Business and Health Reform – What’s the Bottom Line?

Overland Park, Kansas
13 November 2019

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Discussion Outline

1. Setting the Context: Health Coverage and Reform in the US
2. Background on Medicaid Expansion
   - The Kansas context
   - History
   - The coverage gap
   - Facts and figures
   - Federal matching
3. Economic Impact
   - Consumers
   - State
   - Employees
4. Details of Expansion
   - Work requirements and work referrals
   - Court cases
Setting the Context:
Health Coverage & Reform
Primary Sources of Health Insurance Coverage in the US

Health Insurance Coverage Breakdown (By Millions and %)

- Employer: 156 (49%)
- Non-Group: 43 (13%)
- Medicaid: 65 (20%)
- Medicare: 28 (9%)
- Other Public: 5 (2%)
- Uninsured: 21 (7%)*

Source: Kaiser Family Foundation’s Health Insurance Coverage of the total population, 2017
Health Reform’s Results

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Uninsured Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963</td>
<td>24.3% of Americans uninsured.</td>
<td></td>
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<tr>
<td>1965</td>
<td>Medicare, Medicaid created.</td>
<td>16% uninsured.</td>
</tr>
<tr>
<td>2010</td>
<td>Obamacare signed into law; 16% uninsured.</td>
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<tr>
<td>2015</td>
<td>9.1% of Americans uninsured.</td>
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</tr>
</tbody>
</table>

Source: National Health Interview Survey and earlier surveys

By The New York Times
Gains in Coverage Rates from ACA are Reversing

Exhibit 1: Trends in Uninsurance Among Adults Ages 18 to 64, by 2018 State ACA Medicaid Expansion Status, Quarter 3 2013 to Quarter 1 2018
The Growing Share of Health Care in the Economy

Health spending as a % of GDP has doubled since 1980

Source: Kaiser Family Foundation
Employers are Feeling the Cost Crunch

Historical growth of ESI premiums: 2001 - 2017

- GDP grew 42%
- Individual premiums grew 179%

Growth of ESI Premiums has Far Exceeded GDP Growth
Growing Health Expenditures for Workers

Premiums and Deductibles Rise Faster than Worker’s Wages Over Past Decade

Source: Kaiser Family Foundation
Background on Medicaid Expansion
Kansas and Missouri, Despite Lower Medicaid Coverage, Have Similar Insured Rates as the US Overall Because of Employer-Sponsored Insurance

**United States**
- Total Population: 327 million
- Employer, 49%
- Non-Group, 7%
- Medicaid, 21%
- Medicare, 14%
- Other Public, 1%
- Uninsured, 9%

**Kansas**
- Total Population: 2.9 million
- Employer, 55%
- Non-Group, 7%
- Medicaid, 15%
- Medicare, 14%
- Other Public, 3%
- Uninsured, 9%

**Missouri**
- Total Population: 6.1 million
- Employer, 52%
- Non-Group, 7%
- Medicaid, 15%
- Medicare, 16%
- Other Public, 2%
- Uninsured, 9%

Source: [Kaiser Family Foundation](https://www.kff.org/)

Day | Health | Strategies
Kansas Economic Profile

Unemployment: 3.2% (U.S. 3.7%)

On healthcare.gov: 89,993 …and receive subsidies: 75,625

Uninsured: 240,000

Income distribution:

<table>
<thead>
<tr>
<th>Percentile</th>
<th>Kansas</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>95th</td>
<td>$182.1k</td>
<td></td>
</tr>
<tr>
<td>80th</td>
<td>$103.1k</td>
<td></td>
</tr>
<tr>
<td>60th</td>
<td>$66.2k</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>$53.6k</td>
<td></td>
</tr>
<tr>
<td>40th</td>
<td>$42.5k</td>
<td></td>
</tr>
<tr>
<td>20th</td>
<td>$23.6k</td>
<td></td>
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</tbody>
</table>

Source: Kaiser Family Foundation
Missouri Economic Profile

Unemployment: 3.1% (U.S. 3.7%)

On healthcare.gov: 220,461
...and receive subsidies: 177,258

Uninsured: 536,500

Major Industries:

Income distribution:

Source: Kaiser Family Foundation, Statistical Atlas
A Brief History of Medicaid

Legal background
- Social Security Act of 1965 created Medicaid and Medicare
  - Medicaid run by states, Medicare run by federal government
  - Medicaid: Income-based eligibility: Federal Poverty Level (FPL)
    - Additional eligibility factors (maternal status, age)
- The Affordable Care Act (“Obamacare”) expanded to 138% FPL in all states
- Supreme Court decision *NFIB v Sebelius* decided expansion is optional

FPL cutoffs
- Expansion states: 138% FPL
- Non-expansion states: various

<table>
<thead>
<tr>
<th>Persons in Household</th>
<th>100% FPL</th>
<th>138% FPL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$12,140</td>
<td>$16,753</td>
</tr>
<tr>
<td>3</td>
<td>$20,780</td>
<td>$28,676</td>
</tr>
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</table>

Source: ezHealthMart
Medicaid Expansion Status

* As of Sept 20, 2019

# of states expanding in:
2014: 25
2015: 3
2016: 2
2017: 0
2018: 0
2019: 2
2020: 3

Source: Kaiser Family Foundation
Missouri and Kansas Require a Very Low Income to be Medicaid Eligible, Even Compared to Other Non-Expansion States

Non-Expansion States Maximum Income Allowed for Medicaid Eligibility:
Parents in a Family of Three

- Texas: $4,364
- Alabama: $5,000
- Idaho: $6,500
- Mississippi: $6,000
- Florida: $6,000
- Georgia: $6,000
- Kansas: $7,896
- Virginia: $9,000
- North Carolina: $9,000
- Oklahoma: $10,000
- South Dakota: $10,000
- Wyoming: $10,000
- Utah: $15,000
- Nebraska: $15,000
- South Carolina: $15,000
- Tennessee: $15,000
- Wisconsin: $15,000
- Maine: $30,000

Expansion states: $28,676

Source: Kaiser Family Foundation
The Coverage Gap

46,000 people in Kansas who make less than 100% FPL are **ineligible for subsidies** on the individual market and ineligible for Medicaid

➢ **Why?** The drafters of the ACA did not anticipate Supreme Court decision (*NFIP v. Sebelius*) and thought everyone with incomes up to 138% FPL would be covered by Medicaid

➢ **As a result neither Medicaid** (ineligible) **nor individual marketplace coverage** (impossible to afford without subsidies) **are viable options** for people who fall in the coverage gap

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Projected new Medicaid enrollees in Kansas if expansion:

75,000 previously uninsured + 55,000 were already insured = 130,000

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Source: [Kaiser Family Foundation](https://kff.org/issue/expansion-state/)

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**Coverage Gap:**

- **Ineligible for Medicaid or Subsidies**
- **Eligible for Subsidies**
- **Eligible for Both**

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**Expansion state**

- **Texas**
  - Eligible for Medicaid
  - Coverage Gap: Ineligible for Medicaid or Subsidies
  - Eligible for Subsidies

- **Missouri**
  - Coverage Gap: Ineligible for Medicaid or Subsidies

- **Kansas**
  - Eligible for Medicaid
  - Coverage Gap: Ineligible for Medicaid or Subsidies
  - Eligible for Subsidies

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**Annual Income**

- $124,000 people
- $40,000 people
- $4,000
- $5,000
- $10,000
- $15,000
- $20,000
- $25,000
- $30,000
- $35,000
- $40,000
- $45,000
Medicaid Expansion has Generous Federal Funding

The percentage the federal government contributes to Medicaid varies from state to state.

**Federal Matching Funds:**
Based on state’s per capita income (the lower the income, the higher the federal match). Range from 50% to 74%.

Currently **59.16%** in Kansas, **65.65%** in Missouri

**Expansion:**
90% across the board starting in 2020 (used to be 100%, phased down over time)

*Partial expansion (for example, up to 100% FPL instead of 138%) has been attempted by AR, MA and UT but CMS has not allowed. See CMS letter [here](#).

Source: Kaiser Family Foundation
The Economic Impact of Medicaid Expansion
The following slides cover economic analyses of the effects of Medicaid expansion on:

- Financial health and household consumption of state residents
- GDP
- State budget
- State medical system
- Offer and take-up of Employer-sponsored insurance
- Health and productivity of Medicaid-enrolled workers
Effects of Expansion on Consumer Financial Health and Household Consumption

- Individuals who gained Medicaid coverage were **13 percent less likely to have medical debt** and approximately **80 percent less likely to have experienced catastrophic medical expenses**

- Medicaid coverage at different points during the lifespan has been tied to **economic mobility across generations** and **higher educational attainment, income, and taxes paid as adults**

- Medicaid is associated with household **reductions in quarterly health spending of about $60**, freeing up cash for low-income households.

Source: Robert Wood Johnson Foundation, The Impact of Medicaid Expansion on Household Consumption
Effects of Expansion on State Economies

Estimates suggest that a one percentage point increase in public coverage of the working-age population increases annual real GDP growth by 0.08 percentage points and increases employment growth by the same 0.08 percentage points.

**Arkansas:** 0.41% increase in GDP and growth of GDP and state employment  
Analysis: Regional Economic Analysis

**Kentucky:** state benefits by $919.1 million FY 2014 – FY 2021 (*projection*)  
Analysis: Deloitte Development, LLC

**Maine:** 6,000 new jobs (*projection*)  
Analysis: The Real Impact of Medicaid Expansion in Maine

**Pennsylvania:** 15,500 new jobs and increased state tax revenue of $53.4 million  
Analysis: Pennsylvania Department of Human Services

**Montana:** 5,000 new jobs (2,000 in healthcare and 3,000 in other), increases personal income by $280 million  
Analysis: Bureau of Business and Economic Research, University of Montana

Source: [The Economic Impact of Expanding Medicaid](#), Louisiana Department of Health Report
Effects of Expansion on State Budgets

Savings from using Medicaid Expansion’s high federal match to replace existing state-funded (or less than 90% state-funded) programs

In SFY 2015, Arkansas saved

- $15.2 million by accessing federal matching funds for pregnant women
- $17.1 million in spending on disabled who no longer had to pursue disability determinations, and
- $6.4 million through reduced spending on community health centers who received more Medicaid payments

Kentucky saved $14 million in SFY 2015 by accessing federal funds for medically needy

Michigan saved $19 million in SFY 2015 as Medicaid replaced expenditures for health needs of the Medicaid-eligible incarcerated

Revenue Gains: Nearly all states raise revenue through assessments or fees on providers and/or health plans. As provider and health plan revenues increase with expansion, this translates into additional revenue for states.

New Mexico’s 2014 premium tax revenues increased by $30 million due to expansion adults

Michigan gained $26 million in SFY 2015 revenue from the state’s Health Insurance Claims Assessment

Source: Robert Wood Johnson Foundation
Effects on Hospital Viability

- Overall, hospitals in non-expansion states are over **six times as likely to close**. Results are similar for urban and rural hospitals.
- An increase in childless adults’ Medicaid eligibility threshold of 100 percent of poverty made a hospital about **2.5 times less likely to close** than a hospital in a non-expansion state, with other factors held constant.

**Source:** Health Affairs

Prior to the ACA, hospitals in all states had similar closure rates.

After the ACA, hospitals in states which expanded Medicaid became far less likely to close than their non-expansion counterparts.
Will Employees Drop their ESI to go onto Medicaid?

Potential reasons to switch:

1. Avoid premium contributions
2. Obtain better financial protection through the low cost-sharing public program

Medicaid expansion has been shown to have little effect on ESI offer, take-up, and coverage rates overall, however...

...There is evidence of switching among younger, healthy age groups

**Connecticut**: ESI among age 19-35 dropped **5.6%**. Those who dropped ESI also were more likely to be **male**. Estimation that **30%** of new Medicaid enrollees had previously held employer-sponsored coverage.

**Washington DC**: ESI among age 19-35 dropped **2.6%**, not statistically significant.

Source: [The impact of Medicaid expansion on employer provision of health insurance](https://www.healthaffairs.org/do/10.1377/hlthaff.2014.0469/full), *Health Affairs*
Effects of Medicaid Expansion on the Workforce

Effect on worker productivity:
• Michigan Survey (of newly enrolled after expansion):
  • Employed: 69% reported being able to do a better job at work
  • Unemployed: 54% reported being better able to look for a job
• Some evidence of reduction in absenteeism

Effects on worker health:
• More behavioral health treatment
  ➢ More opioid addiction treatment
• Better measures of self-reported health
• Lower cardiovascular mortality rates
• Lower kidney disease mortality rates

Source: Journal of General Internal Medicine, Kaiser Family Foundation
Details of Medicaid Expansion
Federal Law (Sec. 1115) Waivers

These waivers allow states to modify their Medicaid programs. Medicaid Expansion does not require an 1115 waiver but CMS published guidance encouraging work requirements.

Includes but not limited to:

**Premiums** State must build infrastructure to collect premiums and tie to eligibility

**Tobacco surcharges** to discourage smoking

**Lock-out periods** for program violations

**Expansion eligibility limitations** e.g. to 100% FPL

Requirement to report work, school or other activities. Systems and requirements vary.

Can include healthy behavior incentives, fees for missed appointments, restrictions on provider choice, or higher copays

Source: Kaiser Family Foundation
Expanding Medicaid, Contingent Upon Work Requirement (aka “conditional enrollment”)

Health and Human Services department under President Trump has encouraged states to impose work requirements using 1115 Waivers (for restructuring Medicaid programs)

Typical work requirement policies:

1. Enrollees must be qualified for work requirements program
   • Federal gov’t requirements: non-pregnant, non-elderly, non-disabled adults
   • Additional state requirement examples (can vary by state): Age 19-49, expansion population only

2. Those in the work requirement program must:
   • Work at least 80 hours each month
   • Be engaged in job search or volunteer work, or
   • Be exempt because of medically frailty, pregnancy, or parenthood

3. Those who do not comply lose Medicaid coverage, often after three months
Work Requirements

Work requirements programs have had expensive implementations and adverse affects on those already working.

- The employed, students, and ill/disabled have new reporting burden.

- 18,000 Medicaid enrollees lost coverage in Arkansas, nearly all due to confusion rather than not working.
  - Over 75% of those required to report worked hours failed to do so.

- Kentucky: Work requirements program cost state $271.6 million and is currently on hold, being decided in US Circuit Court of Appeals.

## Case: Montana

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>Medicaid expanded (with June 2019 sunset)</td>
<td></td>
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<tr>
<td>Nov 2018</td>
<td>Extension ballot initiative narrowly defeated</td>
<td>Paid with tobacco tax: tobacco industry outspent proponents 7:1 to defeat&lt;br&gt;Business groups and Hospital Association were key supporters</td>
</tr>
<tr>
<td>May 2019</td>
<td>Extension passes legislature 61-35</td>
<td>Republican majorities in Senate + House&lt;br&gt;Dems wanted a straight expansion, but Republicans passed a version with work requirements and premiums</td>
</tr>
<tr>
<td>August 2019</td>
<td>1115 Waiver submitted to CMS (pending)</td>
<td>Premiums up to 5% of income&lt;br&gt;Work requirements, but not stringent because of operational difficulties in state:  &lt;br&gt;  - Many independent workers (ranching, farming)&lt;br&gt;  - Internet access issues&lt;br&gt;  - Cyclical work&lt;br&gt;  - Areas with high unemployment</td>
</tr>
</tbody>
</table>

### Key Takeaways:
- Legislature expanded despite failed ballot initiative a few months earlier because most opposition was to Tobacco tax, not expansion itself.
- Republicans wanted a work requirement, but understood the burdens it could pose to Montana’s economy so they made it fit.
Work Referrals:
Montana’s Health and Economic Livelihood Partnership Link (HELP-Link) program

HELP-Link has helped thousands of Montanans obtain skills for and find work. However, this program is expecting significant budget cuts to pay for Montana’s new work requirements program.

HELP-Link Process

Identify need
Newly eligible Medicaid beneficiaries are surveyed about their employment and barriers to work.

Outreach
State workers analyze the surveys and make outreach calls to offer personalized assistance based on the barriers and needs.

Connect to resources
Beneficiaries are connected to:
- Career counseling
- On-the-job training programs
- Subsidized employment
And other state agency services like:
- Home health aides
- Child care
- Housing

Nearly 3,000 services were rendered through HELP-Link in 2018

Source: Center for Budget and Policy Priorities, Montana Works
Court Cases

Texas v. Azar

Case: Does elimination of the tax penalty mean that the entire ACA should be struck down as unconstitutional?

Status: Case currently in Circuit Court. Ruling expected within a month. If goes to Supreme Court, will be decided June 2020 or later.

Likelihood: Most legal experts think the legal challenge will fail (and the ACA will stand):

“the penalty tax is simply lying dormant until a future Congress (and future President) officially amends the law”
- Chris Condeluci, former counsel to Senate Finance Committee

“With a zero tax, individuals are wholly free of any requirement to be insured so there is no constitutional problem.”
- Timothy Jost, law professor and ACA expert

“O’Connor also ignored settled law on “severability” of unconstitutional provisions of a law.”
- Timothy Jost, law professor and ACA expert

Stewart v. Azar & Gresham v. Azar

Case: Stewart (Kentucky) and Gresham (Arkansas) challenged work requirements laws.

Status: Hearing arguments in circuit court.

Likelihood: Circuit court will likely rule against requirements, and case will go to Supreme Court

Source: Commonwealth Fund
Appendix
Massachusetts has a Very Low Uninsured Rate Compared to Other States

Source: Kaiser Family Foundation

Total Population: 6.9 million
The US has Many More Payers than other Countries, But no Country has a True Single Payer System
The United States has Significantly Less Government Involvement in Healthcare than other Developed Countries
Medicare for All

Features of the most liberal Medicare for All proposals from Democratic presidential candidates:

- Government plan with broad benefits, including
  - adult dental
  - vision
  - hearing
  - home- and community-based long-term services and supports
- No premiums or cost-sharing
- Includes all U.S. residents
- Private insurance prohibited

Sources: Commonwealth Fund, NPR
Financial Impact of Health Reform Proposals

Typical “buy-in” reform proposal:
• Universal coverage attained
• Continuous autoenrollment
• Public option
• Cost-sharing
• Employer-sponsored insurance remains

“Medicare for all” proposal:
• Government plan with broad benefits
• No premiums or cost-sharing
• Includes all U.S. residents
• Private insurance prohibited

Sources: Commonwealth Fund
Elizabeth Warren’s Proposed Pay-Fors

Elizabeth Warren’s plan for a budget-neutral Medicare for All program

• 6% wealth tax on >$1b net worth individuals
• Employer tax roughly equivalent to gov cost of insuring their employees
• Lower reimbursement for physicians and hospitals to 100%/110% current Medicare rates
• Tax evasion and fraud enforcement
• Taxes on financial industry and on bond, stock and derivative sales
• Changes to corporate tax structure
• Tax on foreign earnings, including US companies which offshore
• Cut military spending

Sources: NPR
Americans Don’t Live Longer than People in Countries that Spend Much Less on Health Care

Source: Huffington Post, 10/2013
“Bridge to a Healthy Kansas” was a Medicaid expansion bill introduced in January 2019

Kansas residents who “spend down” to be eligible will stop

Increased “privilege fees” from Managed Care Companies: fee revenue rises in tandem with enrollment

Tax revenues from growth of KanCare MCOs and ripple effect spending