

A middle road for Medicaid expansion?

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With the political divide over health care reform still strong going into this year's elections, a new analysis of state-level decisions shows signs of an emerging middle way toward reducing the ranks of the uninsured.

The approach centers on efforts by governors and legislatures to get federal permission to customize Medicaid expansion in ways that satisfy political conservatives – while still allowing them to collect federal funding to increase [health insurance coverage](#) in their state.

In a new Viewpoint published online by the *Journal of the American Medical Association*, a team from the University of Michigan assesses the results so far.

They focus on two major Affordable Care Act-related decisions: whether to create a state health insurance exchange, and whether to expand Medicaid eligibility to low-income adults, which comes with full federal funding at first and phases in state contributions over several years. They also look ahead to potential issues that may arise as ACA-related Medicaid waivers granted to certain states hit new milestones.

The team, from the U-M School of Public Health, Medical School and Institute for Healthcare Policy and Innovation, find that only 15 states and the District of Columbia have chosen to fully comply with the ACA as originally designed by creating a state-based exchange and expanding Medicaid. But 23 states took neither of these steps.

Partisan politics plays a role, they find. All but two of the 15 states that

started their own exchange and expanded Medicaid are led by Democratic governors, and all but three of the 23 states that did neither are led by Republican governors.

But party control doesn't tell the whole story, they say. In all, 11 states expanded Medicaid and went with the federal or a federal-state partnership exchange, including six led by Republican governors.

One of them, Michigan, just began enrolling residents in its Healthy Michigan Plan on April 1, and initial reports suggest rapid and smooth progress. Idaho is the only state to have said no to Medicaid expansion but created a state exchange.

"This is clearly an important issue because of the coverage gap that will leave nearly 6 million people uninsured who are living below the poverty level or just above it in states that don't expand Medicaid," says Phillip Singer, MHSA, one of two U-M doctoral students who carried out the analysis.

He and his colleagues focused on the waivers that conservative-leaning states have asked the federal government to approve, allowing them to customize the Medicaid program during expansion.

"Each state seems to be pushing a little further to tailor the Medicaid program to fit their political ideology, and we don't know where this is going to end or where the federal government will say a state has gone too far," says Singer, who is working toward a degree in the U-M School of Public Health's Health Services Organization and Policy program.

The team compiled data on the current state of Medicaid expansion and state-level insurance exchanges across the country. Co-author David Jones, MSPH, MA, also conducted interviews over nearly three years with leaders in 25 states as part of his doctoral work in the same

program.

Senior author John Ayanian, M.D., MPP, explored the politics of Michigan's Medicaid expansion and its potential as a model for other Republican-governed states in a previous article in the *New England Journal of Medicine*. (Summary available [here](#))

Arkansas and Iowa also sought waivers, and Indiana and Pennsylvania currently have proposed waivers before the federal Department of Health and Human Services, with other states such as Missouri and Utah working toward possibly proposing waivers in order to customize Medicaid.

The waivers states have sought allow or would allow them to include conservative-favored options in expanded Medicaid programs, including cost-sharing, health savings accounts, and financial incentives for healthy behaviors or disincentives for certain health care-related actions – for example visiting an emergency department for a condition that could have been treated in a primary care clinic.

"These waivers are very important politically, enabling governors to persuade enough conservatives in their legislatures to support a modified Medicaid expansion," says Ayanian, who is the Alice Hamilton Collegiate Professor of Medicine in the Medical School's Department of Internal Medicine. "This approach allows Republicans to pursue Medicaid waivers they view as beneficial for their states without endorsing other components of the ACA." A member of the Division of General Medicine, Ayanian is also a professor in the U-M School of Public Health and the Ford School of Public Policy.

Over the next six years, as waivers begin to expire and states must begin to shoulder part of the expense of people enrolled under expanded Medicaid criteria, the political tides will play a major role in whether

states continue to participate, the authors predict.

"Waivers are a way for Republican governors and legislators to say they are reforming Medicaid instead of embracing Obamacare, while still accepting federal money available because of the Affordable Care Act," says Jones. "Hospitals, providers, and small businesses are advocating strongly in favor of Medicaid expansion. But there are many states where any chance of Medicaid expansion will depend on policymakers finding a middle way."

The current state harkens back to the original creation of Medicaid in 1965 – and the slow process of getting the second half of states to sign on, with Arizona finally joining in 1983. But, the U-M authors say, the federal waiver process gives [states](#) much more flexibility than they had when Medicaid was launched.

Provided by University of Michigan Health System

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