

Poorest Americans at risk if states opt out of Medicaid expansion

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Health coverage for the poorest Americans could be in jeopardy in many states as a result of the U.S. Supreme Court's ruling last month on the Affordable Care Act, according to a new legal analysis. The report examines federal and state Medicaid options following the United States Supreme Court's ruling in *NFIB v Sebelius* and appears in the August issue of the journal *Health Affairs*.

"Some [states](#) will use the court's decision as an excuse to delay or refuse to participate in the expansion of [Medicaid](#) as outlined in the [Affordable Care Act](#)," says lead author of the report, Sara Rosenbaum, Harold and Jane Hirsh Professor of Health Law and Policy, George Washington University School of Public Health and Health Services in Washington, D.C. "The ruling allows states to decline the expansion yet still continue to collect federal funding to operate a status quo [Medicaid program](#), leaving millions of impoverished children and adults at risk for lack of coverage."

At the same time, the expansion would create new jobs as federal funding to pay for health care begins to flow into poor communities. Between 2014 and 2016 the federal government will pay for 100 percent of the cost of the Medicaid expansion and 90 percent of the costs by 2020 and thereafter. That influx of federal funds would represent a much-needed boost to thousands of communities affected by poverty, elevated unemployment and other signs of [economic distress](#), according to the analysis.

In the end, the economic benefits of going forward might sway states that have been opposed to the expansion in the past. And the analysis notes that states that still balk may face considerable political opposition and an outpouring of concern from consumers, insurers, [local governments](#), and [health care providers](#). States that still refuse to set up the expansion will have to explain why they are turning away a "boatload of federal funds designed to cure Medicaid's greatest flaw," Rosenbaum said.

Since 1965 Medicaid has provided coverage for poor children and pregnant women, as well as low income people who are elderly or disabled. At the same time, the program has excluded millions of adults who are deeply impoverished. The Affordable Care Act, signed into law by President Obama in 2010, addressed this historic coverage gap by extending Medicaid to all nonelderly Americans whose incomes are below 133 percent of poverty.

But states immediately objected to the Medicaid requirement, and ultimately 26 sued, claiming that the expansion was unconstitutional. The Supreme Court upheld the Medicaid expansion in its June ruling but at the same time sharply limited the federal government's ability to enforce that provision. The Court's ruling means that states can opt out of the Medicaid expansion without running the risk that they will lose all Medicaid funding.

At the same time, the Supreme Court decision does not give the federal government complete power to allow states to set up a partial expansion of Medicaid. Some states have already indicated they favor a modified expansion of Medicaid but it is not clear that the court ruling will allow such flexibility on the part of the federal government.

Still, many states appear ready to take advantage of the economic benefits associated with a full-scale Medicaid expansion, Rosenbaum

noted. Particularly important, she stated, is the fact that the Supreme Court decision preserved the expansion itself for states that decide to move ahead quickly. Had the Court not preserved that aspect of the law, the largest single expansion of Medicaid would have been lost.

"The potential financial value of the Medicaid expansion to states is enormous," Rosenbaum said. The enhanced federal funding that comes along with implementation is crucial to the survival of public hospitals, community health centers, and other safety net providers that often represent the provider of last resort for millions of uninsured Americans. The expansion in Medicaid, if fully implemented, would significantly reduce the burden of uncompensated care, said the analysis.

More information: To view this report: content.healthaffairs.org/content/31/8/1663.abstract

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