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Before the Mississippi House of Representatives
Medicaid Committee

"Medicaid Expansion Hearing"

March 11, 2013

Chairman Howell, thank you for holding a hearing on the important topic of Medicaid expansion. I appreciate the invitation to submit written testimony to the committee.

I serve as the Senior Vice President of Policy for the Hope Enterprise Corporation (HOPE) www.hope-ec.org, a nonprofit community development finance institution that also sponsors Hope Federal Credit Union. For nineteen years, HOPE has worked to break the cycle of poverty throughout Mississippi and the Mid-South by undertaking a wide range of income and asset development strategies to improve the quality of life for the region's low- and moderate-income residents. Over that time period, HOPE has generated $1.7 billion in investments that have assisted over 130,000 people including investments that have strengthened Federally Qualified Health Centers and rural hospitals in our state.

I am also the Director of the Mississippi Economic Policy Center (MEPC) www.mepconline.org. An initiative of HOPE, MEPC engages in rigorous and accessible analysis that informs the policy debate on issues affecting the economic and social well-being of Mississippi's working families.

Introduction

Over the summer, the Supreme Court affirmed nearly all aspects of the Patient Protection and Affordable Care Act, the federal health care reform legislation. One exception was a provision that required states to expand eligibility for a state's Medicaid program or face significant penalties. Under the Supreme Court ruling, states will not face penalties for not participating in Medicaid expansion and must choose whether or not to participate in the program which would be heavily financed by the federal government.

With that background in mind, Medicaid expansion is a critical public health and economic opportunity for the state of Mississippi. Over 300,000 uninsured non-elderly adults – the majority of whom are working – are eligible for coverage through expansion. Additionally, Mississippi's Institutions of Higher Learning estimate that employment gains of 9,000 jobs will occur as a result of the significant influx of federal dollars to finance expansion. Finally, failure to expand Medicaid has significant costs in the short term and in the long term – there is simply no way to walk away from Medicaid expansion and to preserve the status quo.

The following testimony is broken down into three sections. Section One outlines the economic case for expansion. Section Two examines the fiscal implications of expansion. Finally, Section Three concludes the testimony with summaries of research that establish the link between reduced mortality and increased use of primary care for Medicaid recipients when compared to the uninsured.

Section One - The Economic Case for Expanding Medicaid

Expansion supports working families

Medicaid expansion will provide health insurance for non-elderly adults up to 138% of the federal poverty level – currently $31,809 for a family of four.[i] Essentially, expansion would cover those that earn too much to qualify for the current Medicaid program, but earn too little to qualify for subsidies to purchase health insurance through the exchange.[ii] For example, in Mississippi, uninsured adults in a family of four earning between approximately $10,000 a year and $32,000 a year would qualify for Medicaid once expansion is implemented. Ironically, if the state does not expand, low-wage workers would be the most likely group in the state to remain uninsured. Table 1 provides a snapshot of the occupations with the highest number of uninsured workers that live on income below 138% of the Federal Poverty Level.

Table 1

Occupations in Mississippi with Most Uninsured Workers Below 138% of Poverty

Occupation	Number of Uninsured below 138% of Federal Poverty Level
Cashiers	14,445
Cooks	8,731
Laborers & Movers	6,984
Construction Workers	6,869
Maids & Housekeeping	6,021
Truck & Other Drivers	5,950
Waiters & Waitresses	5,280
Janitors & Cleaners	5,178
Grounds Maintenance Workers	5,067
Other Production Workers	4,724

Source: Center for Mississippi Health Policy Analysis of American Community Survey U.S. Census Bureau, 2010.

The ten occupations with the highest number of uninsured workers with incomes below the Medicaid expansion eligibility limit include cashiers, construction workers and truck drivers.

Medicaid Expansion Creates Jobs

Beginning in 2014, the federal government will cover 100% of the costs for medical services for three years. After the first three phase-in years for expansion, the federal match will decrease annually until it reaches 90% in 2020 – where it is scheduled to remain. While there have been multiple studies on the costs of expansion, the Mississippi Institutions of Higher Learning is the only study to estimate the economic impact of Medicaid expansion in Mississippi. According to

the Mississippi Institutions of Higher Learning, the federal expenditures on Medicaid expansion will eclipse $1 billion annually in 2017. As the federal money flows into the state, it will stimulate new spending ultimately resulting in the creation of approximately 9,000 jobs.[iii] The jobs could not come at a better time. Mississippi has lost 66,000 jobs since the start of the Great Recession in 2007 and has the same number of jobs today as in 1996.[iv]

Keeping Mississippi Competitive

According to the U.S. Census Bureau, one in five (21.2%) non-elderly adults in Mississippi is uninsured.[v] The high prevalence of uninsured adults – the tenth highest in the country – occurs amid the backdrop of a number of poor health outcomes. For example, Mississippi has the third highest rate of cancer deaths[vi] and is first among the states in heart disease death rates. Not surprisingly, a lack of access to health insurance and negative health outcomes are not unrelated. Individuals without health insurance delay going to the doctor when care is needed; go without necessary care and do not receive prescription medications needed to ensure better health. The uninsured are also more likely to skip periodic screenings for various cancers and heart disease. As a result, when individuals without insurance finally make it to see a physician, the disease progression has advanced to a stage that is extremely costly to treat with a lower likelihood of success. Society also experiences a net loss in the face of significant swaths of the populace being uninsured.

In the end, a loss of productivity occurs when people miss work due to untreated health problems.[vii] Arkansas has stated clearly that it will move forward with expansion and Tennessee is considering expansion.[viii] Given that two states adjacent to Mississippi may potentially implement expansion – and thus position the workforce to be more productive over time – Mississippi could find itself permanently behind in the competition for business and industry.

Reductions in Disproportionate Share Hospital Payments threaten Hospitals

Disproportionate Share Hospital (DSH) payments provide resources to hospitals that provide a significant share of the care to the uninsured. One of the ways in which the Patient Protection and Affordable Care Act is paid for is by reducing DSH payments nationwide. When the Act was passed, Medicaid expansion was to serve as a mechanism to provide a replacement source of revenue for hospitals. Regardless of whether or not the state of Mississippi expands Medicaid, DSH cuts will continue to be implemented. From 2014 to 2020 DSH payments will be reduced nationwide by $18.1 billion. The pool of funds from which hospitals currently receive DSH payments will be significantly reduced. For rural hospitals and hospitals that see large numbers of the uninsured, the reduction in DSH payments could ultimately result in service cuts and job losses. The threat to Mississippi's hospitals illustrates that failing to expand Medicaid carries with it significant costs to the state and local communities. In rural areas, the reduction in services at local hospitals – often the largest employers – could negatively affect the region's ability to attract other business with significant trickle-down effects associated with layoffs.

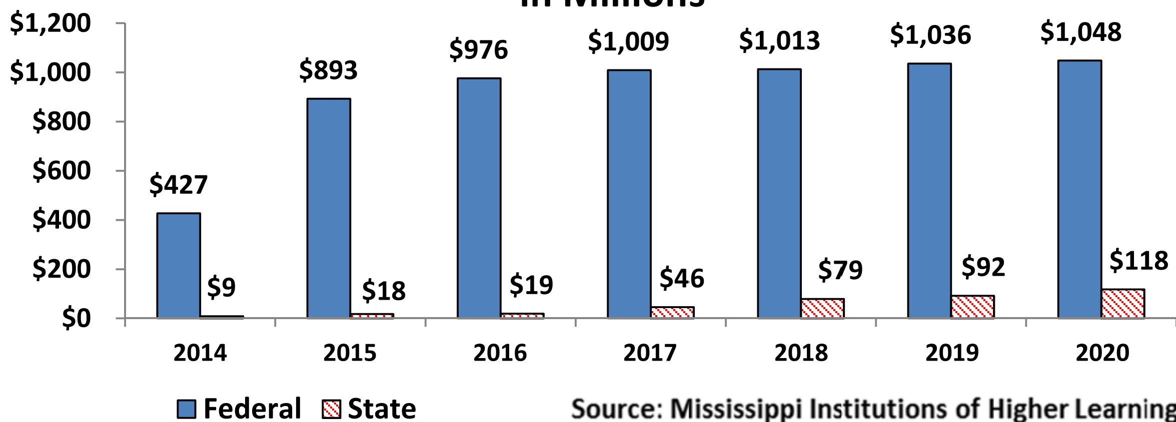
Section Two - The Fiscal Considerations of Medicaid Expansion

While a number of studies have focused on the costs of expansion, two of the most recent and Mississippi specific studies bear mentioning. The two studies include one released by Milliman,

Inc. on December 7, 2012 titled the "Financial Impact Review of the Patient Protection and Affordable Care Act on the Mississippi Medicaid Budget," commissioned by the Mississippi Division of Medicaid, and a second, "Fiscal and Economic Impacts of Medicaid Expansion in Mississippi 2014-2025" by the Mississippi Institutions of Higher Learning (IHL).

The Milliman report makes two very important clarifications. First, the so called "woodwork effect" is not a cost of expansion. The "woodwork effect" is the term used to define people who are eligible for Medicaid today, but who have not signed up for the program. Upon hearing about the Affordable Care Act's benefits – the individuals will enroll in Medicaid. The Milliman report makes it clear that these costs will occur even if the state does not expand. Hence, the costs of providing Medicaid to individuals who are currently eligible for Medicaid cannot be attributed to expansion. Second, the Milliman report also underscores that a 100% participation scenario – where all individuals eligible for Medicaid through expansion enroll in the program – is not likely to occur. Hence, the significantly higher costs of such a scenario would be highly unlikely to occur.[ix]

The IHL report is the only one of its kind to estimate the economic impacts of expansion in Mississippi. While much of the public conversation around Medicaid expansion has focused on very large costs aggregated over a number of years, particularly administrative costs, it is instructive to look at the state costs, relative to the federal costs, on an annual basis. Importantly, the IHL estimates include the administrative costs of expansion. Chart 1 provides a comparison of the estimated federal expenditures and the gross state costs for expansion by year.



In the first three years, only administrative costs are included with the state match being phased in through 2020. Importantly, the state generates enough revenue during the first three years of expansion to cover all of the administrative costs. Of note, the estimates do not include new revenue generated, cost savings from shifting some state costs of newly eligible Medicaid recipients to federal costs, or the cuts to hospitals such as the University Medical Center (UMC) that would need to be made up in response to DSH payment cuts. UMC received $87 million in DSH payments in 2012.

In 2020, the net cost to the state for Medicaid expansion, once revenues are subtracted from the gross costs, comes to $65 million.[x] So, for $65 million – not including other savings that the state would incur in areas such as mental health – the state would cover 300,000 people, create 9,000 jobs and keep Mississippi's hospitals stable. In contrast, the state could find itself in a position of trying to find a similar amount of money simply to make up for the loss in DSH payments to hospitals – particularly those supported by state and local government.

One other factor includes the significant costs associated with disability. Mississippi has one of the highest per capita concentrations of leg amputations in the country.[xi] The amputations are explained by the high incidence of diabetes. Left untreated, due to a lack of insurance for example, the presence of diabetes could result in an amputation. Once an individual undergoes an amputation, the likelihood that he or she will move from work to disability increases, and the costs of caring for the disabled person will accompany the transition. Medicaid expansion could be the difference between keeping someone in the workforce and from needing disability. Hence, over time, one could envision cost savings statewide associated with a healthier workforce.

Section Three – Medicaid and the relationship to improved health outcomes

A number of rigorous studies have established a relationship between expanding eligibility for Medicaid in other states and increased use of health care and positive health outcomes.. This section identifies some of the key findings.

Oregon Health Study

The Oregon Health Study was of particular note because it used the gold standard in social science research – a treatment and control group with random assignment – to identify differences between groups of individuals with Medicaid through an expansion scenario and no insurance. The study allowed researchers to look at the health care utilization and health outcomes of individuals with wages below the federal poverty level using public insurance and to compare their outcomes with those of individuals without insurance. One particularly striking finding was that individuals with insurance were more likely than individuals without insurance to be compliant with recommendations for preventative care – such as receiving a mammogram and cholesterol screening.[xii] Such a finding is relevant in Mississippi where the incidence of Breast Cancer is relatively low (Mississippi ranks 38th in the country)[xiii], but the rate of death from Breast Cancer in Mississippi is the 4th highest in the country.[xiv]

Previous Findings on Medicaid Expansion

Three states – Arizona, Maine and New York – previously expanded eligibility for the Medicaid program. Using a quasi-experimental design, a team of researchers examined the differences in mortality and other access to care indicators among childless adults in the expansion states and in neighboring states serving as a control. The study – published in the New England Journal of Medicine in September of 2012 – found that Medicaid expansion was associated with a reduction in mortality rates and a decrease in delays in accessing care due to costs.[xv]

Given Mississippi's health outcomes, the findings of the Oregon and Medicaid expansion studies warrant significant attention. Improved use of preventative care, reduced mortality and decreased delays in accessing care would go a long way toward improving the health and productivity of the population.

Conclusion

Medicaid expansion remains a good deal for the state of Mississippi. It will create 9,000 jobs during a slow and rocky recovery from the 2007 Recession. It will also connect 300,000 Mississippians – the majority of whom are working – to health insurance. Such actions will result in a more productive and competitive workforce. At the same time – there is no option to preserve the status quo. Hospitals that lose DSH payments will undergo cuts resulting in service reductions and possible layoffs. Furthermore, should Mississippi pass on expansion, neighboring states will have a competitive advantage when courting business and industry by having the infrastructure in place to improve the health of their respective workforces. When state expansion costs are broken down by year (instead of being aggregated over many years for example), paying for expansion merits priority status especially within the context of the influx of federal dollars, associated job growth / state tax revenue, and the need to avoid cuts to state and county supported health care providers. Given the magnitude of the opportunity, Mississippi should move forward with expansion in 2014 and use the three years of full federal financing of medical services to make improvements and efficiencies in the program in preparation of the phase in of state costs. Finally, recent evidence from studies in Oregon and among states that have previously expanded Medicaid establishes a relationship between expansion and improved health practices and outcomes. By making gains in the public health arena, Mississippi would also be setting itself up to compete more aggressively in the future.

Taking all these factors into consideration, the case is clear – Medicaid expansion in Mississippi is an important public health and economic opportunity that should not be missed.

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[xv] Benjamin D. Sommers, M.D., Ph.D., Katherine Baicker, Ph.D., and Arnold M. Epstein, M.D. "Mortality and Access to Care among Adults after State Medicaid Expansions." N Engl J Med 2012; 367:1025-1034. September 13, 2012.