ACAP
Association for Community Affiliated Plans

Safety Net Health Plans and Medicaid:

The Ten Things You Might Not Know about Medicaid and the Expansion

1. Medicaid Protects American Families

Medicaid serves over 60 million American citizens, and will serve even more as of January 1, 2014. It is the last line of protection for families and individuals who cannot get health care coverage elsewhere, or who have exhausted their savings to pay for an illness. This includes children, new mothers, pregnant women, disabled, the aged, and nursing home residents. Medicaid is vital to maintaining children's health in the United States, covering 1 in 3 children and 40% of births. Medicaid covers two out of every three people in nursing homes and is also by far the largest purchaser long-term services and supports and behavioral healthcare services. Medicaid provides Americans with protection when disasters strikes, responding to tragedies from 9/11 to Hurricanes Katrina and Isaac by providing health care to those who may suddenly find themselves without health care coverage when they need it most.

2. Americans Have Personal Connections to the Medicaid Program

Over 150 million Americans have had a personal connection to the Medicaid program, and the public recognizes the program's importance. More than half of all Americans either receive health coverage, long-term services and supports, or premium assistance from Medicaid themselves or have had a friend or family member who has gotten this type of assistance. In a recent poll, approximately half of respondents said that Medicaid was "somewhat" or "very important." Those who see the program as important cite a variety of reasons, including knowing that a safety net exists to protect low-income people, and feeling that they or a family member may need to rely on Medicaid in the future.

3. Medicaid Supports State and Local Economies

Federal spending on the Medicaid program helps to drive state and local economies. Community-based health plans have deep connections to the localities within which they operate, providing jobs and healthcare in these communities, in many cases for over two decades. Federal funds support wages for people providing services to Medicaid enrollees, that are in turn spent on other goods and services, producing what economists call the "multiplier effect," increasing commerce and tax revenue in a local area. A recent study estimated that this effect created $3.35 worth of economic activity per state dollar spent, an effect that will be even more dramatic in the new expansion because of the high proportion funded by the federal government.

4. Expanding Medicaid Saves States Money

A recent study by the Urban Institute estimated that, in the first six years of the Medicaid expansion, states will save between $92 and $129 billion. This occurs primarily because the Medicaid expansion provides consistent federal and state funding to support health programs, thereby reducing the need for state uncompensated care payments and other state support for health-related programs.

5. Medicaid Helps People Get and Stay Healthy

Access to Medicaid makes people healthier and saves lives. A 2012 New England Journal of Medicine study compared populations in similar states that had expanded Medicaid with those that had not. The study found that the mortality rate in expansion states was lower, and that access to care and self-reported health improved amongst

the expansion population. A separate study showed that people who gain access to Medicaid are not only healthier, but are more financially stable, becoming 40% less likely to have to borrow money or miss paying bills than their peers.

6. You May Be Surprised by Who the Medicaid Expansion Covers

The Medicaid expansion will cover working Americans across the demographic spectrum. Many of the newly eligible will be the parents of children who are already on Medicaid or the Children's Health Insurance Program, and studies have shown that insuring parents also benefits children. The vast majority of the newly eligible are adults who, while working, either do not have access to coverage because their employer does not offer it or cannot afford the health care coverage offered to them. The expansion population will be largely made up of younger working adults, older adults whose children have aged out of Medicaid, and people with unmet healthcare needs that do not yet have access to the Medicare program.

7. Medicaid Enrollment Increases in Difficult Economic Times

The Medicaid program grows when the economy struggles, because it provides coverage to Americans that have lost their jobs and access to employer-sponsored insurance. As a counter-cyclical program, it is specifically designed to protect families from the loss of health coverage when unemployment rises or wages shrink and it has done this successfully. Even with increasing enrollment, Medicaid remains an efficient program. Medicaid spends 24% less than employer-sponsored insurance per adult covered. Moreover, administrative costs in Medicaid are only 60% of those in private insurance. In addition, the most recent data shows that per-enrollee spending grew at a lower rate than the rest of the healthcare system, as well as slower than the medical consumer price index.

8. Medicaid Enrollees Face Churning Challenges

"Churning" is an on-and-off-and-on pattern of enrollment that may be unrelated to actual eligibility status. Moreover, fluctuations in income -- such as changes in seasonal income, a short-term job, or extra hours at work -- cause families to cycle on and off Medicaid coverage. In fact, data shows that the typical enrollee receives Medicaid coverage for only nine months out of the year. This disrupts the continuity of care enrollees receive and makes preventive medicine more difficult to practice. Extending 12-month continuous eligibility for all Medicaid enrollees would easily address this problem.

9. The Majority of Medicaid Enrollees are in Managed Care Programs

Over 70% of Medicaid enrollees are in some form of managed care, and ACAP plans serve almost one-third of those enrolled in capitated managed care programs. Since the mid-1990s, states have been expanding managed care as a means of improving access to quality care and controlling costs in their Medicaid programs. In fact, a study conducted on the effectiveness of capitated managed care programs estimated 10-year savings for the non-dually-eligible population of $83 billion. Managed care provides care management and care coordination, emphasizing prevention and effective utilization of resources. Managed care is also the primary means of quality assessment in the Medicaid program. Plans are measured based on enrollee experience and satisfaction: the results have shown that people in Medicaid managed care are more satisfied with their plans than those with commercial insurance.

10. Medicaid Managed Care Can Create Large-Scale Savings

Managed care plans coordinate the care and needs of their members in a way that reduces waste, improves efficiency, contains cost, and maintains and improves the quality of care. In 2010, more than three-quarters of national Medicaid spending was not capitated, including most of the care for the costliest groups of individuals, such as the approximately 9 million individuals who have both Medicare and Medicaid coverage. These "dual eligibles" are more likely to live with multiple chronic conditions and need care coordination to maintain their health and independence. Recognizing that expansions of managed care will generate substantial savings -- one study estimated as much as $300 billion in possible savings over 10 years -- states and the federal government are working together to develop and implement such programs.