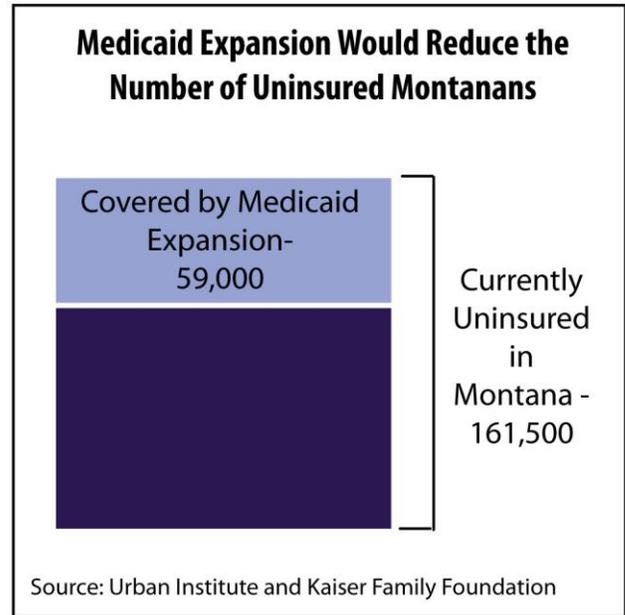
- Children- 250% of the federal poverty level (FPL) or below;
- Pregnant women- 150% of FPL or below;
- Working parents- below 56% of FPL;
- Nonworking parents- below 34% of FPL;
- Adults without children- not eligible for Medicaid unless they are aged, blind or disabled.

*Source: Montana Department of Health and Human Services*

Because children living at or below 138% of the federal poverty line are already eligible for Medicaid, the Medicaid expansion will only increase coverage for adults in the state.

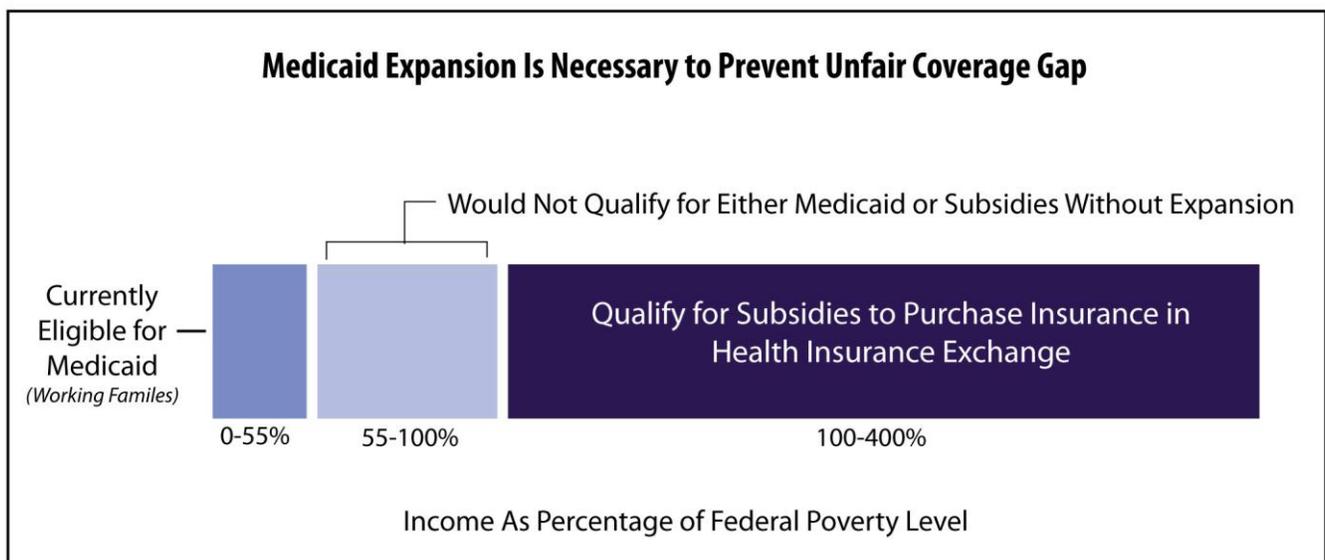
## Medicaid Expansion Would Significantly Reduce the Number of Uninsured Montanans

Under the Affordable Care Act and the Supreme Court ruling, with very little cost to the state, Montana can expand Medicaid coverage to families earning less than 138% of the federal poverty level (FPL), which is \$26,344 for a family of three.<sup>2</sup> This eligibility expansion would provide new coverage for approximately 59,000 Montanans,<sup>3</sup> which represents 37% of Montana’s uninsured population.<sup>4</sup> By participating in the Medicaid expansion, Montana can make a substantial dent in its uninsured population at very low cost.



## Medicaid Expansion Will Prevent Detrimental Coverage Gaps for Poor Adults

On the other hand, refusing to expand Medicaid will result in extreme inequity in health insurance coverage. Montanans with incomes between 100 and 400 percent of the poverty line will be eligible for subsidies to help them afford coverage in the new health insurance exchanges. Unfortunately, people living below the poverty line won’t be eligible to receive these subsidies since the drafters of the Affordable Care Act assumed they would be covered under expanded Medicaid. The swath of Montanans stuck in this middle ground will be left to face the inefficient health care system of the past, wherein they receive less preventative care and delay treatment due to high costs. As a result, they will have worse health outcomes and higher financial burdens.<sup>5</sup>



## **Medicaid Expansion Will Improve Health Care for American Indians**

During the 18<sup>th</sup> century the federal government made agreements with American Indian tribes in exchange for land and natural resource ownership. As one part of these agreements, the federal government agreed to provide healthcare to American Indians, an obligation it attempts to uphold through Indian Health Services (IHS).<sup>6</sup>

Historically, IHS has been severely underfunded, with current funding only covering 60% of the need.<sup>7</sup> Due to underfunding, IHS offers limited services for cancer screening and other preventative care. In fact, the underfunding of IHS contributes to health disparities for American Indians in cancer,<sup>8</sup> diabetes, and other preventable diseases.<sup>9</sup>

By participating in Medicaid expansion, Montana will provide health care coverage for thousands of American Indians whose needs aren't being adequately served by IHS. Montana has approximately 15,000 American Indians that are either currently eligible or will be newly eligible for Medicaid.<sup>10</sup> Expanded Medicaid coverage will increase health care options and improve health outcomes for these Montanans.

Under the ACA, American Indian Medicaid enrollees may seek care from facilities outside of IHS. In addition, Medicaid serves as primary insurance, which means that IHS will receive reimbursement when it provides care to a Medicaid enrollee, thus freeing up IHS funds to increase and improve their core services.

## **Medicaid Expansion Will Provide a Much Needed Boost to Montana's Economy**

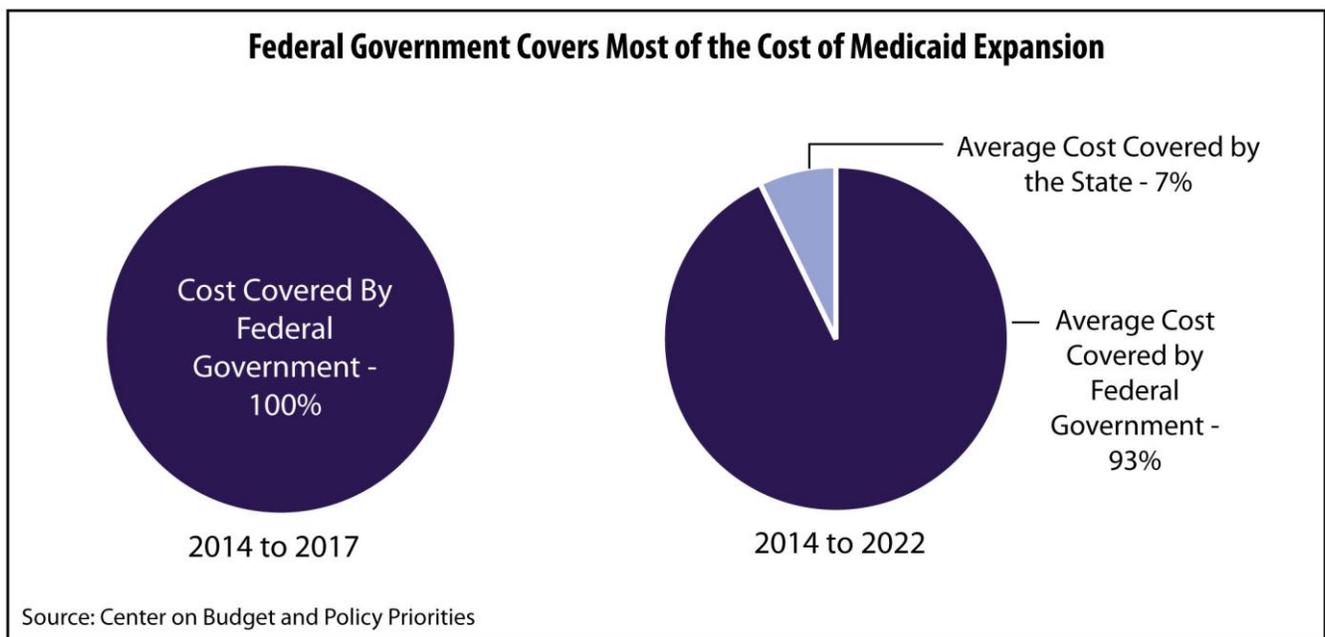
While Affordable Care Act as a whole is expected to reduce the deficit, the federal government will increase spending in some areas while decreasing it in others.<sup>11</sup> One of the areas where the federal government will increase spending is injecting money into the states for the Medicaid expansion. These federal dollars will pay for medical care that wouldn't otherwise be provided or would be provided at state, local, or private expense.

These federal dollars will not only provide health care coverage, they will also help to create jobs in communities across Montana. Expanding Medicaid coverage will effectively increase demand for medical services, as newly covered individuals seek both preventative and critical care. This increased demand will allow medical facilities to purchase new equipment and hire more nurses, physician assistants, technicians and other support staff.<sup>12</sup>

In addition, the newly insured will spend less of their disposable income on medical care and will have more to spend at the grocery store, the gas station and other businesses in Montana. These businesses may also hire new employees to meet the additional demand.

## Medicaid Expansion Will Be Low-Cost for Montana

In exchange for expanded coverage and additional jobs, Montana will be expected to cover a small amount of the costs of extended Medicaid coverage. The increased federal funding that would accompany the Medicaid expansion is a tremendous deal for Montana. The federal government will pay 100 percent of the cost for the first 3 years. Beginning in 2017, Montana will pick up a small portion of the costs, paying no more than 10% from 2020 forward.<sup>13</sup> The estimates on the cost to the state vary between 4% to 6% more than what Montana would have spent on Medicaid from 2014 to 2019 without health care reform.<sup>14</sup>



## Minimal Costs Will Be Offset by Additional Savings

These additional costs to the state may be completely offset by savings. State and local budgets will see lower costs for uncompensated care, which happens when a public health care facility treats a patient who is uninsured. These facilities include chemical dependency centers, veterans' homes, and mental health hospitals and care centers. Montana could save between \$57-114 million in uncompensated care costs for 2014-2019 under the ACA.<sup>15</sup> These savings will partially or perhaps fully offset additional costs to the state for the Medicaid expansion.<sup>16</sup>

Health reform's efforts to lower health care costs may also help lower state and local governments' costs for providing health care to legislators, teachers, prison populations, children in foster care and public safety officers.

## Failure to Expand Medicaid Will Hurt Many Montana Hospitals

Failure to expand Medicaid would severely harm hospitals in Montana that treat larger numbers of low-income patients. For these hospitals, Medicaid helps cover the cost of caring for those without insurance through “disproportionate share hospital” (DSH) payments. In 2011, Montana hospitals received over \$11 million in DSH payments to reimburse them for providing uncompensated care.<sup>17</sup> Those payments are scheduled to be reduced as the ACA is implemented because the Medicaid expansion was expected to reduce uncompensated care. Without Medicaid expansion, payments to hospitals will go down but they won’t experience the expected decline in demand for uncompensated care.

## Medicaid Expansion Makes Sense for Montana

Failure to participate in Medicaid expansion would come at a high cost for Montana. It would create a devastating gap between the insured and those who otherwise should have benefitted from the Affordable Care Act. It would continue to place thousands of Montanans at incredible financial risk and forgo an opportunity to improve health care for American Indians. Furthermore, failure to expand Medicaid would be a missed opportunity to improve Montana’s economy and create jobs across the state.

Failure to provide access to health care to thousands of Montanans is a decision our state cannot afford to make.

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<sup>1</sup> The Henry J. Kaiser Family Foundation, "Montana Facts At-A-Glance," <http://www.statehealthfacts.org/profileglance.jsp?rgn=28#>.

<sup>2</sup> The Federal Poverty Level (FPL) is currently \$19,090 for a family of three. <http://aspe.hhs.gov/poverty/12poverty.shtml/>. Health Reform specifies Medicaid expansion up to 133% of the FPL. However, 5% of income is disregarded, creating an effective eligibility level of 138% of FPL.

<sup>3</sup> Kenney, Genevieve et al., "Opting Out of the Medicaid Expansion under the ACA: How Many Uninsured Adults Would not Be Eligible for Medicaid?" Urban Institute, July 5, 2012, <http://www.urban.org/UploadedPDF/412607-Opting-Out-of-the-Medicaid-Expansion-Under-the-ACA.pdf>.

<sup>4</sup> 161,500 Montanans are currently uninsured. The Henry J. Kaiser Family Foundation, "Montana Facts At-A-Glance," <http://www.statehealthfacts.org/profileglance.jsp?rgn=28#>.

<sup>5</sup> Bovbjerg, Randall R. and Hadley, Jack, "Why Health Insurance Is Important," The Urban Institute, November 2007, [http://www.urban.org/UploadedPDF/411569\\_importance\\_of\\_insurance.pdf](http://www.urban.org/UploadedPDF/411569_importance_of_insurance.pdf).

<sup>6</sup> Shelton, Brett Lee, "Legal and Historical Roots of Health Care for American Indians and Alaska Natives in the United States," Henry J. Kaiser Family Foundation, February 2004, <http://www.kff.org/minorityhealth/upload/Legal-and-Historical-Roots-of-Health-Care-for->

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[American-Indians-and-Alaska-Natives-in-the-United-States.pdf](#).

- <sup>7</sup> The Urban Institute, "A National Roundtable on the Indian Health System & Medicaid Reform: Summary Report," October 5, 2005, [http://www.urban.org/url.cfm?id=411236&RSSFeed=UI\\_Race/Ethnicity/Gender.xml](http://www.urban.org/url.cfm?id=411236&RSSFeed=UI_Race/Ethnicity/Gender.xml).
- <sup>8</sup> Warne, Donald et al., "American Indian/Alaska Native Cancer Policy: Systemic Approaches to Reducing Cancer Disparities.," *Journal of Cancer Education* 27, April 2012.
- <sup>9</sup> Warne, Donald, "Research and Educational Approaches to Reducing Health Disparities Among American Indians and Alaska Natives." *Journal of Transcultural Nursing* 17, no. 3, July 2006, pp. 226-271.
- <sup>10</sup> 2005-2007 American Community Survey includes individuals who self-identify as American Indian alone or in combination with some other race.
- <sup>11</sup> Congressional Budget Office, "Estimates for the Insurance Coverage Provisions of the Affordable Care Act Updated for the Recent Supreme Court Decision," July 2012, <http://www.cbo.gov/sites/default/files/cbofiles/attachments/43472-07-24-2012-CoverageEstimates.pdf>.
- <sup>12</sup> The Bureau of Business and Economic Research, "The Importance of Public Health Care Funding to the Montana Economy," University of Montana, December 2010.
- <sup>13</sup> Medicaid is a partnership between states and the federal government. In Montana, the federal government currently contributes approximately two-thirds of the costs. For anyone who was already eligible for Medicaid, the same cost sharing arrangement will apply under health reform. For people newly eligible under health reform, the federal government will cover 100% of the costs for the first three years (2014-2016) phasing down to 90% for 2020 and beyond. Kaiser Family Foundation, "Summary of New Health Reform Law," <http://www.kff.org/healthreform/upload/8061.pdf>.
- <sup>14</sup> The primary cause of the variation is that we cannot say with certainty how many of the newly eligible will actually enroll. Holahan, John and Irene Headen. 2010. *Medicaid coverage and spending in health reform: National and state-by-state results for adults at or below 133% FPL*. Washington DC: The Henry J. Kaiser Family Foundation; Montana Department of Health and Human Services, "Montana and Major Components of Federal Healthcare Reform," April 19, 2010, [http://leg.mt.gov/content/Committees/Interim/2009\\_2010/Children\\_Family/Assigned\\_Studies/SJR\\_35/sjr35-montanan-medicaid-estimates.pdf](http://leg.mt.gov/content/Committees/Interim/2009_2010/Children_Family/Assigned_Studies/SJR_35/sjr35-montanan-medicaid-estimates.pdf); and Sheils, John et al., "The Impact of the Medicaid Expansions and Other Provisions of Health Reform on State Medicaid Spending," The Lewin Group, December 10, 2010, [http://www.lewin.com/~media/lewin/site\\_sections/publications/lewin\\_impact\\_of\\_medicaid\\_expansions\\_on\\_state\\_spending.pdf](http://www.lewin.com/~media/lewin/site_sections/publications/lewin_impact_of_medicaid_expansions_on_state_spending.pdf).
- <sup>15</sup> This estimate is conservative in that it assumes that not all savings from reductions in uncompensated care are realized in the state budget. Forty-five percent of uncompensated care is paid by the federal government, 30% by state and local governments and 25% from private sources. This estimate assumes Montana will only see 25-50% of the state's share in actual savings. Buettgens, Matthew et al., "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," Robert Wood

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Johnson Foundation and The Urban Institute, July 2011,  
<http://www.rwjf.org/files/research/72582qsfull201107.pdf>.

<sup>16</sup> Buettgens, Matthew et al., "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," Robert Wood Johnson Foundation and The Urban Institute, July 2011,  
<http://www.rwjf.org/files/research/72582qsfull201107.pdf>.

<sup>17</sup> Kaiser Family Foundation. 2011. State Health Facts.  
<http://www.statehealthfacts.org/profileind.jsp?cmprgn=1&cat=4&rgn=28&ind=185&sub=47>  
(accessed 7/25/12).