



## IMPLEMENTATION OF THE PATIENT PROTECTION AND AFFORDABLE CARE ACT: GOOD FOR PEOPLE AND THE BOTTOM LINE

The 2010 federal Patient Protection and Affordable Care Act outlines new rules for health insurers to make coverage more universally accessible and keep premiums affordable. It sets up a new, comprehensive health insurance market so it will be easier for Americans to have choices and make informed decisions when selecting a health plan. It expands health insurance subsidies to all low-income Americans. And it funds efforts to increase the use of evidence-based medicine and reduce expensive waste in the health care system.



Health care is an issue of great significance to Washington state residents. Recent health care trends have been very concerning:

- » The rate of uninsured adults in our state has been on the rise — increasing from 12.9 percent in 2006 to 15.5 percent in 2008 and 17.9 percent in 2010.
- » From 2008 to 2010, charity care by hospitals and health care providers rose a staggering 36 percent.
- » From 2003 to 2010, the average health insurance premium for an individual in Washington rose 42 percent. For a family, the increase was 54 percent.

The Affordable Care Act benefits almost 2 million citizens here in Washington. Some of the act's provisions, such as new health insurance consumer protections, have already taken effect. Two of its biggest components will take effect Jan. 1, 2014: the option for states to expand Medicaid coverage to additional very low-income individuals and coverage through health care exchanges, where low- to moderate-income households can receive federal assistance in purchasing health care coverage. Implementation of both these provisions will enable our state to save millions of taxpayer dollars.

### BROADER ELIGIBILITY

The Affordable Care Act brings health care insurance into reach for previously uninsured or underinsured populations. For our state, the act pertains to the following:

- » More than 85 percent of Washington's uninsured adults (ages 19–64) will have access to various types of affordable coverage. Under Apple Health for Kids, children already have broad access to coverage.
  - » Estimates of those newly eligible under the Medicaid expansion is 500,000, with at least 253,000 of those estimated to be uninsured today.
  - » Of those nearly 500,000 eligible adults, nearly half are expected to enroll in the program.
  - » Enrollees in the Aged, Blind and Disabled programs will not see their eligibility or benefits change.
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See the chart on page 4 for more detail.

## WHAT IS MEDICAID EXPANSION?

Medicaid is a program jointly funded by the federal government and the state. It currently covers children up to 300 percent of the federal poverty level (FPL) and some very low-income adults with children, pregnant women and people with disabilities. Currently, it does not broadly cover poor adults. If you are a low-income, childless adult younger than 65 (not qualified for Medicare), you are likely uninsured today, as are nearly 800,000 people in Washington.

The Affordable Care Act gives individual states the option to expand their Medicaid program beginning January 2014 to cover more people who have incomes below 133 percent FPL. For single adults, this is less than about \$15,000 a year. The Affordable Care Act requires that the federal government fund 100 percent of the costs through 2016 for newly eligible people if states decide to expand. Beginning 2017, the state share would be 5 percent, increasing to 10 percent by 2020.

To accept the federal funds, state legislative budget approval and federal approval of a Medicaid state plan amendment are necessary.

## POSITIVE ECONOMIC IMPACT

The Affordable Care Act offers the opportunity for states to save precious health care funds. For Washington, the savings would be as follows:

- » A non-partisan, joint legislative-executive staff work group developed a cost-benefit model that finds potential net savings to the state of more than \$100 million over the next biennium if our state decides to expand Medicaid.
- » Washington will have the ability to claim up to 100 percent federal funds, resulting in a General Fund-State savings of \$139.4 million in the 2013–15 biennium as current clients are refinanced with federal funds. Programs include Basic Health, medical care services and mental health and long-term care services.

- » According to research, covering more low-income individuals through expanding Medicaid will potentially save more money through better health and overall savings to the system in the long term.
- » Estimates are that 10,282 new jobs would be created (includes impact related to new taxes under the Affordable Care Act).



## STREAMLINING WASHINGTON'S ALREADY EFFICIENT AND COST-EFFECTIVE PROGRAM

By putting citizens on the federal Medicaid program, benefits and conveniences aside from cost savings are expected:

- » Medicaid will use a new, streamlined eligibility and enrollment process through Washington's exchange portal HealthPlanFinder. Applications for coverage can be submitted online, by mail, in person or over the phone.
- » The practice of using multiple income "disregards" to adjust family income will be replaced by just one 5 percent income disregard for all programs (creating a functional eligibility level of 138 percent FPL for adults).

- » Washington will continue investments in evidence-based medicine, chronic care management and health information technology. It will also continue to use its purchasing power to drive health care system and payment reform. These and other practices have made Washington a national leader in keeping costs down (lower than 2 percent annual inflation for our Medicaid program) while offering broad coverage such as insuring nearly all children.
- » Medicaid expansion presents an opportunity to reexamine cost sharing and other plan design improvements to encourage consumers to make better health care choices, such as seeing a primary care physician instead of making an unnecessary emergency room visit.

## WITHOUT THE MEDICAID EXPANSION

Not using federal Medicaid expansion would lead to serious disadvantages:

- » Individuals whose incomes are too high for the traditional Medicaid program today, but too low for premium tax credits through the exchange in 2014 (people with less than 100 percent FPL), will not have access to insurance affordability programs (either exchange tax credits or Medicaid). They would likely remain uninsured and experience worse health outcomes and higher mortality.
- » The Affordable Care Act reduces federal subsidies to hospitals for the costs of uncompensated care, so if Medicaid is not expanded, hospitals would face continuing costs of charity care as well as a 50 percent reduction paid to those hospitals with a larger share of uncompensated care patients (called disproportionate share hospital payments).

- » Employers with more than 50 employees will face obligations to offer health care coverage to their employees with incomes between 100 percent and 138 percent of FPL, or risk potential financial penalties for not providing coverage.
- » Washingtonians would lose out on new jobs.

## MOVING FORWARD

Accordingly, Governor Gregoire proposes to implement Medicaid expansion because it makes fiscal sense: It saves money, creates new jobs for Washingtonians and further streamlines our already innovative, cost-effective and high-quality program. And it makes health sense: According to research, expanding Medicaid to low-income adults leads to better health and fewer deaths.

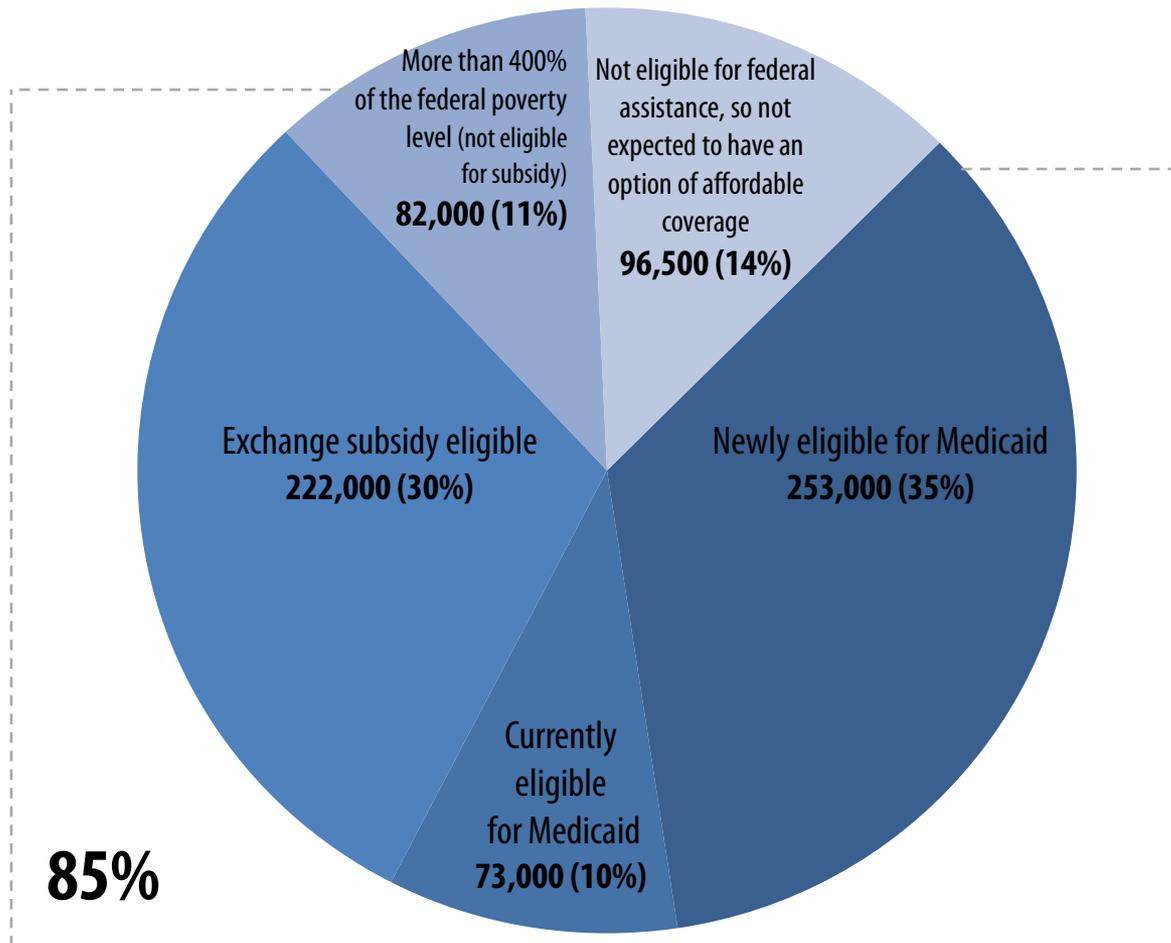
In summary, Medicaid expansion will:

- » Save Washington taxpayers \$139.4 million this biennium, with potential future savings due to better health outcomes.
- » Cover 253,000 more people and lead to improved health outcomes and lower mortality.
- » Create 10,282 new jobs for Washingtonians.
- » Further streamline our already innovative and cost-effective program.

To institute Medicaid expansion in Washington, the Legislature must provide for it in the next biennial budget.

# More than 85 percent of Washington's uninsured adults will have access to affordable coverage under the federal Affordable Care Act

Chart depicts numbers and percent of uninsured in Washington (n= 729,500)



Source: Urban Institute Analysis of Augmented Washington database, 2012