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Medicaid in Other States: Arizona and Maine *Setting the Record Straight on Expanding Medicaid for Adults*

Anne Dunkelberg, dunkelberg@cphp.org

In recent legislative testimony, claims were made about the experience of Arizona (AZ) and Maine (ME) since 2000 with their respective expansions of Medicaid eligibility for adults (both parents and those without dependent children). Claims presented were authored by a Florida group, Foundation for Government Accountability (FGA) and cited by TPPF. Critics raising these claims offer them as a rationale for opposition to Texas' acceptance of federal Medicaid expansion funds to cover an estimated 1.1 million uninsured Texas adults (HHSC estimate).

Most notably, the FGA report seems to inappropriately hold adult Medicaid expansion responsible for growth and cost trends that actually occurred in most of the states—or even all states—over the period analyzed. For example, all of the trends erroneously blamed on adult Medicaid expansion in AZ and ME—increased Medicaid caseload growth, higher uninsured rates, declining employer sponsored insurance, and increased charity care—were trends also experienced in Texas despite the fact that Texas did not expand adult eligibility. In fact, in most cases these trends actually accelerated faster in Texas than AZ and ME over the last decade.

This brief explains some of the ways in which data on the two states' experience have been presented without taking into account major factors like general and medical inflation, nationwide increases in private insurance premiums, overall population growth, and the impact of the recession on private coverage and Medicaid eligibility.

Arizona Background

Arizona, which has always operated its Medicaid under an 1115 waiver, got federal permission in 2000 to phase in coverage to cover parents to 200% FPL and childless adults to 100% FPL. In October 2009, AZ cut the income limit for parents back to 100% FPL, and stopped enrolling any new childless adults.

Arizona program growth has not been in any way extraordinary or unexpected.

- Arizona made some poor projections about growth in 1996 when they first proposed the adult expansion in a ballot initiative. That bad estimate of expected new enrollment by already-eligible parents used in the 1996 effort was then recycled in 2000, and cited in this FGA analysis as the benchmark for the adult expansion's "woodwork effect." This flawed number was less than a quarter of the number who actually enrolled by 2003. Arizona officials thus acknowledged that error and quit using that number long ago.

- We are unable to locate or reproduce the trend numbers identified as “parents’ expansion” for AZ cited in the FGA report.
 - **According to the AZ Medicaid website (AHCCCS), however, enrollment by adults (22-64) grew 31% from 2004-2013**, and children covered (through age 17) by 34%. **In comparison, Texas child Medicaid enrollment grew by 52% from 2004 to 2013.** (<http://www.azahcccs.gov/reporting/enrollment/population.aspx>)
- AZ adult Medicaid enrollment has not exceeded what would be expected from population growth and the global recession.
 - Population growth alone from 2004-2011 in AZ and Texas would account for a 20% increase.
 - When the impact of the recession is added to that, driving down insurance coverage—employer-sponsored insurance in particular—the enrollment growth in AZ Medicaid for working-aged adults reported by the state is not surprising or unexpected.

Arizona’s Uninsured Rate grew less than the national average from 2000-2011.

- Uninsured rates worsened for 40 states and the US on average, including Texas and Arizona, from 2000-2011.
- Only 6 states and D.C. had a significantly improved (reduced) uninsured rate for 2011, compared to 2001, based on Census data (MA, ME, NY, DC, OK, NM, HI). Very small improvements (some not statistically reliable) are also seen in 4 states (WV, LA, MT, and AK).
- Arizona and Texas’ uninsured rates worsened by a bit less than the national average from 2000 to 2011. Uninsured rates for Arizona adults below 200% FPL have been stable since 2003 despite the recent adult coverage roll-back, but uninsured rates for adults above 200% FPL got worse over that period.

US and 40 States’ Uninsured Rates Worsened from 2000 to 2011

Uninsured rate (under age 65)	US Average	AZ	ME	TX
2000	15.8%	18.1%	13%	23.8%
2011	18.2%	20.6%	11.6%	27.0%
Change, 2000-2011	-2.4 point (worse); 15.2% decline	-2.5 points (worse); 13.8% decline	+1.4 points (better); 10.8% improved	-3.2 points (worse); 13.4% decline

Source: Employee Benefit Research Institute (EBRI) analysis of US Census March 2001 and 2012 Current Population Surveys.

Private coverage declined in every state but Massachusetts since 2000; AZ employer coverage declined less than did Texas’ during that period.

- Private coverage declined across the US from 2000-2011. In fact, Massachusetts, with its expanded Medicaid and CHIP, health insurance exchange, and a “pay-or-play” employer mandate is the **only** state in the U.S. the Census found had a higher percentage of employer-sponsored coverage in the under-65 population in 2011 than in 2000. So, the opposite of crowd-out seems to have occurred there.
- According to Employee Benefit Research Institute (EBRI) in 2012, “Employment-based health benefits remain the most common form of health coverage in the United States, though it represents a declining share.”
- Coverage through employer-sponsored insurance actually declined faster in Texas than AZ over this period.

Employer Coverage Declined in US from 2000-2011

Employer-Sponsored Insurance (% of under-65 residents covered)	US National Average	AZ	ME	TX
2000	67.3%	62.0	68.7%	60.9%
2011	58.8%	53.2%	60.9%	51.6%
ESI Drop, 2000-2011	8.5 point drop; 14.5% decline	8.8 point drop; 16.5% decline	7.8 point drop; 12.8% decline	9.3 point drop; 18% decline

Source: Employee Benefit Research Institute (EBRI) analysis of US Census March 2001 and 2012 Current Population Surveys.

Charity care in AZ grew at much lower rate than Texas’ in the years after expansion.

- According to Texas HHSC, Texas hospitals’ uncompensated care (unreimbursed care based on actual costs, not “sticker” charges) increased from \$1.85 billion in 2001 to \$4.42 billion in 2010, for an average of 13.9% per year, quite a bit higher (over 150%) than the 9% Arizona statistic.

As one of the first states to cover childless adults in Medicaid, Arizona’s 2000 cost projections for childless adults were flawed, and actual average costs today will be less extreme because so many more disabled adults are already in SSI-linked disability Medicaid, compared to 13 years ago.

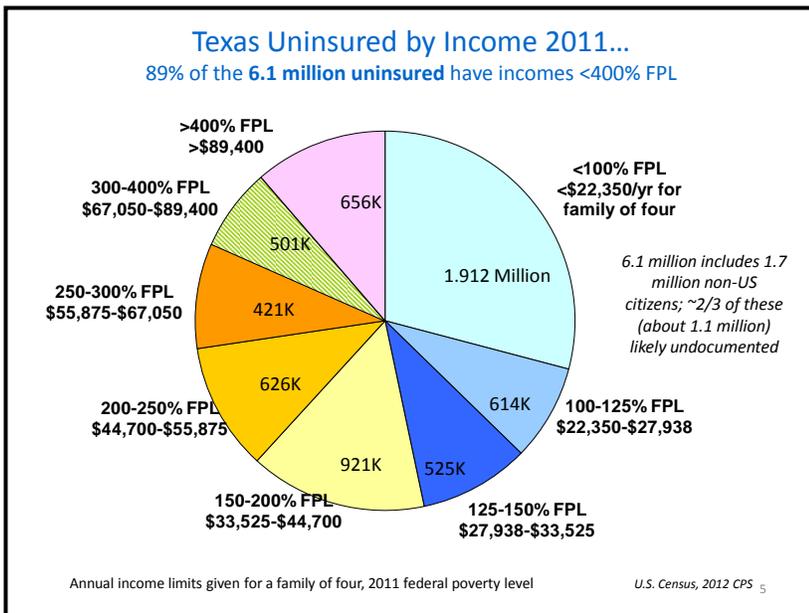
- It is clear that parents with dependent kids are more likely to be younger and healthier than the “childless” adults. Many of the adults without dependent kids have *grown* children, are over age 50 and thus are much likelier to have chronic health needs and than a young parent.
- Because Arizona was one of the first states to experiment with broader Medicaid coverage of adults, their cost forecasting may not have adequately taken this into account. Texas

Medicaid agency and LBB analysts have access to much richer information on which to base their forecasts today, more than a decade later.

- Texas--and other states that have not served adults without dependent children in Medicaid before 2014--will likely see lower enrollment by childless adults who could qualify as disabled, compared to Arizona's experience over a decade ago.
- Under welfare reform most states have, like Texas, virtually eliminated cash assistance based on poverty alone, and poverty-related disability benefits (SSI) are more generous than cash assistance in many states including Texas. For this reason, most uninsured, childless, under-65, US citizen Texas adults who could get SSI based on disability, already have. Because of this, state Medicaid and TANF programs, along with health care providers, have aggressively worked to enroll more qualified disabled Americans for SSI benefits over the last decade—and all SSI recipients get Medicaid, too. This higher take-up of SSI-linked Medicaid will reduce the pool of higher-cost adults eligible for a Texas adult Medicaid expansion, compared to the Arizona and Maine experiments of over ten years ago.
- Still, there will be some adults whose incomes are just above the SSI income limits (Social Security rules are not identical to those used for Texas Medicaid), but still low enough to qualify for Medicaid under expansion to 138% FPL. Thus, we expect the childless adults to be a more costly than the parents, but not by the large margin that AZ analysts mis-estimated back in 2000.

Maine Background:

Maine covered childless adults under 1115 waiver starting in 2002, and parents to 200% FPL in 2005 (no waiver required). Maine also has a state-funded program (Dirigo Care) to help higher-income families up to 3 times the poverty level gain coverage.



Maine received federal approval to reduce eligibility for parents from 200% to 133% FPL in January 2013. The state began to implement the cuts on March 1, 2013. Childless adults up to 100% FPL are still eligible for more limited coverage under the MaineCare waiver program; but new enrollment is closed.

- Maine's uninsured rate has dropped from 2000 to 2011; they are one of only 6 states that can make that claim.

• Maine has had a lower-than-average loss of private employer-sponsored coverage, and has seen a smaller decline than either Texas, AZ, or the national average.

ME non-profit hospitals have been required to provide charity care to uninsured residents below 100% FPL for years, and that requirement was increased to 150% FPL in 2007. This, along with a high reliance on very high deductible insurance has exposed hospitals to consistently high levels of charity care.

- During this period, Maine law and regulation began requiring all hospitals to provide free care to all residents with incomes below 150% FPL (higher than the Medicaid expansion threshold of 138% FPL); before 2007 they were required to serve only those below the poverty line. This is thought to be the primary driver of the jump in Maine uncompensated care.
- Maine researchers point also to the nearly 85% increases from 2000-2010 in private health insurance premium costs, coupled with a high concentration of Maine residents with high-deductible health plans (\$5,000, \$10,000 and \$15,000 deductibles), leaving more consumers at risk of an unaffordable share of a hospital bill. Premium growth and a shift to high-deductible plans in all states increases charity care.
- In fact, uncompensated care bills for the insured are a very big issue. Many health plans in the past have left ill and injured Americans without an upper limit on out-of-pocket costs. In a recent study, about 60% of US bankruptcies were found to be related to medical bills, and over three-quarters of the bankrupt individuals had health insurance.
- Remember, Maine and every other state have significant numbers of uninsured above 100% and 200% of the FPL. As the graphic here shows, Texans uninsured OVER 200% FPL make up 38% of all uninsured Texans. Thus, even with parents covered to 200% FPL and other adults to 100% FPL, a state will still have significant uninsured and thus uncompensated hospital care.

For More Information

For more information or to request an interview, please contact Alexa Garcia-Ditta at garciaditta@cphp.org or 512.320.0222, ext. 112.

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