

Health Care Reform and Kentucky's Economy

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What were the Implications of the ACA for Kentucky?

- Under ACA, Kentucky experienced the largest reductions in the uninsured rate, largely attributable to the ACA's adoption of both the Medicaid expansion and the implementation of the state-based exchange
- Under expansion, all adults with incomes up to 138% FPL eligible for Medicaid coverage
 - Major component of ACA was the individual coverage mandate implemented in 2014, expanding Medicaid extends coverage to a larger share of low-income population
 - 14% uninsured rate in KY, higher than national average (13%)—17th highest among US in 2013.

What were the Implications of the ACA for Kentucky?

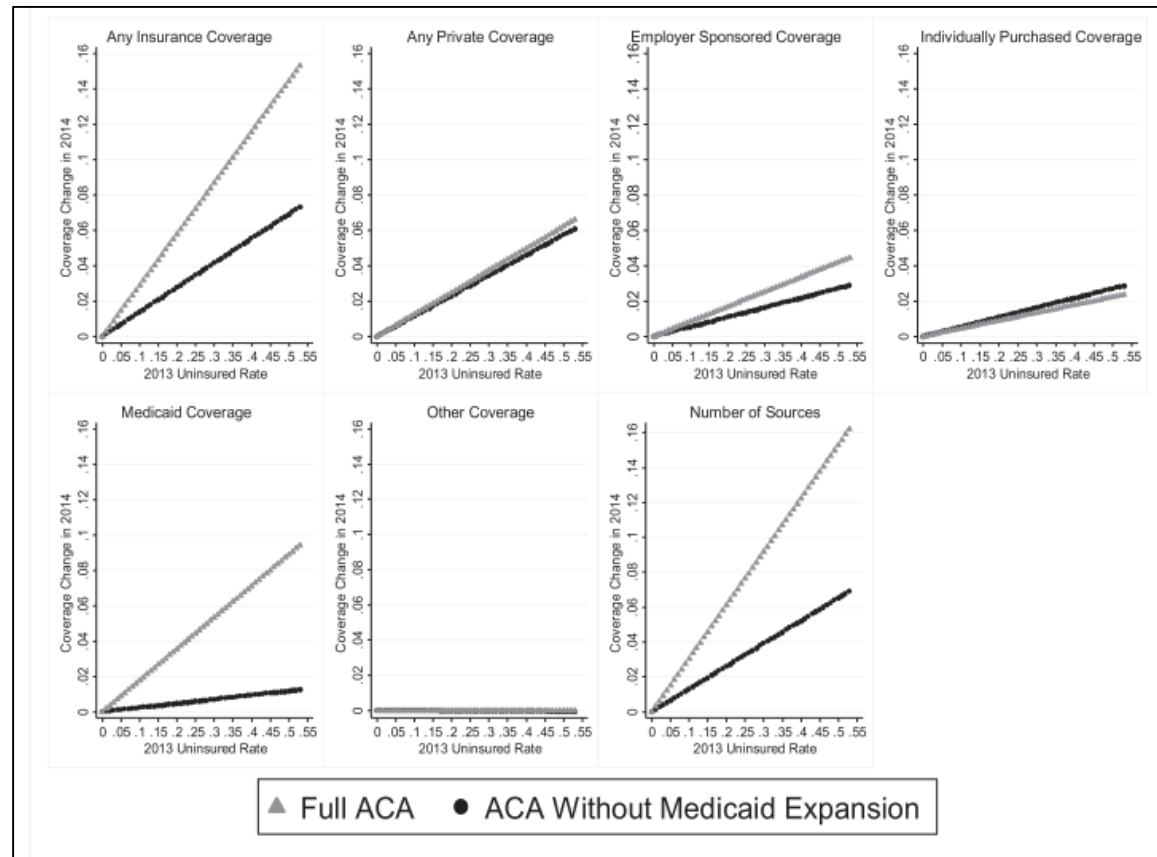
- Following Medicaid expansion...
 - Kentucky's uninsured rate down to 6% in 2015 (from 14% in 2013), and starkest decline in uninsurance among all states
 - Medicaid eligibility limited to parents with incomes <57% Federal Poverty Limit (~\$11,500 for a family of 3)

Impacts of ACA on Health Care

- Coverage Rates
- Access to Care
- Hospital Outcomes
 - Uncompensated Care Costs
 - Medicaid Revenue
 - Hospital Profit Margins

Impacts of ACA on Health Care Coverage

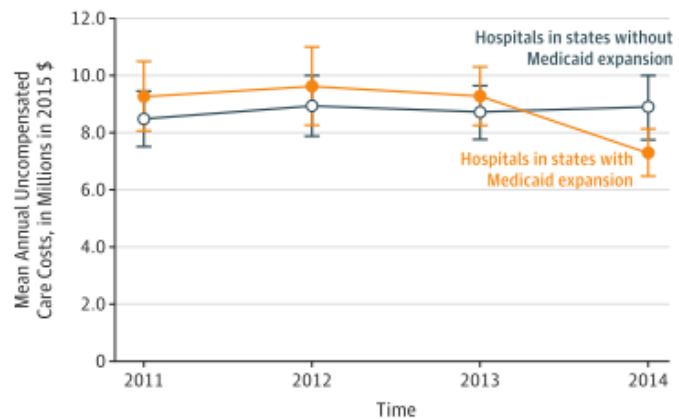
SOURCE: Courtemanche, C., et al. (2016).
"Early Impacts of the Affordable Care Act on Health Insurance Coverage in Medicaid Expansion and Non-Expansion States." Journal of Policy Analysis and Management.



Impacts of ACA on Health Care (cont'd.)

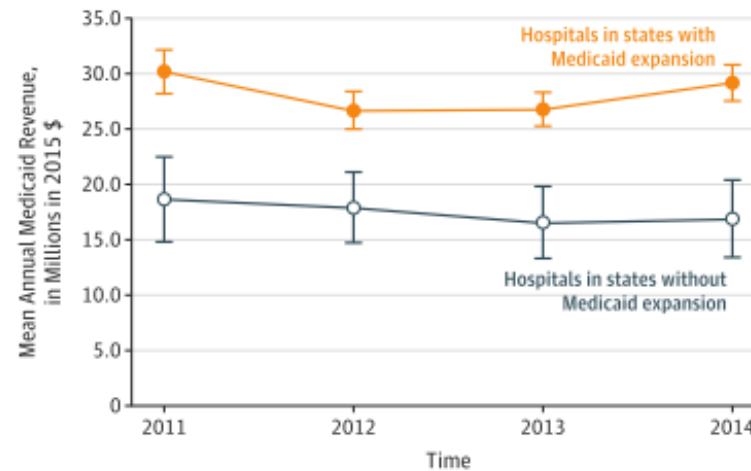
- Hospital Financial Outcomes

Figure 1. Trends in Mean Annual Uncompensated Care Costs for Hospitals in States With and Without Medicaid Expansion for Fiscal Years 2011-2014



Data are from the 2014 American Hospital Association Annual Survey merged with the US Centers for Medicare & Medicaid Services Health Care Cost Report Information System. The sample for uncompensated care costs included 5138 hospital-year observations in states with Medicaid expansion and 9082 observations in states without Medicaid expansion. The estimates are among hospitals with nonzero and nonmissing uncompensated care costs. Error bars indicate 95% CIs.

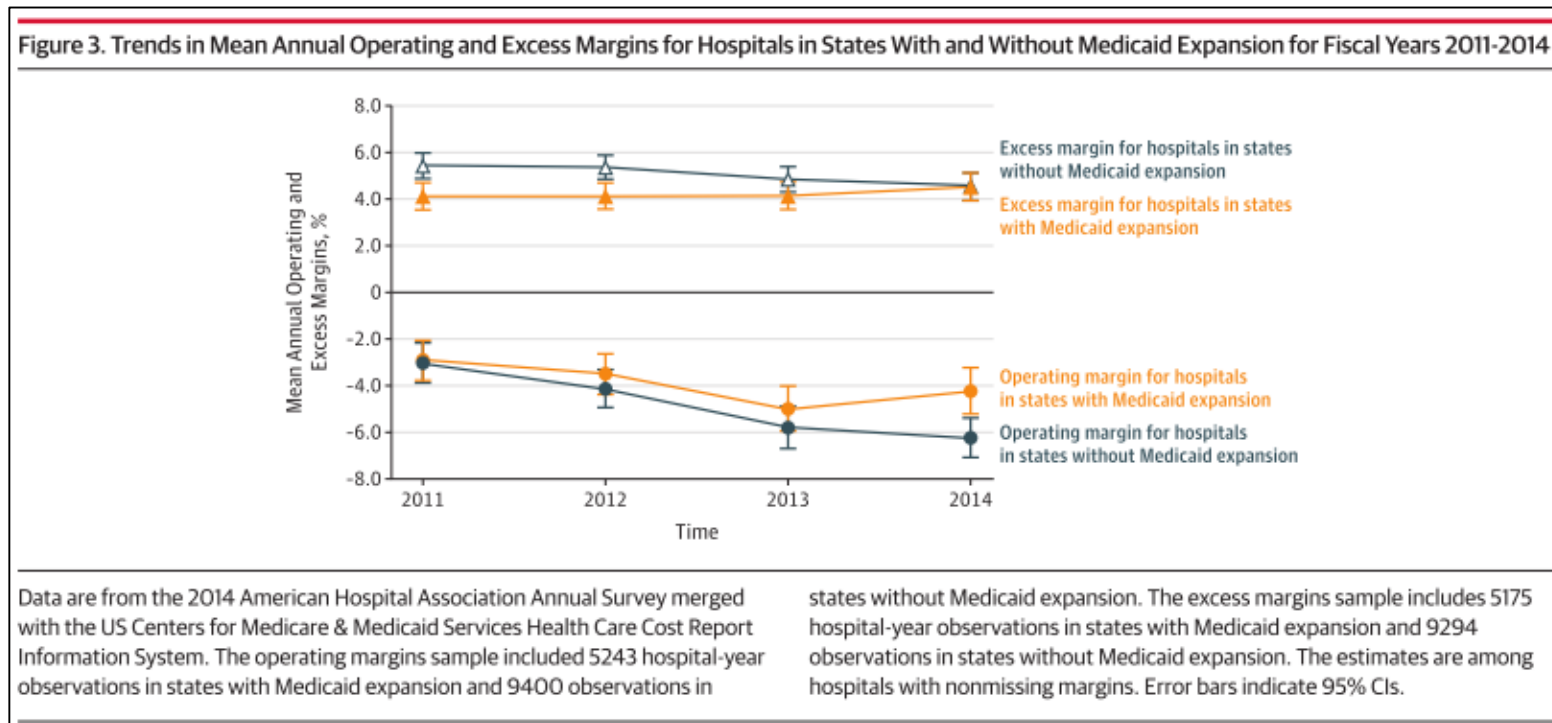
Figure 2. Trends in Mean Annual Medicaid Revenue for Hospitals in States With and Without Medicaid Expansion for Fiscal Years 2011-2014



SOURCE: Blavin, F. E. (2016). "Association between the 2014 Medicaid Expansion and US Hospital Finances." JAMA **316**(14): 1475-1483.

Impacts of ACA on Health Care (cont'd.)

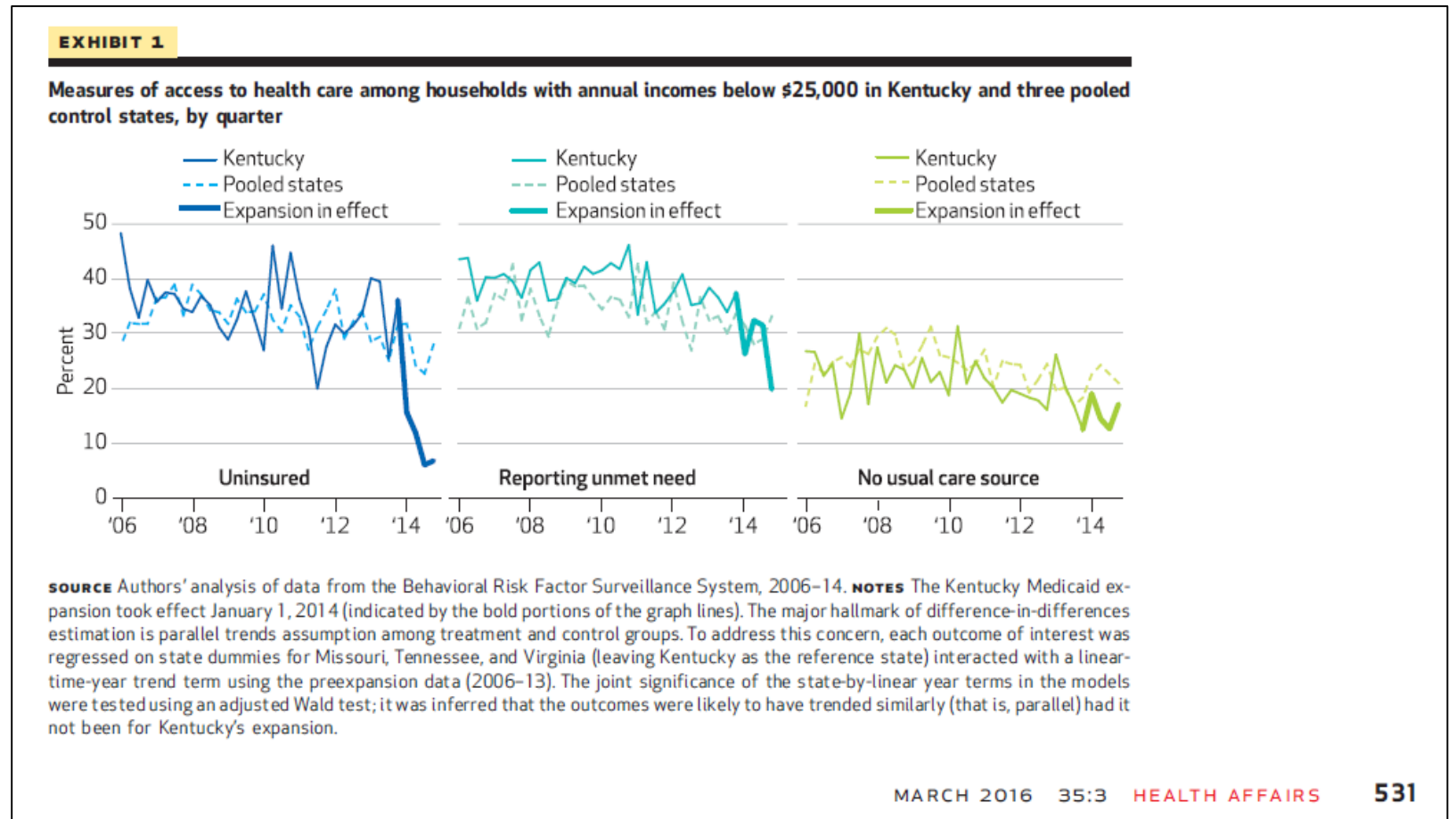
- Hospital Financial Outcomes



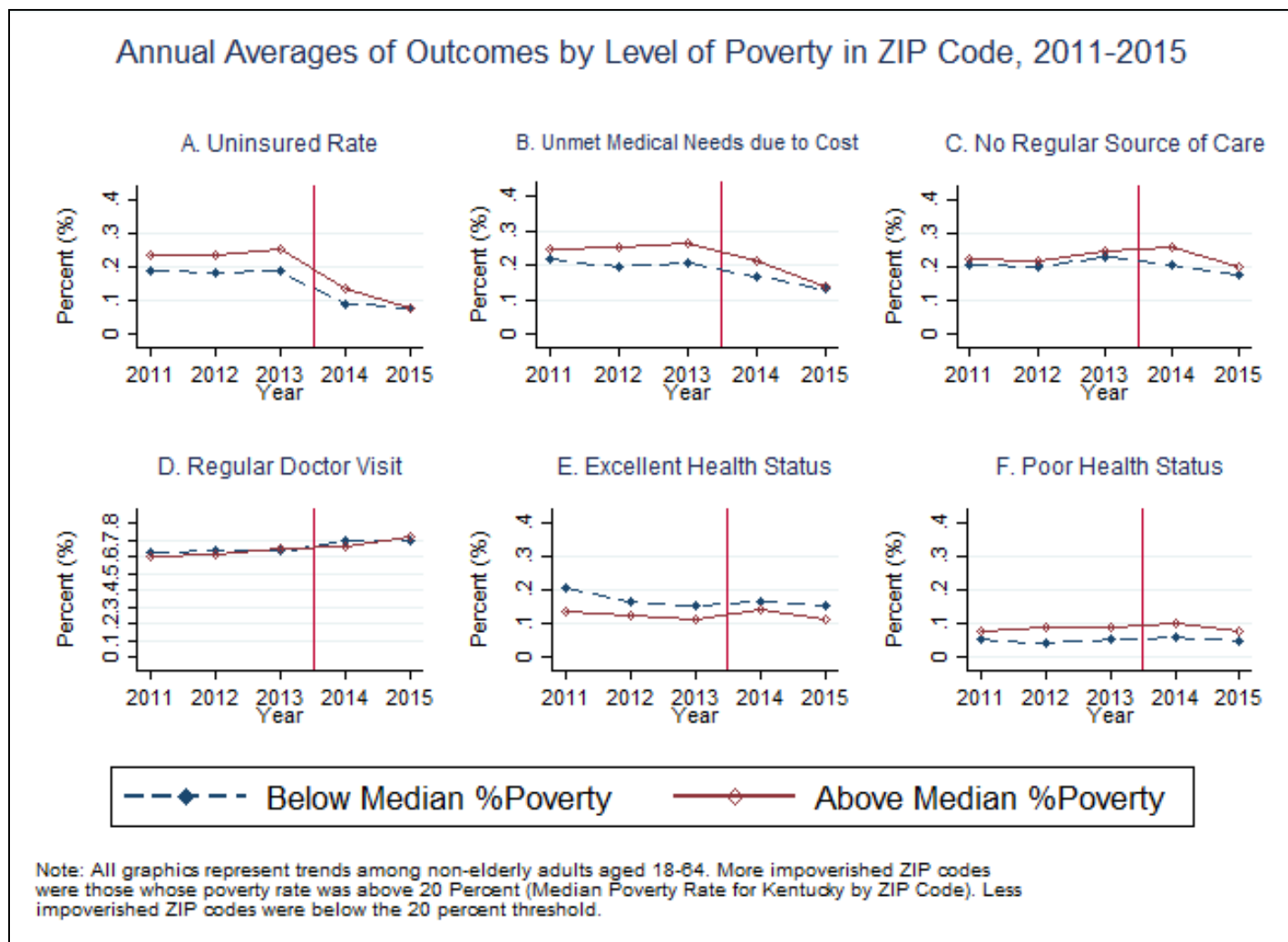
Blavin, F. E. (2016). "Association between the 2014 Medicaid Expansion and US Hospital Finances." JAMA 316(14): 1475-1483.

Impacts of ACA on Health Care (KY)

SOURCE: Benitez, J. A., et al. (2016). "Kentucky's Medicaid Expansion Showing Early Promise On Coverage And Access To Care." Health Affairs **35(3): 528-534.**



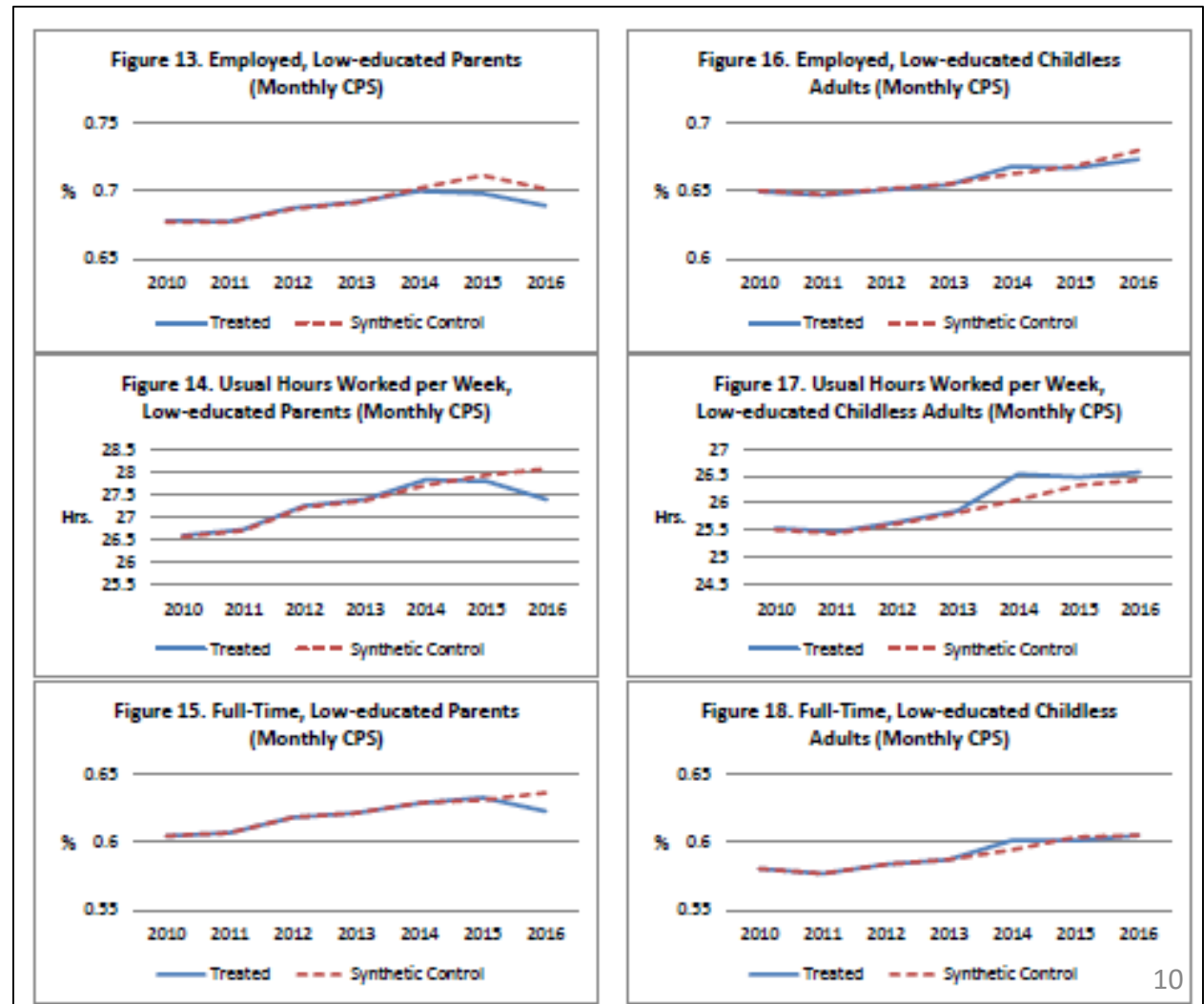
Impacts of ACA on Health Care (KY)



Benitez et al (2017). Did Health Reform in Kentucky address Disparities in Coverage and Access for the Poor?. Forthcoming in *Health Services Research*

Adverse Effects of the ACA—Focusing on Labor Force Participation

SOURCE: Kaestner, R., et al. (2015). "Effects of ACA Medicaid Expansions on Health Insurance Coverage and Labor Supply." NBER Working Paper Series(NBER Working Paper No. 21836).



Effects on State Budgets—the Michigan Case

PERSPECTIVE ECONOMIC EFFECTS OF MEDICAID EXPANSION IN MICHIGAN

Federal and State Expenditures, State Tax Revenues, and Changes in Employment and Personal Income Associated with Medicaid Expansion in Michigan in State Fiscal Years 2014 through 2021.

Variable	2014	2015	2016	2017	2018	2019	2020	2021
Expenditures (\$ millions)*								
Federal (A)	897.6	3,384.6	3,596.4	3,387.3	3,366.7	3,397.6	3,372.7	3,411.7
State (B)	20.0	20.0	20.0	152.0	225.4	265.9	363.8	399.1
Increase in state tax revenue from economic benefits (\$ millions) (C)†	25.2	103.7	144.9	150.9	151.4	152.8	150.4	148.4
State taxes and contributions from health plans and hospitals (\$ millions) (D)*	47.0	182.0	194.0	198.0	173.0	181.0	193.0	178.0
State-budget savings on mental health and other programs (\$ millions) (E)*	100.0	235.0	235.0	235.0	235.0	235.0	235.0	235.0
Net effect on state budget (\$ millions) (F)‡	152.2	500.7	553.9	431.9	334.0	302.9	214.6	162.3
Increase in employment (jobs) (G)†								
State and local government (H)†	1520	4,888	6,308	5,605	4,618	4,157	3,440	2,853
Hospitals and ambulatory health care (I)†	2038	8,922	11,256	10,750	10,418	10,215	9,985	9,871
Other private sector (J)†	4101	16,456	21,765	21,420	20,384	19,526	18,369	17,368
Increase in personal income (\$ millions) (K)†	379.2	1,554.4	2,181.3	2,291.4	2,327.1	2,383.1	2,381.7	2,387.8

* Data are from the Michigan House Fiscal Agency³ (additional data on A are provided directly by this agency).
† Data are model outputs from our analysis. All amounts for state expenditures, state taxes, contributions from health plans and hospitals, and state budget savings are shown in nominal dollars unadjusted for inflation, as reported by the House Fiscal Agency. State expenditures include \$20 million in annual administrative costs and the federally specified state share of total estimated spending for the expanded Medicaid population (zero in fiscal years 2014 through 2016, 3.75% in 2017, 5.75% in 2018, 6.75% in 2019, 9.25% in 2020, and 10% in 2021).
‡ The net effect is calculated as C + D + E - B.

Ayanian, J. Z., et al. (2017).
 "Economic Effects of Medicaid Expansion in Michigan." *New England Journal of Medicine* 376(5): 407-410.

What Lies Ahead?

- ACA Repeal...Replace....Repair?
- Medicaid
 - Expansion?
 - Cutbacks?
 - Block Grants?
- DSH Payment Cuts/No Cuts?

What Lies Ahead for Medicaid?

- Presently, Medicaid Expansion dollars bring in additional revenue for states with generally positive effects on state budget due to federal matching funds
 - 100% in 2014-2017
 - 95% in 2017-2020
 - 90%, thereafter
- 2012 U.S. Supreme Court decision, gave states option to expand Medicaid
 - Arkansas & Kentucky were only southern states electing to do so with Louisiana expanding in 2016*

What Lies Ahead for Medicaid?

- Large uptakes in coverage among the expansion population under ACA largely responsive to pre-expansion uninsured rates and concentrations in poverty
 - Courtemanche et. al (2016)
 - Benitez et. al (2017)
- Expanded eligibility (access to Medicaid coverage) generally associated with improved access to care among low-income, frequently removing much of the burdensome out-of-pocket expenses associated with medical care and limiting cost as a deterrent to seeking care

What Lies Ahead for Medicaid?

- Medicaid is jointly operated by States & Federal government to provide coverage for low-income persons
 - Prior to 2014, most states limited access to Medicaid coverage to parents, children, and disabled adults
 - Federal government also established a core of basic services (e.g. preventive care screenings) which Medicaid plans must provide.
- Post-expansion (2014 for most expanding states) extended eligibility benefits to adults based on income alone, which may change under ACA repeal

What Lies Ahead for Medicaid?

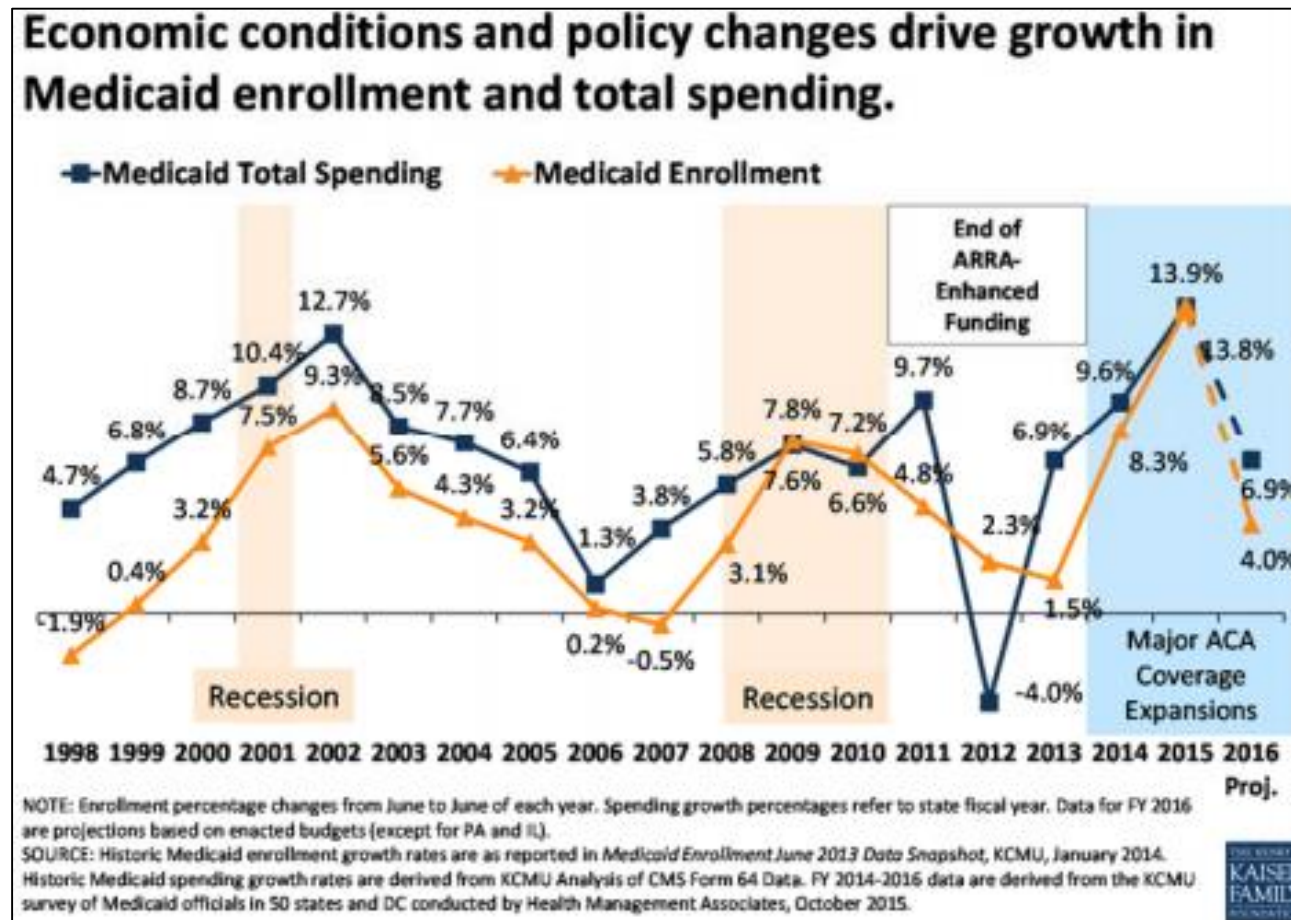
- Capped Medicaid funding (via Block-grant or Per-Capita funding) would shift much of financial risk towards the states
- Currently Medicaid largely reimbursed with Federal funding, though a block grant would cap how much 1) Congress allocates to Medicaid program each year; 2) how much each state receives on the front end

What Lies Ahead for Medicaid?

- Medicaid financing (i.e. Federal) often acts as a buffer or safety net resource for states, and block-granting would take much of that away in event of financial downturn (e.g. recession)
- Likely outcomes of Medicaid changes include:
 - Lowering upper limits on Medicaid eligibility
 - Restrict types of services reimbursable by Medicaid (e.g. vision, dental)
 - Categorize eligibility

What Lies Ahead for Medicaid?—Historical Lesson

Snyder, L & R. Rudowitz (2016).
Trends in State Medicaid
Programs: Looking Back and
Looking Ahead.
<http://files.kff.org/attachment/issue-brief-trends-in-state-medicaid-programs>



Sample of 2016 Medicaid Eligibility Limits

	Kentucky	Indiana
Low-Income/Non-Disabled	138% FPL	138% FPL
Children (aged 0-18)	218% FPL	255% FPL
Pregnant Women & Infants	200% FPL	213% FPL

- In 2016, 138% FPL corresponds to: Annual HH Income of \$11,880 for an individual, \$16,020 for a family of 2, and \$20,160 for a family of 3.
- Prior to 2014, parental status was generally a requirement for Medicaid eligibility in most states; repeal of ACA could return to status quo

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