

Medicaid Expansion: A Fiscal Decision to Ensure Access to Care

Following the June 28, 2012 U.S. Supreme Court's decision (SCOTUS decision) upholding the constitutionality of the *Patient Protection and Affordable Care Act* (ACA), but modifying the ACA provision that mandated states to expand their Medicaid programs or lose all federal funds, states must now choose whether to opt to participate in the Medicaid expansion in exchange for significant federal assistance, or to maintain their Medicaid programs' status quo and deny access to potentially millions of poor and uninsured constituents.¹ Some states have already decided whether to opt-in or opt-out of the expansion, while many others remain undecided and are scrambling to evaluate the financial considerations involved.²

As modified by the Supreme Court's ruling, the ACA requires states that elect to participate in the Medicaid expansion to cover adults with incomes up to 133 percent of the Federal Poverty Line, beginning in 2014.³ In return, the federal government will pay 100 percent of the costs of all newly eligible beneficiaries for three years, gradually scaling its matching funds down to 90 percent by 2020.⁴ Prior to the Supreme Court's ruling, it was anticipated that the expansion would increase Medicaid eligibility to more than half of the 41.2 million adults who lacked insurance as of 2010.⁵ The Congressional Budget Office (CBO) currently predicts that 3 million fewer individuals will have insurance as a result of the Medicaid expansion being made optional, estimating that approximately 6 million individuals will be denied insurance coverage under Medicaid, though 3 million of those individuals will likely obtain private insurance through a *state insurance exchange*.⁶ However, this will result in a higher per person cost to the federal government than if those individuals were covered by Medicaid, and many other individuals will be left without any coverage due to ineligibility for Medicaid or private insurance subsidies.⁷

Although the federal government will initially fund the entire expansion, beginning in 2017, that funding will start to be scaled back, forcing states to begin paying a percentage of the healthcare expenses for both newly-eligible adults under the expansion and adults currently eligible under states' existing programs who, even in the absence of the expansion, will enroll in Medicaid as required by the ACA's individual mandate.⁸ Despite this added financial consideration, states stand to experience significant financial gains should they elect to expand their programs. For example, the federal

government would pay a higher percentage of the healthcare costs incurred by certain currently-eligible adults, which may be especially noticeable for states in which these adults currently receive less than full-scope Medicaid and the state's expansion grants all adults the same benefits.⁹ By expanding their programs to cover poor and near-poor uninsured adults, states may be able to cut some of their non-Medicaid costs for these individuals, such as funds expended on mental health services and uncompensated care payments to hospitals.¹⁰ In addition to the significant savings produced, a state's expansion could also generate considerable revenue, e.g., the influx of additional federal Medicaid funds would increase the state's total economic activity, which would in turn generate revenue in the form of additional state income and sales taxes, as well as insurance premium and provider taxes, where applicable.¹¹

A study of the Medicaid expansion's potential impact in Nebraska indicated that the estimated cost to the state would range from \$140 to \$168 million, but in return, the state would receive \$2.9 to \$3.5 billion from the federal government through 2020.¹² The study indicated that the federal government's spending in Nebraska would also generate a minimum of \$700 million every year in new economic activity, which could potentially finance more than 10,000 jobs annually through 2020.¹³ In contrast, foregoing the expansion would cost Nebraska more than \$1 billion in uncompensated care through 2019.¹⁴

A similar study assessing Missouri's Medicaid program, found that the state would spend \$431 million over the first five years of the expansion's implementation, but would receive \$8.4 billion in funding from the federal government in return.¹⁵ In 2011, Missouri spent almost \$980 million on uncompensated care, and opting-in to the expansion may lower that amount to \$311 million, as well as reduce the \$1.8 to \$3.7 billion the state loses in economic productivity annually as a result of its residents' healthcare needs going unmet.¹⁶ Opting-in would mean expanding access to more than 300,000 Missourians, reducing the state's uninsured rate, stimulating the economy, and easing the burden that \$1 billion in uncollected medical bills places on the state's hospitals each year.¹⁷ Although the expansion promises significant benefits in terms of increased access to healthcare services and additional revenue, the relative benefits and costs of expanding Medicaid will vary from

state to state, requiring an in-depth analysis regarding the fiscal implications for each state.¹⁸

Currently, 27 states remain undecided regarding whether to expand their Medicaid programs, while ten states and the District of Columbia have opted-in and another three states appear likely to participate.¹⁹ Five states have announced they will not expand their Medicaid programs: (1) Florida; (2) Louisiana; (3) Mississippi; (4) South Carolina; and, (5) Texas, and another five states appear unlikely to expand their programs: (1) Iowa; (2) Missouri; (3) Nevada; (4) New Jersey; and, (5) Nebraska.²⁰ Some states have offered specific reasons for their leanings, including the unwillingness to raise taxes or the purported inability to fund other areas of need, such as education.²¹ Other states have simply declined to participate, such as Texas, whose governor stated the state had “*no intention to implement so-called state exchanges or to expand Medicaid under Obamacare.*”²²

It is uncertain whether states that have declined to participate will experience any political backlash from their constituents in the November 2012 elections, but with the Medicaid expansion’s 2014 launch rapidly approaching, it is clear that those states that have delayed action must reach a decision in the near-future.

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2 “Where Each State Stands on ACA’s Medicaid Expansion: A Roundup of What Each State’s Leadership Has Said About Their Medicaid Plans” The Advisory Board, July 17, 2012, <http://www.advisory.com/Daily-Briefing/2012/07/05/Where-each-state-stands-of-the-Medicaid-expansion> (Accessed 8/23/12).
3 42 U.S.C. §1396a(a)(10)(A)(i)(VIII) (2010).
4 “Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133% FPL” By John

Holahan and Irene Headen, Urban Institute, To Kaiser Commission on Medicaid and the Uninsured, Washington, D.C.: Kaiser Family Foundation, May 2010, p. 14.
5 Kaiser, “How Will the Medicaid Expansion for Adults Impact Eligibility and Coverage?” July 2012, p. 3.
6 “Court’s Ruling May Blunt Reach of the Health Law” By Robert Pear, The New York Times, July 24, 2012, <http://www.nytimes.com/2012/07/25/health/policy/3-million-more-may-lack-insurance-due-to-ruling-study-says.html> (Accessed 8/23/12).
7 Ibid.
8 “Considerations in Assessing State-Specific Fiscal Effects of the ACA’s Medicaid Expansion” By Stan Dorn, The Urban Institute Health Policy Center: Washington, DC, August 20, 2012, p. 1.
9 Ibid.
10 Ibid.
11 Ibid.
12 “Medicaid Expansion in Nebraska Under the Affordable Care Act” By Jim P. Stimpson, UNMC Center for Health Policy, Omaha, NE: August 2012, p. 1.
13 Ibid.
14 Ibid.
15 John Holahan and Irene Headen, May 2010, p. 1, 10.
16 “State Progress Toward Health Reform Implementation: Slower Moving States Have Much to Gain” By Fredric Blavin, Matthew Buettgens, and Jeremy Roth, Urban Institute, January 2012, p. 7; “Guest Commentary: \$20 for Medicaid expansion” by Robert Gatter, posted on St. Louis Post-Dispatch website, July 12, 2012, http://www.stltoday.com/news/opinion/guest-commentary-for-medicaid-expansion/article_954e67b7-b3af-57fe-95d1-32d3d942d1a8.html (accessed 7/18/12).
17 Robert Gatter, July 12, 2012; John Holahan and Irene Headen, May 2010, p. 10.
18 Stan Dorn, August 20, 2012, p. 1.
19 “Where Each State Stands on ACA’s Medicaid Expansion: A Roundup of What Each State’s Leadership Has Said About Their Medicaid Plans” The Advisory Board, July 17, 2012, <http://www.advisory.com/Daily-Briefing/2012/07/05/Where-each-state-stands-of-the-Medicaid-expansion> (Accessed 8/23/12).
20 Ibid.
21 Ibid.
22 Ibid.



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Robert James Cimasi, MHA, ASA, FRICS, MCBA, AVA, CM&AA, serves as President of **HEALTH CAPITAL CONSULTANTS (HCC)**, a nationally recognized healthcare financial and economic consulting firm headquartered in St. Louis, MO, serving clients in 49 states since 1993. Mr. Cimasi has over thirty years of experience in serving clients, with a professional focus on the financial and economic aspects of healthcare service sector entities including: valuation consulting and capital formation services; healthcare industry transactions including joint ventures, mergers, acquisitions, and divestitures; litigation support & expert testimony; and, certificate-of-need and other regulatory and policy planning consulting.

Mr. Cimasi holds a Masters in Health Administration from the University of Maryland, as well as several professional designations: Accredited Senior Appraiser (ASA – American Society of Appraisers); Fellow Royal Intuition of Chartered Surveyors (FRICS – Royal Institute of Chartered Surveyors); Master Certified Business Appraiser (MCBA – Institute of Business Appraisers); Accredited Valuation Analyst (AVA – National Association of Certified Valuators and Analysts); and, Certified Merger & Acquisition Advisor (CM&AA – Alliance of Merger & Acquisition Advisors). He has served as an expert witness on cases in numerous courts, and has provided testimony before federal and state legislative committees. He is a nationally known speaker on healthcare industry topics, the author of several books, the latest of which include: *“The U.S. Healthcare Certificate of Need Sourcebook”* [2005 - Beard Books], *“An Exciting Insight into the Healthcare Industry and Medical Practice Valuation”* [2002 – AICPA], and *“A Guide to Consulting Services for Emerging Healthcare Organizations”* [1999 John Wiley and Sons].

Mr. Cimasi is the author of numerous additional chapters in anthologies; books, and legal treatises; published articles in peer reviewed and industry trade journals; research papers and case studies; and, is often quoted by healthcare industry press. In 2006, Mr. Cimasi was honored with the prestigious *“Shannon Pratt Award in Business Valuation”* conferred by the Institute of Business Appraisers. Mr. Cimasi serves on the Editorial Board of the Business Appraisals Practice of the Institute of Business Appraisers, of which he is a member of the College of Fellows.



Todd A. Zigrang, MBA, MHA, ASA, FACHE, is the Senior Vice President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where he focuses on the areas valuation and financial analysis for hospitals and other healthcare enterprises. Mr. Zigrang has significant physician integration and financial analysis experience, and has participated in the development of a physician-owned multi-specialty MSO and networks involving a wide range of specialties; physician-owned hospitals, as well as several limited liability companies for the purpose of acquiring acute care and specialty hospitals, ASCs and other ancillary facilities; participated in the evaluation and negotiation of managed care contracts, performed and assisted in the valuation of various healthcare entities and related litigation support engagements; created pro-forma financials; written business plans; conducted a range of industry research; completed due diligence practice analysis; overseen the selection process for vendors, contractors, and architects; and, worked on the arrangement of financing.

Mr. Zigrang holds a Master of Science in Health Administration and a Masters in Business Administration from the University of Missouri at Columbia, and is a Fellow of the American College of Healthcare Executives. He has co-authored *“Research and Financial Benchmarking in the Healthcare Industry”* (STP Financial Management) and *“Healthcare Industry Research and its Application in Financial Consulting”* (Aspen Publishers). He has additionally taught before the Institute of Business Appraisers and CPA Leadership Institute, and has presented healthcare industry valuation related research papers before the Healthcare Financial Management Association; the National CPA Health Care Adviser's Association; Association for Corporate Growth; Infocast Executive Education Series; the St. Louis Business Valuation Roundtable; and, Physician Hospitals of America.



Anne P. Sharamitaro, Esq., is the Vice President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where she focuses on the areas of Certificate of Need (CON); regulatory compliance, managed care, and antitrust consulting. Ms. Sharamitaro is a member of the Missouri Bar and holds a J.D. and Health Law Certificate from Saint Louis University School of Law, where she served as an editor for the Journal of Health Law, published by the American Health Lawyers Association. She has presented healthcare industry related research papers before Physician Hospitals of America and the National Association of Certified Valuation Analysts and co-authored chapters in *“Healthcare Organizations: Financial Management Strategies,”* published in 2008.