



County of Fairfax, Virginia

To protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County

White Paper on Medicaid Expansion in Virginia

Fairfax County strongly supports the expansion of Medicaid eligibility in Virginia to 133% of the Federal Poverty Level by the 2013 General Assembly.

Background

- Virginia's Medicaid program provides payment for health care for people in particular categories. Currently, Medicaid in Virginia typically covers: pregnant women with household incomes up to 133% of the Federal Poverty Level (FPL), children (up to age 18) up to 133% of FPL, older adults up to 80% of FPL, some people with disabilities up to 80% of FPL, and parents up to 24% of FPL. 133% of FPL translates to \$14,856 per year for individuals or \$30,657 per year for families of four.
- Costs are shared between the federal government and the states, and states are permitted to set their own income and asset eligibility criteria within federal guidelines – the federal match rate for Virginia's Medicaid program is 50%; for its children's health program (FAMIS) the match rate is 65%.
- Virginia's current eligibility requirements are so strict that although it is the 11th largest state in terms of population and 7th in per capita personal income, Virginia ranked 43rd in Medicaid enrollment as a proportion of the state's population and **47th** in per capita Medicaid spending.
- In FY 2012, 996,835 Virginians were enrolled in Medicaid (17% were adults, 57.2% children, 17.8% people with disabilities, and 8% older adults), and the state spent approximately \$7 billion.

What is Medicaid Expansion?

- In June 2012, the U.S. Supreme Court upheld the constitutionality of all the major provisions of the Patient Protection and Affordable Care Act (ACA), but provided the states the option of whether or not to expand Medicaid eligibility up to 133% (plus a 5% income disregard) of federal poverty.
- Costs of the expansion are 100% federally funded for 2014 through 2016, decreasing incrementally to 90% for 2020 and subsequent years for all newly eligible enrollees. After 2016, the state share increases gradually, and is capped at 10% by 2020.
- The federal match for children/pregnant women would increase from 65% to 87% between 2015 and 2019.

Arguments in Favor of Medicaid Expansion in Virginia

Medicaid expansion would provide insurance coverage for more Virginians.

- Beginning January 1, 2014, as many as 430,000 Virginians could gain Medicaid coverage, including 25,000 to 30,000 individuals in Fairfax County.
- Primarily low income, working adults earning up to 133% FPL (individuals earning below \$14,856 per year or families below \$30,657 per year), this group also includes children transitioning from foster care and adults with disabilities not eligible for Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI).

The cost to the Commonwealth will be minimal in the first few years, and likely manageable in the longer term when balanced against expected savings elsewhere in the state budget.

- The federal government will pay 100% of the cost through 2016, decreasing incrementally to 90% for 2020 and subsequent years.
- Some of the cost of providing care to individuals with behavioral health needs could be shifted to Medicaid, providing coverage to approximately 22,000 people and potentially saving the Commonwealth \$12 million per year.
- The 2012-14 biennium budget includes \$209 million GF for indigent health care costs at VCU Health System and UVA Medical Center – these costs to the state could be saved if such patients were Medicaid eligible.
- Over \$1 billion was spent on indigent care in Virginia in the last decade, with \$112 million spent in FY 2012 – annual savings could range from 50% to 80% of current spending (\$56 million to \$90 million annually).
- The state Department of Corrections could save \$15.2 million annually due to expanded eligibility for individuals whose care was previously paid for by the state.

Providing insurance coverage to uninsured Virginians could lower health care costs for all Virginians.

- Commercial insurance enrollees already pay a “hidden tax” to cover uncompensated care provided for uninsured Virginians. With fewer uninsured, “hidden tax” currently borne by other commercial payers should shrink (potentially \$17 million to \$24 million annually).
- Uninsured Virginians would likely receive more preventative and primary care, reducing more expensive emergency care and treatments for sicker individuals. These cost saving potentials have already been documented in a recently published MCV study.

Medicaid expansion could dramatically increase health care coverage for Fairfax County residents.

- 25,000 to 30,000 low-income residents would become eligible through the expansion.
- County-funded safety net providers, including non-profits, are expected to realize enhanced revenue streams, as uninsured individuals who generally receive uncompensated care will become eligible for Medicaid.
- The Fairfax-Falls Church Community Services Board (CSB) estimates that the percentage of clients receiving substance abuse or mental health services who are covered by Medicaid will rise from 38% to 50%.
- The Fairfax County Health Department estimates that 25% of the clients served by the Community Health Care Network (CHCN) – over 3,200 individuals – will become eligible for Medicaid through the expansion. As these clients are able to find other providers, there will be a decrease in the CHCN wait list.

Opting out of the Medicaid expansion could increase the burden on safety net providers and the cost of uncompensated care.

- If Virginia does not participate in the expansion, individuals who earn at least 100% of FPL may be eligible for subsidized insurance through the health exchange; however, individuals earning below 100% FPL are ineligible for such subsidized insurance as they were envisioned by the federal law to be covered by Medicaid.

Fairfax County Medicaid Position Fact Sheet

- As a result, a “donut hole” could be created, where very low income individuals are left with no affordable health care options – essentially some Virginians would be too “wealthy” to qualify for Medicaid and too poor to qualify for the health exchange.
- Federal Disproportionate Share Hospital (DSH) reimbursements will be cut by ACA beginning in October 2013, potentially requiring the state and hospitals to assume those costs alone, rather than using federal dollars under expanded Medicaid (Virginia’s FY 2010 DSH allotment was \$172 million).

Key Aspects of the ACA

- Requires most US citizens and legal residents to have health insurance.
- Increases Medicaid primary care reimbursement rates to 100% of Medicare rates for 2013 and 2014; Virginia currently reimburses providers at 85% of the Medicare rate.
- Creates health benefit exchanges to help individuals and small businesses purchase health insurance (Governor McDonnell has indicated Virginia will utilize a federal health exchange).
- Offers subsidies to low-income individuals (income between 133% and 400% of FPL) to purchase insurance.

Fairfax County Statement on Medicaid Expansion in Virginia

Fairfax County strongly supports increasing Medicaid eligibility in Virginia to 133 percent of the federal poverty level, as envisioned by the federal health care reform law, ensuring critical health coverage for some of the most vulnerable Virginians. It is estimated that the expansion would provide coverage to as many as 430,000 Virginians, including 25,000-30,000 individuals in Fairfax County, at a minimal cost to the Commonwealth in the first few years.

Additionally, increasing less expensive preventative care and reducing more expensive emergency care could improve the overall health of residents of the Commonwealth, while slowing the growth in insurance premiums and reducing the “hidden tax” currently borne by all Virginians.

Information in this fact sheet is from Senate Finance, House Appropriations, JLARC and Fairfax County sources. Figures are current as of January 2013.



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