



Medicaid Expansion: A Critical Move for Montana October 2013

In 2013, the Montana Legislature faced one of the most critical policy decisions presented to the state in recent history. Policymakers had the opportunity to accept federal funds to expand the state's Medicaid program, a move that would provide access to health care for nearly 70,000 low- and moderate-income Montanans and boost the state's workforce and economy.

Efforts to advance legislation received bipartisan support. Unfortunately, the final compromise bill became a victim of political gamesmanship. The Medicaid expansion debate never reached the House floor, and attempts to revive the compromise failed by one vote. The legislature adjourned without passing this vital legislation.

Nevertheless, the fight to expand Medicaid is not over. Montana has a variety of policy options to enact expansion. The stakes are high. Tens of thousands of Montanans wait for access to much-needed health care, and Montana risks losing millions of dollars in federal support if policymakers delay the decision past the end of 2013.

Background: How Medicaid Works in Montana

Currently, Montana limits Medicaid access to individuals living significantly below the federal poverty level (FPL), and these parameters leave many Montanans who live in and near poverty without access to health care. Expansion would help mitigate this problem by extending Medicaid's income guidelines to include anyone with an income below 138 percent of the FPL.¹ To place this figure into context, 138 percent of FPL would amount to \$15,856 in earnings for an individual and \$26,951 for a family of three.²

If Montana increases Medicaid eligibility limits before January 1, 2014, the federal government will cover 100 percent of the costs of expansion for the first three years.³ As a result of expansion, approximately 70,000 Montana adults will be newly eligible for access to health care a move that would significantly reduce the number of uninsured Montanans.^{4,5}

Refusing to expand Medicaid will result in extreme inequity in health care coverage. Under the Affordable Care Act (ACA), Montanans with incomes between 100 and 400 percent of the poverty line are eligible for subsidies to help them purchase coverage through the new health insurance exchange. Unfortunately, drafters of the ACA did not anticipate the Supreme Court ruling that left Medicaid expansion to the discretion of individual states. As a result, people living below the poverty line will not be eligible for subsidies to purchase their own coverage.⁶

Medicaid is Good Health Coverage

Medicaid is widely accepted by providers in Montana. In fact, Montana has one of the highest rates of Medicaid acceptance in the country. Nearly 90 percent of all doctors, hospitals, clinics, and other providers in the state accept Medicaid, a figure that is significantly higher than the national average.⁷

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.

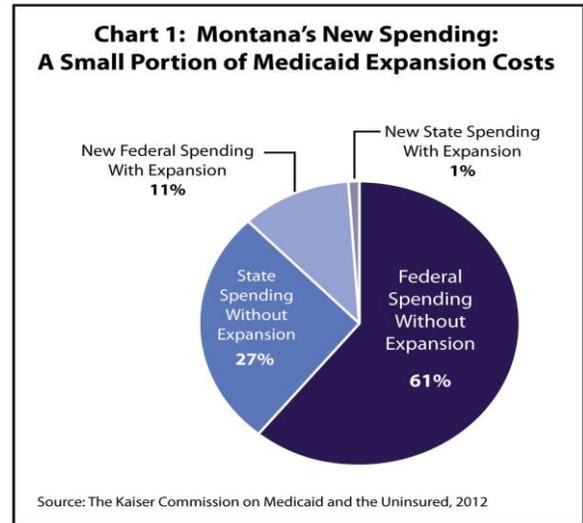
Source: Montana Department of Health and Human Services. Because children living at or below 138% of the federal poverty line are already eligible for Medicaid, the Medicaid expansion will only increase coverage for adults in the state.

Not only is Medicaid widely accepted, but it is also efficient. Administrative costs for Medicaid are approximately half of those in the private sector, and overall Medicaid costs have grown at a significantly slower rate than their private counterparts.^{8,9} It also costs substantially less to insure people of similar health status who are on Medicaid, due to lower payment rates and fewer administrative costs.¹⁰ Analysts expect this lower-cost trend to continue over the next decade.

Medicaid Expansion Will Be Low-Cost for Montana and Offset by Additional Savings

Although the federal government will pay for the vast majority of Medicaid expansion costs, Montana will be expected to contribute a small amount. Savings generated from this expanded health coverage will help to significantly offset these minimal costs. Federal funding will cover 100 percent of the costs of expansion for 2014, 2015, and 2016.¹¹ Beginning in 2017, Montana will pick up a small portion of the costs, paying no more than ten percent from 2020 forward.¹²

Montana’s total costs for Medicaid with expansion will be roughly four percent higher during the 2013-2022 period than if the state selected not to expand coverage.¹³ This new state spending will be just one percent of the total costs of Montana and federal spending on Medicaid (Chart 1).



These additional costs associated with Medicaid expansion could be offset by savings. Between 2014 and 2021, the state must invest \$579 million in order to receive federal Medicaid expansion funds. However, the increased demand for healthcare in Montana will begin a ripple effect of job creation across the state, and as a result, increased state and local tax revenues will more than offset state costs through 2017.¹⁴

Presently, many uninsured individuals who seek medical attention in Montana are unable to pay for their treatment, often leaving providers and taxpayers to cover the costs of this uncompensated care. In 2010, uncompensated care in hospitals alone cost Montana taxpayers \$150 million.¹⁵ The federal government covers 45 percent of the cost of uncompensated care, with the remainder being covered by both state and local governments (30 percent) and private sources (25 percent).¹⁶

Table 1: Savings and Increased Revenue Help Offset Expansion Costs
State Spending on Medicaid Expansion, in Millions (High Cost Scenario)

	State Spending on Medicaid Expansion	Reduction in Uncompensated Care (including reduced DSH payments)	Additional State and Local Tax Revenue	Net Cost (+) and Net Savings (-) to State
FY2014	\$13.7	\$46.4	\$23.5	-\$56.3
FY2015	\$25.9	\$6.9	\$51.7	-\$32.7
FY2016	\$27.9	\$7.3	\$55.9	-\$35.7
FY2017	\$50.4	\$6.5	\$57.5	-\$13.6
FY2018	\$81.4	\$3.8	\$58.3	+\$19.3
FY2019	\$97.9	\$3.7	\$62.1	+\$32.1
FY2020	\$129.5	\$9.9	\$65.7	+\$53.9
FY2021	\$152.2	\$1.8	\$66.3	+\$84.1
TOTAL	\$578.8	\$86.3	\$441.0	+\$51.5

Source: Bureau of Business and Economic Research, University of Montana

As such, if Montana chooses to expand Medicaid, state and local budgets will ultimately face lower costs for uncompensated care. Public facilities, such as chemical dependency centers, veterans' homes, and mental health hospitals and care centers will also benefit, as they can seek compensation from Medicaid for the services they provide. Montana could save \$86 million in uncompensated care costs from 2014 to 2021.¹⁷ Considering the increased revenue from state taxes and decreased spending on uncompensated care, the estimated net state spending by Montana from 2014-2019 would be only \$51.5 million dollars. (Table 1).¹⁸

Medicaid Expansion Benefits Under-Insured and Vulnerable Populations

Medicaid expansion would also significantly benefit under-insured populations that are particularly vulnerable to the ill effects of being without healthcare. For example, veterans and American Indians in Montana are especially likely to have low rates of health insurance, and both groups would benefit greatly from Medicaid expansion.

Veterans

Montana has the highest percentage of uninsured veterans in the country. Currently, 9,000 veterans have no insurance and 5,000 only have access to VA care.¹⁹ Despite common assumptions, veterans and their families often do not have automatic and easy access to Veterans Affairs (VA) health care, even in spite of their service to our country. In many cases, these individuals either live too far from a VA center to be able to conveniently and routinely get care or do not meet the service requirements needed to access VA care.

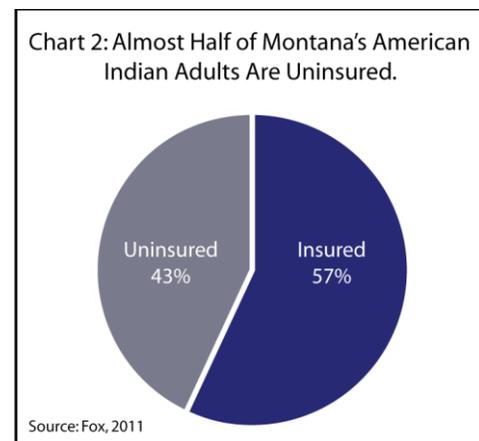
About half of all uninsured veterans in Montana – roughly 4,400 people – and more than half of VA-only insured veterans – 2,600 – could qualify for coverage under Medicaid expansion.²⁰ Additionally, expansion could provide access to health care for 2,500 of these veterans' family members.²¹ Thus, expanding Medicaid would not only benefit the men and women who have served our country, but their families and communities as well.

American Indians

American Indians in Montana would also benefit significantly from Medicaid expansion. Montana has the highest percentage of uninsured American Indians between the ages of 18-64 in the nation, with over half of the state's American Indian population uninsured (Chart 2).²² If Montana expands Medicaid, nearly 20,000 American Indians across the state will receive health insurance.

Additionally, Indian Health Service (IHS) clinics will receive reimbursements for care provided to newly covered individuals. This ability to receive compensation for services provided to Medicaid patients effectively frees up other IHS funding, allowing clinics to improve the quality of care and boost health outcomes for all patients.^{23,24} Because of historically severe funding shortages in Indian Health Services, American Indians continue to experience serious health disparities, often due to a lack of access to preventative health care and early treatment.²⁵ In fact, the underfunding of IHS contributes to higher rates of cancer, diabetes, and other preventable diseases in American Indian populations.^{26,27}

Expanding Medicaid will also serve as an economic stimulus in Indian Country. The significant influx of federal dollars will not only provide much-needed care, but it will also help create jobs. 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 supplies, hire more medical and support staff, and fund building renovations and new construction.²⁸ These new jobs will benefit families and communities throughout Montana's Indian Country.



Medicaid Benefits Montana's Economy

Investing in Montana's Workforce Will Support Industries That Make Montana Great

More than 43,000 working Montanans who presently do not have health insurance could be newly covered under Medicaid expansion.²⁹

Despite common misconceptions, most working-age individuals who lack insurance are currently employed.³⁰ However, they often either are not offered insurance by their employers or cannot afford the plans provided. As a result, too many of Montana's workers delay care or risk financial ruin if they or a family member get sick.

Men and women working in the industries and occupations that are critical to Montana's economic success would benefit from Medicaid expansion. Restaurant and hotel employees, construction workers, and ranch hands would be among the workers that experience the greatest benefits (Table 2). Today, many of these employees have limited or no access to health insurance. Medicaid expansion would provide them with coverage they and their families need.

Ranching, tourism, construction, and providing care for children and the elderly are all important industries in Montana's economy and heritage. Investing in employees who do this critical work will support the backbone of our economy. When workers have health insurance, productivity increases, and absenteeism and turnovers decrease.³¹ Thus, Medicaid expansion would not only benefit the employees in Montana's vital industries, but their employers and customers as well.

Table 2: Medicaid Coverage Supports Vital Montana Industries

Workplaces with the Most Uninsured Workers Who Could Gain Medicaid Coverage in 2014

Total Uninsured Workers in Montana under 138% of FPL	43,640
Industries with Most Uninsured Workers under 138% of FPL in MT	
Restaurants and Other Food Service	6,690
Construction	4,550
Recreation and Gambling (casinos, ski resorts, etc.)	2,190
Animal Production (ranching, poultry farming, etc.)	1,700
Nursing Care Homes	1,590
Grocery Stores	1,560
Hotels and Motels	1,540
Child Day Care Services	1,270
Business Support Services (call centers, mail services, etc.)	1,020
Dry-Cleaning and Laundry Services	1,010

Source: Analysis of the 2011 American Community Survey. Adults are those aged 19 through 64. Workers are those who have worked within the past year. The ten industries above are those with the largest number of uninsured citizen workers in the Medicaid expansion income-eligibility range in Montana. All figures are rounded to the nearest ten workers.

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

If Montana does not expand Medicaid by 2014, it will begin losing out on millions of federal dollars. In the first five years of Medicaid expansion, the federal government investment will be between \$6 and \$6.7 billion (Table 4).^{32,33} The federal dollars used to expand Medicaid coverage will not only provide health care coverage, they will also help to create jobs in communities across Montana. Expanding Medicaid will increase the demand for medical services, as new enrollees seek care. This uptick in services has a ripple effect for Montana's economy.

Health care providers will hire additional staff and purchase new equipment. Both the newly employed and the newly enrolled in health care will have additional income to spend at the grocery store, gas station, and other local businesses. These additional dollars will help encourage growth for businesses on Main Streets across Montana. In total, the injection of federal Medicaid expansion dollars into Montana's economy could

create between 11,500 and 12,700 new jobs each year and would increase statewide earnings by \$3.8 to \$4.2 billion between 2014-2021.^{34,35}

Failure to Expand Medicaid Will Hurt Many Montana Hospitals

Failure to expand Medicaid in Montana could cause severe harm to the hospitals that treat large 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 uncompensated care.³⁶ However, DSH payments will be reduced as the ACA is implemented, because Medicaid expansion was expected to decrease uncompensated care. Without expansion, payments to hospitals for uncompensated care will go down, and hospitals will not have the increased base of compensated care originally expected from increasing Medicaid eligibility.

Montana Must Act Soon to Expand Medicaid

Although Montana can decide to expand Medicaid at any time, waiting until after the January 1, 2014 means that the state risks losing millions of dollars in federal funds each year. These federal funds will bring jobs to the state and help boost the economy. But more importantly, until the state expands Medicaid, tens of thousands of uninsured Montanans risk their physical and financial well-being by forgoing medical care. Through expanding Medicaid, 70,000 people in our state will be able to access the care they need.

Although the legislature failed to act on Medicaid expansion, there are still policy options available. The governor can call the legislature back for special session to craft compromise legislation. Alternatively, the people can bring Medicaid expansion to the ballot in the fall of 2014. However Montana chooses to expand Medicaid, the state should act quickly so that low-income adults can receive the health care they need, and our economy can experience the positive returns of vital dollars flowing into the state.

Expanding Medicaid Is Good for Montana

Medicaid expansion is a good deal for Montana. In return for a small investment of state dollars, Montana will receive a large influx of federal funds. These funds will encourage job growth, boost state tax revenues, and help stimulate our economy. It will also change the lives of 70,000 Montanans who currently do not have health coverage, especially for in the state’s most vulnerable populations and workers in our core industries. Rather than forgoing necessary medical treatment or suffering catastrophic financial losses due to medical bills, thousands of men and women will be able to access the health care they need. Our entire state will benefit. It is time to expand Medicaid in Montana.

Table 4: Delaying Expansion Means Losing Millions of Federal Dollars
Estimated Cumulative Federal Spending, in Millions

	Total Investment, Low Cost Scenario	Total Investment, High Cost Scenario
FY2014	\$294.5	\$329.2
FY2015	\$648.9	\$725.5
FY2016	\$710.0	\$793.8
FY2017	\$757.7	\$846.4
FY2018	\$801.4	\$895.9
FY2019	\$863.5	\$965.4
FY2020	\$937.5	\$1,048.2
FY2021	\$963.9	\$1,077.5
TOTAL	\$5,976.7	\$6,682.1

Source: Bureau of Business and Economic Research, University of Montana

¹ 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.

² Official federal poverty levels change every year, thus the income guidelines may be slightly higher in 2014. U.S. Department of Health and Human Services, "2013 HHS Poverty Guidelines," 2013, <http://aspe.hhs.gov/poverty/13poverty.cfm>.

³ P.L. 111-148, Patient Protection and Affordable Care Act, HR 3590, 111th Congress, March 23, 2010, <http://www.gpo.gov/fdsys/pkg/PLAW-111publ148/html/PLAW-111publ148.htm>.

⁴ Many organizations have been making estimates on the number of people who would be eligible or the number who will enroll. The estimates from the Bureau of Business and Economic Research estimate approximately 69,000. Governor Schweitzer in his budget proposal estimated 80,000. Bureau of Business and Economic Research, "An Estimate of the Economic Ramifications Attributable to the Potential Medicaid Expansion on the Montana Economy," January 2013, http://csi.mt.gov/health/media/BBER_MedicaidExpansion.pdf Schweitzer, Brian, "The Schweitzer Budget for 2014-2015: Continuing a Record of Fiscal Responsibility," November 15, 2012, http://budget.mt.gov/content/execbudgets/2015_Budget/Yellow_Book. Holahan, John et al., "The Cost and Coverage Implications of the ACA

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- ⁵ John Holahan, Matthew Buettgens, Caitlin Carroll, Stan Dorn, The Urban Institute, "The Cost and Coverage Implications of the ACA Medicaid Expansion: National and State-by-State Analysis," Kaiser Family Foundation, November 2012, <http://kaiserfamilyfoundation.files.wordpress.com/2013/01/8384.pdf>.
- ⁶ U.S. Centers for Medicare and Medicaid Services, "What if my state is not expanding Medicaid?" 2013. <https://www.healthcare.gov/what-if-my-state-is-not-expanding-medicaid/#state=montana>
- ⁷ Phil Galewitz, "Study: Nearly A Third Of Doctors Won't See New Medicaid Patients," Kaiser Health News, August 2012, <http://www.kaiserhealthnews.org/Stories/2012/August/06/Third-Of-Medicaid-Doctors-Say-No-New-Patients.aspx>
- ⁸ Phil Galewitz, "Medicaid: True or False?" Kaiser Health News, <http://www.kaiserhealthnews.org/stories/2009/july/01/medicaid-true-or-false.aspx>, July, 2009
- ⁹ Edwin Park and Mark Broaddus, "Medicaid Per Capita Cap Would Shift Costs to States and Place Low-Income Beneficiaries at Risk," Center on Budget and Policy Priorities, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3846>, October 2012.
- ¹⁰ Edwin Park and Mark Broaddus, "Medicaid Per Capita Cap Would Shift Costs to States and Place Low-Income Beneficiaries at Risk," Center on Budget and Policy Priorities, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3846>, October 2012.
- ¹¹ If Medicaid Expansion is implemented after 2014, the 100% federal coverage will still not extend past 2016.
- ¹² 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>.
- ¹³ Holahan, John et al., "The Cost and Coverage Implications of the ACA Medicaid Expansion: National and State-by-State Analysis," The Kaiser Commission on Medicaid and the Uninsured, November 2012, <http://www.kff.org/medicaid/8384.cfm>.
- ¹⁴ Bureau of Business and Economic Research, "An Estimate of the Economic Ramifications Attributable to the Potential Medicaid Expansion on the Montana Economy," January 2013, http://csi.mt.gov/health/media/BBER_MedicaidExpansion.pdf
- ¹⁵ Bureau of Business and Economic Research, "An Estimate of the Economic Ramifications Attributable to the Potential Medicaid Expansion on the Montana Economy," January 2013, http://csi.mt.gov/health/media/BBER_MedicaidExpansion.pdf
- ¹⁶ 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/content/dam/files/legacy-files/article-files/3/72582qsfull201107.pdf>.
- ¹⁷ Bureau of Business and Economic Research, "An Estimate of the Economic Ramifications Attributable to the Potential Medicaid Expansion on the Montana Economy," January 2013, http://csi.mt.gov/health/media/BBER_MedicaidExpansion.pdf
- ¹⁸ This is an estimate using a high-cost scenario. Under a low cost scenario, state spending is estimated at \$518 million, with a net cost of \$34.2 million.
- ¹⁹ <http://www.urban.org/publications/412577.html>
- ²⁰ Author's calculations based on Haley, Jennifer and Kenney, Genevieve, "Uninsured Veterans and Family Members: Who Are They and Where Do They Live?," Robert Wood Johnson Foundation and the Urban Institute, May 2012, <http://www.urban.org/publications/412577.html>.
- ²¹ Author's calculations based on Haley, Jennifer and Kenney, Genevieve, "Uninsured Veterans and Family Members: Who Are They and Where Do They Live?," Robert Wood Johnson Foundation and the Urban Institute, May 2012, <http://www.urban.org/publications/412577.html>.
- ²² <http://www.cms.gov/Outreach-and-Education/American-Indian-Alaska-Native/AIAN/Downloads/CMSHealthCareReform5202011.pdf>
- ²³ For more information see: "Medicaid Expansion, a Good Deal for Indian Country," Montana Budget and Policy Center, October 2012, <http://www.montanabudget.org/sites/default/files/reports/Medicaid%20Expansion%20in%20Indian%20Country%20Final%20.pdf>.
- ²⁴ National Indian Health Board, "Medicaid Expansion under ACA for American Indians and Alaska Natives," April 14, 2011. <http://www.nihb.org/docs/05212011/NIHB%20Issue%20Paper%20-%20Medicaid%20Expansion%20under%20ACA%20for%20AI-AN%20FINAL%202011-04-14.pdf>.
- ²⁵ Donald Warne, MD, MPH, "Research and Educational Approaches to Reducing Health Disparities Among American Indians and Alaska Natives," *Journal of Transcultural Nursing* (July 2006), pp. 1-6. http://www.ndsu.edu/fileadmin/pharmpr/Warne_TCN.pdf
- ²⁶ Donald Warne, Judith Kaur, David Perdue, "American Indian/Alaska Native Cancer Policy: Systemic Approaches to Reducing Cancer Disparities," *Journal of Cancer Education* (April 2012) pp. 18-23, <http://rd.springer.com/article/10.1007/s13187-012-0315-6>
- ²⁷ Donald Warne, July 2006.
- ²⁸ See generally, The Bureau of Business and Economic Research, "The Importance of Public Health Care Funding to the Montana Economy," University of Montana, December 2010.
- ²⁹ Center on Budget and Policy Priorities analysis of U.S. Census Public Use Microdata Sample (PUMS) 2011 data.
- ³⁰ Center on Budget and Policy Priorities analysis of U.S. Census Public Use Microdata Sample (PUMS) 2011 data.
- ³¹ Groman, Rachel, "The Cost of Lack of Health Insurance," American College of Physicians, 2004, http://www.acponline.org/advocacy/where_we_stand/access/cost.pdf. http://www.acponline.org/acp_policy/policies/cost_of_lack_of_health_insurance_1999.pdf
- ³² From 2014-2019. Bureau of Business and Economic Research, "An Estimate of the Economic Ramifications Attributable to the Potential Medicaid Expansion on the Montana Economy," January 2013, http://csi.mt.gov/health/media/BBER_MedicaidExpansion.pdf
- ³³ Holahan, John et al., "The Cost and Coverage Implications of the ACA Medicaid Expansion: National and State-by-State Analysis," The Kaiser Commission on Medicaid and the Uninsured, November 2012, <http://www.kff.org/medicaid/8384.cfm>.
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- ³⁶ Kaiser Family Foundation, "State Health Facts," 2011, <http://www.statehealthfacts.org/profileind.jsp?cmprgn=1&cat=4&rgn=28&ind=185&sub=47>