

MEDICAID

An Essential Program for
West Virginia and its Residents



WV Medicaid Coalition



A project of wvahc.org

Medicaid

Medicaid is a health insurance program that serves low income West Virginians, including children, seniors, and people with disabilities. It is jointly funded by the state and the federal government. Federal Medicaid funding is a reliable, vital source of financial support for states and allows flexibility for states to meet the unique needs of their populations. Changes, such as block grants, to this federal relationship are not in the best interest of West Virginia.

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Medicaid is a State-Federal Partnership That Helps States Serve Resident's Health Care Needs

States don't have to have a Medicaid program, but all states do because they recognize that Medicaid helps them serve their residents' health care needs.

Without Medicaid, states would need to find ways to fund health care and long-term care for their low-income residents using state funding alone, as very few Medicaid enrollees can afford private coverage. More state dollars would be spent on hospital care that patients can't pay for (also called "uncompensated care"); institutional care, like care in nursing homes; and health care services for people who go bankrupt paying for medical care.

Medicaid is a Reliable Source of Funding for States

For 50 years, Medicaid has been a consistent source of financial support for states.¹ The federal government pays for at least half of each state's Medicaid program costs, matching state spending at least dollar for dollar. The West Virginia match varies slightly from year to year depending on the state's economy but has remained at about three federal dollars for every state dollar spent on Medicaid.²

In State Fiscal Year 2016, the total Medicaid budget is \$3.9 billion with more than \$2.9 billion or 74 percent paid for by the federal government.

For West Virginia's Medicaid expansion to cover all residents earning less than 138 percent of the federal poverty level, the match is even more generous. The federal government pays all the costs of newly eligible enrollees through 2016, with the federal share gradually decreasing to 90 percent in 2020, where it will stay.³ In State Fiscal Year 2017, West Virginia will have to pay a 5 percent match for six months for the expansion population.

Medicaid's Funding Structure Protects States and Allows Innovation

The formula that is used to determine states' matching rates for their traditional Medicaid programs has remained essentially unchanged for 50 years (this excludes the Medicaid expansion mentioned above, which is a new option for states at its own matching rate). In the few instances where the federal government has changed these matching rates, the changes were explicitly temporary and typically increased federal support to help states during times of economic crisis.⁴ For example, all states received a temporary increase in federal Medicaid matching funds during the last recession.

1 Melissa Burroughs, "Medicaid: 50 Years of Helping States Achieve Health and Economic Gains," Families USA blog, (July 21, 2015), available online at <http://familiesusa.org/blog/2015/07/medicaid: 50-years-helping-states-achieve-health-and-economic-gains>.

2 Kaiser Family Foundation, Medicaid and the Uninsured. Medicaid Financing: An Overview of the Federal Medicaid Matching Rate (FMAP), (September 2012), available online at www.kff.org/kcmu

3 Robin Rudowitz, Understanding How States Access the ACA Enhance Medicaid Match Rates (Washington: Kaiser Family Foundation, (September 29, 2014), available online at <http://kff.org/medicaid/issue/brief/understanding-how-states-access-the-aca-enhanced-medicaid-match-rates/>.

4 Edwin Park, History Rebutts Claim That Federal Medicaid Matching Rates Are Unstable (Washington: Center on Budget and Policy Priorities, February 3, 2014. Available online at <http://www.cbpp.org/blog/history-rebutts-claim-that-federal-medicaid-matching-rates-are-unstable>

Because federal support is linked to state costs, states can be sure they'll receive increased support if their residents' health needs change – such as during a flu epidemic or a natural disaster.

This dependable funding structure gives states more latitude to experiment with different program designs. For example, states can test projects that pay for care coordination services for people with multiple chronic illnesses. If costs for these “pilot programs” are higher than anticipated, the federal government shares the cost.

Two pilots currently being offered in West Virginia are the Health Homes Project and the Hospital-Based Presumptive Eligibility Project. The Home Health Project is offered in six counties and is an initiative providing comprehensive care coordination including health, behavioral health and social services to Medicaid recipients, who have bipolar disorder and have a risk of having Hepatitis B or C. Approaching this population with a comprehensive system of care is expected to reduce costs. The Hospital-Based Presumptive Eligibility project enables individuals to enter a hospital and be presumed eligible under certain circumstances. A number of hospitals in the state are participating in this program. Both pilots are being studied to determine cost effectiveness for the Medicaid program.

States Have the Flexibility to Design Medicaid Programs That Work for Their Residents

There are broad federal guidelines designed to ensure that state Medicaid programs further the program goals that Congress laid out. But within these guidelines states have wide latitude to design and adopt optional programs

to suit their needs. For example, states can add services or cover additional populations, a number of states use this flexibility to develop and run pilot programs aimed at improving quality of care and reducing costs.

Every state including West Virginia has taken advantage of this opportunity. All states provide some optional Medicaid services or cover some optional Medicaid populations.⁵ West Virginia, for example provides Medicaid coverage for home-and-community-based services, which are optional (not required) services. These programs, which include the Aged and Disabled waiver program, the Intellectual Developmental Disability waiver program and the Traumatic Brain Injury programs, enable thousands of West Virginians to remain in their communities rather than being forced into institutions that are significantly more costly and less satisfying for people with disabilities.

Medicaid is Critical to State Budgets

Medicaid funding makes up more than half of all the federal funds that go to states.⁶ Because Medicaid is a vital source of state revenue, enacting even minor changes to Medicaid's financing structure would have a profound effect on state budgets.

For instance many states that have expanded Medicaid have realized budget savings as a result of their expansion.⁷ Expanding Medicaid reduces the number of low-income uninsured residents, which means the demand for state-funded health services declines. And because the federal government covers virtually all the costs of expansion, added costs to states will be minimal.⁸

5 Congressional Budget Office, *An Overview of the Medicaid Program*, (Washington: Congressional Budget Office, September 18, 2013), available online at <https://www.cbo.gov/publication/44588>

6 Brian Sigriz, “Medicaid Represents a Majority of All Federal Funds to States for the First Time,” NASBO Budget Blog, June 25, 2015, available online at <https://www.nasbo.org/budget-blog/medicaid-represents-majority-all-federal-funds-states-first-time>.

7 Deborah Bacharach, Patricia Boozang, and Dori Glanz, *States Expanding Medicaid See Significant Budget Savings and Revenue Gains* (New Jersey: The Robert Wood Johnson Foundation and Manatt Health Solutions, April 2015), available online [https://www.manatt.com/uploaded/files/Content/5 Insight/WhitePapers/Manatt StateExpandMedicaid 4 5 15pdf](https://www.manatt.com/uploaded/files/Content/5%20Insight/WhitePapers/Manatt%20StateExpandMedicaid%204%205%2015.pdf); Stan Dorn, Norton Francis, Robin Rudowitz, and Laura Snyder, *The Effect of Medicaid Expansion on State Budgets: An Early Look in Select States* (Menlo Park, CA: The Kaiser Family Foundation, (March 11, 2015) available online at <http://kff.org/medicaid/issue-brief/the-effects-of-the-medicaid-expansion-on-state-budgets-an-early-look-in-select-states/>

8 Under the ACA, the federal share of expansion costs never falls below 90 percent.

Medicaid Dollars Are Spent Efficiently

Medicaid provides comprehensive coverage to enrollees at much lower costs per person than private insurance. For example, compared to private insurance, Medicaid spends, on average, 40 percent less on administrative costs like marketing, advertising, and collecting premiums.⁹ Medicaid costs have also grown more slowly than costs in the private market. West Virginia Medicaid is contracting with private managed care organizations to stabilize its budget and save dollars on care management.

Medicaid Helps Make the Health Care System Stronger for Everyone

Medicaid is a critical source of revenue for doctors, hospitals, nursing homes, and other health care providers that are the foundation of a state's health care system. This is especially true in underserved areas, like rural counties. For example, physicians in rural areas receive almost 20 percent of their revenue from Medicaid. Nationally, the average is about 17 percent.¹⁰ Similarly, Medicaid is a critical payer for care that is provided at rural hospitals.¹¹

The financial support that Medicaid provides to hospitals benefits not just Medicaid enrollees, but everyone in the health care system.

9 Federal spending on Medicaid administrative costs average just 8.5 percent of total Medicaid spending compared to private health plans, where administrative spending averages 12 percent total spending. Centers for Medicare and Medicaid Services, *National Health Expenditures by Type of Service and Source of Funds, CY 1960-2013* (Washington: Department of Health and Human Services, CMS, 2013) available online at <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Download/NHE2013/zip>.

10 John Bailey, *Medicaid and Rural America* (Lyon, NE: Center for Rural Affairs, February 2012), available online at <http://files.cfra.org/pdf/Medicaid.pdf>

11 Ibid.

The Medicaid program is a reliable source of funding for states that bolster their economies and allow them to do more to meet their residents' health care needs than they could on their own. West Virginia Medicaid is an efficient and cost effective program improving the lives of West Virginians and bolstering the economy.

This publication was adapted by Renate Pore, Health Policy Director, West Virginians for Affordable Health Care from a Families USA publication written by Andrea Callow, Medicaid Policy Analyst.

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The West Virginia Medicaid Coalition is a broad-based group of consumers, health care providers, insurers, employers, the faith community, civil rights and labor groups dedicated to protecting and improving Medicaid. Our goal is to assure adequate funding for Medicaid, protect the benefits offered to Medicaid members and support positive changes that will improve quality and contain costs.

For more information about the Coalition and how to join, please visit our website at www.wvahc.org and click on Medicaid Coalition.