



## FACT SHEET

### A long-term budget fix includes Medicaid expansion

*By Jim Carnes, policy director  
Aug. 11, 2016*

**As Alabama lawmakers grapple to prevent devastating Medicaid cuts, the time is right to address a related threat to our state: the health coverage gap.** Nearly 200,000 Alabama workers we depend on every day – in agriculture, food service, retail, home health and other fields – have no access to regular health care. They have no health insurance because their employers don't offer it. They earn too much to qualify for Medicaid but too little to qualify for federal tax credits to buy private plans. As a result, they often struggle to work while dealing with health problems that sap their productivity, add stress to their households and get worse without timely care. Closing the coverage gap would not only save lives and help working families; it would stabilize the budget and boost our economy.

#### **Our health system is at risk**

**The Affordable Care Act (ACA) is helping 31 states bridge the coverage gap, but Alabama thus far has opted out.** By refusing to expand Medicaid to people who earn up to 138 percent of the federal poverty level (around \$16,000 a year for an individual and nearly \$33,500 for a family of four), Alabama is leaving an estimated 300,000 people just one medical emergency away from personal impairment or financial ruin. Census data show that 185,000 of these folks are workers in low-paying jobs. More than 60,000 are college students and other young adults getting started in life. And almost 18,000 are Alabama veterans and their spouses who don't have VA coverage. The remainder include adults caring for children or other dependent relatives.

**The case for closing the coverage gap starts with our current barebones Medicaid program.** Alabama has some of the most

stringent Medicaid eligibility requirements in the country. Of the roughly 1 million Alabamians now covered by Medicaid, more than 600,000 are children in low-income families. Most of the rest (nearly 300,000) are low-income seniors and people with disabilities. Pregnant women make up the next largest group of Medicaid beneficiaries. Low-income women ages 40 to 64 can get breast and cervical cancer screenings and treatment through Medicaid. About 61,000 parents and caretaker relatives with extremely low incomes (less than \$303 per month for a family of three) also qualify for Medicaid coverage.

**Alabama has whittled Medicaid eligibility and services down to the bare minimum required for federal funding.** Even at this low level, Medicaid forms the backbone of Alabama's health care system, because ours is such a high-poverty state. Yet our cash-strapped General Fund (GF) has a hard time meeting the challenge of high Medicaid enrollment and rising health care costs. Three years ago, the Legislature passed a plan to address long-term Medicaid cost growth through regional care organizations (RCOs) focused on preventive care and care management. The RCOs originally were set to begin operation Oct. 1, 2016, until budget uncertainty put the plan on hold.

**Those strains reached the breaking point this spring,** as lawmakers passed a 2017 GF budget with an \$85 million shortfall in Medicaid. Unless the Legislature fixes the problem in a special session before Oct. 1, the inadequate budget will force Medicaid to make service cuts that affect not only Medicaid patients but all Alabamians. The first of these cuts took effect Aug. 1, when pediatricians and family doctors saw a 30 percent cut in their payments for Medicaid services. For practices serving a high volume of Medicaid patients, such a cut will result in staff layoffs,

shorter office hours and, in some cases, closed doors. Further cuts will force many rural hospitals to reduce services or shut down. These cuts would break Alabama's agreement on Medicaid reform and terminate the RCO plan.

## Medicaid cuts hurt Alabama communities

**Alabama already has a primary care shortage.** As pediatricians and family doctors reduce staff or close their practices, all their patients suffer, not just those on Medicaid. Local economies suffer, too. And lower payments will make it even harder to recruit new doctors to our state.

**We've already lost five rural hospitals in the last six years.** Alabama's 50 rural hospitals serve a high proportion of patients in poverty, including children on Medicaid and their uninsured parents. Before Medicaid expansion became available, Washington gave hospitals with a high rate of uninsured patients extra money to offset the cost of unpaid care. Under the Affordable Care Act, expanded Medicaid was designed to cover those people, so the law phases out these so-called Disproportionate Share Hospital (DSH, or "Dish") payments. The 2012 U.S. Supreme Court decision that made Medicaid expansion optional for states did not affect the DSH payment phase-out. So the hospitals that have depended on these payments are caught in a squeeze that will only compound the pending Medicaid cuts.

## Choosing a brighter future

**The benefits of health coverage for the 300,000 Alabamians caught in the gap is obvious.** Access to regular health care will reduce sick days and make workers more productive. It will help young adults stay in school by keeping them healthy, both physically and financially. It will help uninsured veterans and their spouses get the medical care they deserve. The peace of mind that comes with health coverage will relieve family stress and help children thrive.

**Closing the coverage gap will strengthen Alabama's economy, too.** The health care system would see \$1.7 billion per year in new

federal funding, according to economists at the UAB School of Public Health. Hospitals serving low-income patients would be protected from the drain of unpaid care. The new revenue flowing through the economy would generate an additional \$1.2 billion in annual income. In turn, this activity would produce significant increases in tax revenues for education and local governments. Closing the coverage gap would create 31,000 new Alabama jobs in the health sector and beyond, a University of Alabama Center for Business and Economic Research study found.

**One important benefit hasn't gotten much attention but deserves more.** Alabama already provides a range of health services, such as mental health care and substance abuse services, to people in the coverage gap. The problem is, we pay for that care entirely with state dollars. If the state accepts federal funds to close the coverage gap, it can provide the same services for a nickel on the dollar next year, and no more than a dime on the dollar from 2020 forward.

**By expanding Medicaid, Alabama would save between \$46 million and \$65 million on these services in 2017 and between \$137 million and \$167 million in 2020,** according to a study by Manatt Health. These savings would cover around 40 percent of the state cost for expansion in 2017 and more than 50 percent by 2020, even under Manatt's conservative estimate. The Legislature should ask each General Fund agency to calculate the cost of health-related services now provided to people in the coverage gap. By some estimates, savings for these services through Medicaid expansion would more than pay for the state's 5 percent share in 2017 and 10 percent in 2020.

**Arise believes a long-term budget solution includes closing the coverage gap.** Thousands of hard-working Alabamians would gain health security. Our businesses would gain a more reliable workforce. Our economy would gain an infusion of federal dollars, more tax revenues and thousands of new health care jobs. And our state budget would gain from federal matching funds for services we're already providing. Expanding coverage for less than a dime on the dollar is a bargain Alabama can't afford to pass up.

