Editorial

Evidence From Early State Medicaid Expansions Demonstrates That Uneven State Implementation Harms Childless Young Adults

The Patient Protection and Affordable Care Act (ACA) required states to expand Medicaid income eligibility to nonelderly individuals up to and including 138% of the Federal Poverty Level. However, the U.S. Supreme Court decision in National Federation of Independent Business v. Sebelius (2012) made the expansion optional for states while maintaining the generous 90% or better federal matching formula included in the ACA [1]. Evidence consistently demonstrates the benefits of Medicaid coverage for low-income children and adults. Medicaid improves health outcomes, increases appropriate health care utilization, reduces family medical debt, and reduces mortality [2–4]. Historically, Medicaid eligibility was limited to low-income children, parents and caregivers, pregnant women, seniors, and persons with disabilities. These categories of eligibility left out low-income childless adults and many parents and caregivers [1].

Before passage of the ACA, states could expand coverage for low-income residents, including childless adults through temporary Section 1115 demonstration waivers [5]. In addition to funding a significant share of the expansion from state funds, these waivers also had to demonstrate budget neutrality. The Centers for Medicare and Medicaid Services would not approve state waivers that were expected to spend more than under current law. Typically, Medicaid expansion to childless adults through a waiver was linked to the savings linked to avoidance of expensive uncompensated care for newly enrolled individuals [6].

Although the ACA allowed states to collect 100% in federal matching funds from 2014 to 2016 (decreasing to 90% by 2020) to support the addition of low-income childless adults to their Medicaid program, it also allowed states to expand early based on their existing federal matching rate provided under the ACA starting in 2014. States that decided to expand Medicaid between 2010 and 2013 could do so via a State Plan Amendment rather than a Section 1115 waiver.

In this issue, Dr. Paulette Cha and Dr. Claire Brindis provided a compelling analysis of the early expansion of Medicaid in three states before the ACA [7]. They meaningfully contribute to the mounting body of evidence demonstrating that expanding access to Medicaid clearly improves not only insurance coverage and access to health care for enrollees but also improves financial security, state economies, and hospital operating margins [8].

The study exploits variation in early expansion of Medicaid programs in three states (California, Connecticut, and Minnesota) and uses an innovative approach to identify “synthetic state” comparison groups drawn from states that did not engage in early expansion. They found that young adults aged 19–25 years benefited from the early expansion in two of the three states in terms of insurance coverage and found that all three states experienced increases in Medicaid enrollment. The article, which uses American Community Survey data from 2008 to 2013, studied the association between health insurance status (private, public, or uninsured) using a difference-in-differences regression approach with linear probability models to compare the three states to the synthetic control states. Cha and Brindis found that a county-based Medicaid expansion in California (with varying levels of eligibility and timelines for implementation) reduced the uninsured rate by 4.2% among young adults and an increase in public insurance of 14% [7]. Connecticut’s young adults experienced no change in uninsurance rate and a 42.5% increase in public insurance enrollment. Minnesota’s expansion to people earning up to 250% Federal Poverty Level reduced the uninsured rate by 21.9%. Young men benefited more from Medicaid expansion than young women.

Health insurance coverage is important in facilitating access to health care, protecting individuals from financial distress, improving early diagnosis of disease, improving health outcomes, and reducing health disparities [9,10]. The early expansions of Medicaid in selected states and the now voluntary expansion of Medicaid in 36 states and the District of Columbia due to the ACA undoubtedly helped millions of U.S. residents to gain insurance coverage, obtain care without threat to their financial health, and experience improvements in access to care compared with uninsured individuals. However, in the 14 states that did not expand Medicaid to childless adults and higher income parents, 2.1 million potentially eligible nonelderly adults are still uninsured [11].

Despite the expansions of Medicaid, certain groups are excluded from federal Medicaid funding due to immigration status. Recent lawful permanent resident immigrants are subject to the “five-year eligibility bar,” which limits the ability of the federal government to provide matching funds to states. In addition, undocumented immigrants are explicitly excluded.
from full-scope Medicaid coverage and may be eligible for partial-scope coverage only in cases of emergency [12]. Thirty-six states receive federal funds to cover pregnant women and/or children who have not met the 5-year eligibility waiting period for Medicaid and Children’s Health Insurance Program, which was made possible in the 2009 Children’s Health Insurance Program Reauthorization Act [13]. A handful use state funds to cover childless adults or undocumented immigrants through their Medicaid programs [14].

Medicaid is vitally important in times of pandemic, both in supporting our local health care safety net providers with reimbursement and in providing coverage for people who lose their jobs or are affected by reduced incomes. Medicaid does not have an open enrollment period. People facing immediate drops in income due to unemployment, disability, or cuts in hours can enroll quickly in Medicaid if they meet the income eligibility guidelines set by their state. Individuals and families in the 14 states that did not expand Medicaid will suffer disproportionately from lack of health insurance, which already harms the most vulnerable among us. We will also see federal spending on Medicaid increase because of higher enrollment linked to the 9.2 percentage point increase in unemployment seen since February 2020 [15].

Medicaid is a cornerstone of our health care financing system, albeit a vulnerable one. Attempts at the federal and state level to limit government spending have often targeted Medicaid. In the COVID–19 era, when so many people depend on and benefit from state Medicaid programs, we should protect them by ensuring additional federal funding and oversight exists to maintain or expand eligibility levels, preserve benefits, and guarantee adequate provider reimbursement.

Dylan H. Roby, Ph.D.
Department of Health Policy and Management
University of Maryland School of Public Health
College Park, Maryland

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