

## 2013 Medicaid Changes Under ACA

The Medicaid program currently covers 1 in every 5 Americans, and is the primary public health insurance program for the low-income segment of the nation's population, including pregnant women, children, adults with dependent children, people with disabilities, and seniors.<sup>1</sup> The structure of the Medicaid program, jointly funded by states and federal government, has allowed state programs to remain innovative and adaptable in the ever changing regulatory, reimbursement, competitive, and technological realms of the U.S. healthcare delivery system. In 2013, Medicaid will continue to implement changes in the era of healthcare reform. Among the many factors that will impact Medicaid systems and care delivery include: (1) changing eligibility and enrollment requirements; (2) implementation of new care models; (3) physician reimbursement reforms; (4) and a challenging fiscal and economic environment.

In 2012, median Medicaid eligibility levels for parents with dependent children were at 61 percent of the federal poverty level (FPL), and most states did not provide coverage to childless adults.<sup>2</sup> The Patient Protection and Affordable Care Act (ACA) has proposed that state Medicaid eligibility thresholds be standardized as of January 1, 2014 to a minimum of 138 percent of the federal poverty level (FPL) for all adults under age 65.<sup>3</sup> The majority of costs for this expansion in coverage will be funded by the federal government, but the decision regarding whether to implement these changes will be made by each state.<sup>4</sup> If all states were to implement the proposed expansion, the estimated number of Medicaid insured individuals would rise from over 62 million currently, to more than 87 million by 2022.<sup>5</sup> Additionally, in preparation for the proposed eligibility expansion in 2014, the ACA has mandated improvements to enrollment technology by October 1, 2013 to include web-based, paperless, real-time systems applicable to all insurance carriers, e.g., health insurance exchange programs, and state Medicaid agencies, for all eligible individuals.<sup>6</sup> In efforts to streamline the enrollment process, 42 states have already initiated system development upgrades, and 37 states have implemented electronic application systems as of January 1, 2013.<sup>7</sup>

With the anticipated influx of Medicaid beneficiaries as a result of the ACA, Medicaid will need to address the historic lack of physician participation in the program due to low reimbursement rates, which have risen only

5% from 2008 to 2012 in comparison to the 15% increase for the same services reimbursed by Medicare over that same time frame. On average, Medicaid physician fees in 2012 were 66 percent of Medicare fees, with primary care fees averaging only 59% of Medicare levels.<sup>8</sup> Under the healthcare reform law, the federal government will fully fund increases in primary care reimbursement fees up to the difference in Medicaid fees as of July 1, 2009 and Medicare fee levels in 2013 and 2014, thereby resulting in primary care physicians receiving, on average, an estimated 73% increase in 2013 reimbursement alone.<sup>9</sup>

In light of the federal deficit and an economic environment still recovering from the recession, another concern for expanding Medicaid programs is the potential for federal Medicaid cuts. However, it appears unlikely that significant Medicaid cuts will be implemented while states consider the ACA expansion.<sup>10</sup> Given the current fiscal and economic environment, states are expected to continue cost containment measures in fiscal year 2013, and state Medicaid spending and enrollment growth are expected to remain low.<sup>11</sup> Medicaid programs are also anticipated to adopt a variety of delivery system and payment reforms in 2013 to increase physician participation; enhance quality of care; and, improve access to and delivery of healthcare to beneficiaries.<sup>12</sup> With the likely expansion of individuals eligible for Medicaid under the ACA eligibility requirements, the distribution of state and federal resources to support Medicaid program improvement initiatives and recruiting an adequate supply of providers will likely become integral to an individual state's ability to provide adequate universal coverage in 2014.

- 1 "The Medicaid Program at a Glance", The Kaiser Family Foundation, March 2013, p. 1.
- 2 "Getting into Gear for 2014: Findings from a 5-State Survey of Eligibility, Enrollment, Renewal, and Cost-Sharing Policies in Medicaid and CHIP, 2012-2013", by Martha Heberlein et al., The Kaiser Family Foundation, January 2013, p. 2.
- 3 "Medicaid: 3 Key Issues to Watch in 2013", The Kaiser Family Foundation, February 22, 2013 [http://www.kff.org/medicaid/quicktake\\_medicaid\\_in\\_2013.cfm](http://www.kff.org/medicaid/quicktake_medicaid_in_2013.cfm) (Accessed March 10, 2013); *Ibid*, The Kaiser Family Foundation, March 2013, p. 2.
- 4 "Medicaid: 3 Key Issues to Watch in 2013", The Kaiser Family Foundation, February 22, 2013 [http://www.kff.org/medicaid/quicktake\\_medicaid\\_in\\_2013.cfm](http://www.kff.org/medicaid/quicktake_medicaid_in_2013.cfm) (Accessed March 10, 2013)
- 5 *Ibid*, The Kaiser Family Foundation, March 2013, p. 1-2
- 6 *Ibid*, The Kaiser Family Foundation, February 22, 2013.

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- 7 *Ibid*, Heberlein et al., January 2013, p. 3.  
8 “How Much Will Medicaid Physician Fees for Primary Care Rise in 2013? Evidence from a 2012 Survey of Medicaid Physician Fees”, by Stephen Zuckerman and Dana Goin, The Kaiser Family Foundation, December 2012, p. 1-2.  
9 *Ibid*, The Kaiser Family Foundation, February 22, 2013); *Ibid*, Zuckerman and Goin, December 2012, p. 2.

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- 10 *Ibid*, The Kaiser Family Foundation, February 22, 2013.  
11 “State Fiscal Conditions and Medicaid Program Changes, FY 2012-2013”, The Kaiser Family Foundation, November 2012, p. 3.  
12 *Ibid*, The Kaiser Family Foundation, February 22, 2013; *Ibid*, The Kaiser Family Foundation, November 2012, p. 4.



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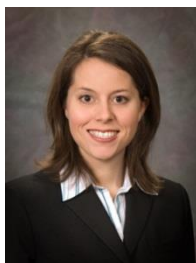
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