The U.S. Supreme Court’s June 2012 decision that upheld the Affordable Care Act (ACA) struck down a portion of the law that made continued federal Medicaid funding contingent on a state’s participation in expanding Medicaid eligibility. States now have the option of deciding whether or not to implement the expansion. This brief provides background information on the program and outlines policy considerations associated with the potential expansion.

Medicaid is a cooperative federal and state effort to provide health benefits to certain low-income subsets of the population. In order to receive federal funding for Medicaid, states are required to cover certain groups. Optional federal funding is made available for covering other groups. Title XIX of the Social Security Act, which serves as Medicaid’s federal mandate, lists over 50 potentially eligible population groups.

Currently, individuals who qualify for Medicaid must meet both financial and categorical requirements. In other words, a recipient must not just be poor, but also elderly, disabled, pregnant, a child, or a parent of a minor child. The ACA attempted to remove the categorical restrictions on Medicaid, and limit eligibility to financial status (at or below 133% of the federal poverty level (FPL), plus a 5% income disregard) regardless of other circumstances. As illustrated in Figure 1, the newly eligible group would consist primarily of low-income working age adults (19 – 64).

States can provide a different set of benefits for the newly eligible population, mirroring a “benchmark” benefit package, such as the coverage provided to state or federal employees. These benefits may not be as comprehensive as traditional Medicaid coverage.

**FIGURE 1. MEDICAID ELIGIBILITY (NON-ELDERLY), PRE AND POST ACA**

<table>
<thead>
<tr>
<th>Groups</th>
<th>Current Federal Requirements</th>
<th>Current Mississippi Eligibility Levels</th>
<th>Post-2014 Federal Requirements</th>
<th>Post-2014 Optional Expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pregnant Women</td>
<td>Up to 133% FPL</td>
<td>Up to 185% FPL</td>
<td>Up to 185% FPL*</td>
<td>Up to 185% FPL</td>
</tr>
<tr>
<td>Infants (&lt; 1 year)</td>
<td>Up to 133% FPL</td>
<td>Up to 185% FPL</td>
<td>Up to 185% FPL</td>
<td>Up to 185% FPL**</td>
</tr>
<tr>
<td>Children (1 - 5 years)</td>
<td>Up to 133% FPL</td>
<td>Up to 133% FPL</td>
<td>Up to 133% FPL</td>
<td>Up to 133% FPL</td>
</tr>
<tr>
<td>Children (6 - 18 years)</td>
<td>Up to 100% FPL</td>
<td>Up to 100% FPL</td>
<td>Up to 133% FPL</td>
<td>Up to 133% FPL</td>
</tr>
<tr>
<td>Working Low-income Parents</td>
<td>Up to 24% FPL</td>
<td>Up to 44% FPL</td>
<td>Up to 24% FPL**</td>
<td>Up to 24% FPL**</td>
</tr>
<tr>
<td>Non-working Low-income Parents</td>
<td>Up to 24% FPL</td>
<td>Up to 24% FPL</td>
<td>Up to 24% FPL**</td>
<td>Up to 24% FPL**</td>
</tr>
<tr>
<td>Childless Adults (19 - 64 years)</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

133% or 138%?
Federal law provides for the expansion of Medicaid to all individuals whose income is at or below 133% FPL. Because the law also includes a 5% “income disregard,” the effective limit is 138% FPL.

For the most part, other Medicaid eligibility categories (such as working individuals with disabilities, individuals eligible for Social Security Insurance (SSI), and Medicare buy-in groups) are not affected by the potential expansion, because their financial requirements are each set near or above 133% FPL. Mississippi children up to 200% FPL are eligible for coverage under the Children’s Health Insurance Program (CHIP).

Source: The poverty guidelines updated periodically in the Federal Register by the U.S. Department of Health and Human Services under the authority of 42 USC 9002(2).
Changes to Medicaid Regardless of Expansion

The ACA impacts Medicaid in other ways. Whether or not a state chooses to participate in the expansion, additional changes will be required by the federal government. Some examples of these changes include the following:

**Simplification of the eligibility requirements**

Medicaid programs will be required to use the Modified Adjusted Gross Income (MAGI) standard set by the Internal Revenue Service (IRS) to determine financial eligibility for certain groups. The new requirement to use MAGI as a standard both simplifies and complicates eligibility determination and requires in-depth analysis to estimate the number of people who will be eligible for Medicaid.

**Streamlining enrollment processes**

The law requires use of a single application for Medicaid, CHIP, and the Health Insurance Exchange, and disallows mandatory face-to-face interview requirements for reauthorization.

**Potentially increasing enrollment**

As a result of increased outreach and education and the implementation of the individual mandate, there is a possibility that individuals currently eligible, but not enrolled, may join the program ("woodwork effect").

Effects of Potential Medicaid Expansion

**Coverage Impact**

Expanding Medicaid would substantially reduce the number of uninsured Mississippians. Approximately 40 percent of adults 19 - 64 years of age and at or below 138 percent FPL in Mississippi are uninsured. Most of these individuals are workers who are either not offered insurance by their employer, not eligible for coverage (e.g. part-time workers), or cannot afford it. Nationally, only a third of low wage workers in small firms are eligible for health coverage through an employer. Most private employers in Mississippi do not offer health insurance to their employees. In 2011, only 26 percent of small employers (fewer than 50 employees) in Mississippi offered health insurance.

**FIGURE 2. OCCUPATIONS IN MISSISSIPPI WITH MOST UNINSURED WORKERS AT OR BELOW 138% FPL**

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Count</th>
<th>Occupation</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cashiers</td>
<td>14,445</td>
<td>Medical Aides</td>
<td>4,084</td>
</tr>
<tr>
<td>Cooks</td>
<td>8,731</td>
<td>Laborers &amp; Movers</td>
<td>3,984</td>
</tr>
<tr>
<td>Construction Workers</td>
<td>6,869</td>
<td>Store Clerks</td>
<td>3,915</td>
</tr>
<tr>
<td>Maids &amp; Housekeeping</td>
<td>6,021</td>
<td>Retail Salespersons</td>
<td>3,092</td>
</tr>
<tr>
<td>Truck &amp; Other Drivers</td>
<td>5,950</td>
<td>Food Service Managers</td>
<td>3,088</td>
</tr>
<tr>
<td>Waiters &amp; Waitresses</td>
<td>5,280</td>
<td>Agriculture Workers</td>
<td>2,993</td>
</tr>
<tr>
<td>Janitors &amp; Cleaners</td>
<td>5,178</td>
<td>Assemblers &amp; Fabricators</td>
<td>2,954</td>
</tr>
<tr>
<td>Grounds Maintenance Workers</td>
<td>5,067</td>
<td>Childcare Workers</td>
<td>2,803</td>
</tr>
<tr>
<td>Other Production Workers</td>
<td>4,724</td>
<td>Painters &amp; Maintenance</td>
<td>2,704</td>
</tr>
<tr>
<td>Carpenters</td>
<td>4,472</td>
<td>Retail Sales Supervisors</td>
<td>2,552</td>
</tr>
</tbody>
</table>

*Source: American Community Survey, U.S. Census Bureau, 2010. Data compiled by C4MHP using IPUMS-ACS.*
Economic and Fiscal Impact

Researchers at the University Research Center of the Mississippi Institutions of Higher Learning (IHL) conducted an in-depth analysis of the potential effects of the Medicaid expansion in Mississippi from an economic perspective. The report, “The Fiscal and Economic Impacts of Medicaid Expansion in Mississippi, 2014-2025,” projects the costs to the state for the first twelve years of the expanded program, as well as the direct and indirect economic benefits expected to accrue to the State, including additions to State General Fund revenue.

Assuming a high participation rate, the IHL study projects that approximately 280,000 - 310,000 persons would be enrolled under the expansion. The annual gross state Medicaid costs for expansion would range from approximately $8.5 million in 2014 to $159 million in 2025. Over the same period of time, the federal dollars flowing into the state for Medicaid Expansion would range from an estimated annual amount of $426 million in 2014 to $1.2 billion in 2025. The economic activity associated with the influx of federal dollars contributes to employment additions in the state that range from 4,178 jobs in 2014 to 8,860 jobs in 2025. The new jobs contribute additional revenue for the State General Fund which offsets some of the state costs for expansion. As a result, the state will not experience a net fiscal impact until 2017. The net fiscal impact is the gross state costs of Medicaid expansion minus additions to state general fund revenue associated expansion. The annual net fiscal impact will rise to $96 million in 2025.

Private Insurance Impact

The American Academy of Actuaries examined the potential impact of the Medicaid expansion on private coverage and concluded that individual market premiums and Health Insurance Exchange premiums may increase in states that opt out of the Medicaid expansion due to adverse selection. The group also noted that employers with at least 50 workers may be at greater risk of penalties because low income employees who might otherwise enroll in Medicaid could request premium subsidies thereby triggering penalties for the employer.
**State Agency Impact**

Several state agencies provide medical services to low income populations. Some of these costs can be funded partially with federal dollars if Medicaid eligibility is expanded. Key agencies include the Departments of Health, Mental Health, Rehabilitation Services, and Corrections, as well as the University of Mississippi Medical Center.

**Policy Considerations**

Expanding Medicaid coverage to approximately 300,000 new adults would be a major undertaking for the state and have significant impacts:

- The annual cost to the state is projected to be approximately $159 million by 2025, matched by $1.2 billion in federal monies.
- Approximately 9,000 new jobs are projected to be created by new economic activity associated with the new federal funds coming into the state.
- Approximately 200,000 to 300,000 uninsured adults will be provided health coverage, improving their access to preventive and primary care.
- Increased demand for health care services will put pressure on the state's health care delivery system which already faces a shortage of primary care providers. Efforts to increase the availability of health care professionals will need to accelerate.
- Because employer-sponsored insurance is generally not available to low wage workers and since premium subsidies under the Health Insurance Exchange are only offered to persons above 100 percent FPL, individuals below 100 percent FPL have few options other than Medicaid.
- Uncompensated care under the Medicaid expansion is projected to drop 57 percent, offsetting the loss of federal DSH payments to hospitals – which is scheduled to occur whether or not a state implements the Medicaid expansion. Without the Medicaid expansion hospitals will be faced with the need to find new sources of funds to replace DSH payments in order to cover the cost of providing uncompensated care to the uninsured.

**Sources**

2011 Medical Expenditure Panel Survey, Agency for Healthcare Research & Quality
ACA § 1937 (b)
ACA § 2001(3) (B)
American Community Survey, U.S. Census Bureau, 2010. Data compiled by C4MHP using IPUMS - ACS
Miss. Code Ann. § 42-13-115
The poverty guidelines updated periodically in the Federal Register by the U.S. Department of Health and Human Services under the authority of 42 USC 9002 (2). Available at: http://aspe.hhs.gov/poverty/12poverty.shtml