



# ANALYZING MEDICAID EXPANSION IN IDAHO

*Understanding Idaho's Need for Increased Access  
to Public Health Insurance*



Christine Tiddens, LMSW  
Catholic Charities of Idaho  
October 2012

# ANALYZING MEDICAID EXPANSION IN IDAHO

## *Understanding Idaho's Need for Increased Access to Public Health Insurance*

Social justice and compassion are important values that should guide the transformation of healthcare in the U.S. and in Idaho. At Catholic Charities of Idaho, we envision a nation with an affordable healthcare system that leaves no person behind. To achieve this vision, Idaho must continue to work toward a healthcare system that delivers affordable, high value service and clinical excellence across the continuum of care.

The harsh realities of a slowly improving economy continue to affect the nearly 16.5% of Idahoans living in poverty and 18% living without health insurance (U.S. Census Bureau, 2012; Kaiser Family Foundation, 2012a). Medicaid expansion and its increased coverage of the uninsured in Idaho would improve access to affordable healthcare for low-income families and individuals by decreasing financial burdens, reducing barriers to care, and connecting families and individuals with primary health providers and affordable preventive and maintenance care.

In analyzing the implications of Medicaid expansion in Idaho, Catholic Charities of Idaho suggests that the state consider the following reasons as guiding factors in providing health insurance to all low-income Idaho citizens:

- 
- I. Idaho's nonprofit sector cannot continue to cover the increasing costs of healthcare without government collaboration and the expansion of public insurance.
  - II. Expanding public health insurance will reduce strain on the county and state medical safety nets and save Idaho millions of dollars.
  - III. Increasing access to affordable care will enhance the health of the community and stimulate local economies.
  - IV. Access to affordable healthcare is a basic human right. Expanding healthcare coverage to every person in our community is a matter of fundamental justice.
-

## THE CURRENT MEDICAID PROGRAM

Medicaid is the largest public health insurance program in the United States, covering over 60 million low-income individuals or about 1 in every 5 Americans. Authorized by Title XIX of the Social Security Act in 1965, Medicaid was created to provide access to healthcare for indigent and elderly populations in America (National Association of Public Hospital & Health Systems, 2012).

Medicaid is administered by states and follows broad federal rules. It is financed jointly by state and federal governments and is the largest source of federal grant support to the states and the second largest line item in state budgets (Kaiser Family Foundation, 2012c & 2012d). The state's share of Medicaid spending in Idaho is 30% and the federal share is 70%. In 2010, Medicaid in Idaho cost almost \$1.4 billion; Idaho spent \$290 million on Medicaid expenses in the state, while the federal government contributed \$1.1 billion (Kaiser Family Foundation, 2012b).

To qualify for Medicaid today, individuals must meet financial criteria based on income and belong to one of the following eligible groups: children, pregnant women, adults with dependent children, people with severe disabilities, and seniors. States are responsible for covering all of these eligible groups without capping enrollment or creating waiting lists (Kaiser Family Foundation, 2012c).

Nationally, almost half of all current Medicaid enrollees are children, a quarter are non-elderly adults (primarily working parents), and a quarter are people with disabilities and seniors. In 2010, Idaho had 227,849 total people enrolled in Medicaid, including 141,802 children (62%); 39,135 disabled individuals (17%); 29,954 non-elderly adults (13%); and 16,958 seniors (7%). Between 2004 and 2007, Medicaid enrollment in Idaho increased by 4.6% (national increases averaged 3.6%), and between 2007 and 2010, Idaho's Medicaid enrollment increased by 8% (national increases averaged 6.8%). Half of all Medicaid payments in Idaho go to the disabled (51%), 21% is spent on children, 17% on seniors, and the remaining 10% goes to non-elderly adults (Kaiser Family Foundation, 2012b).

## MEDICAID EXPANSION

The 2010 Patient Protection and Affordable Care Act (ACA) calls for states to expand Medicaid in 2014 by determining Medicaid eligibility solely on income and reducing the current variation in eligibility levels across states. Expanded eligibility would cover most individuals between the age of 19 and 64 with incomes up to 138% of the federal poverty level or in dollar terms, up to \$15,415 for an individual and \$31,809 for a family of 4. With the expansion, millions of uninsured adults previously excluded from Medicaid would gain health insurance coverage (Kaiser Family Foundation, 2012e).

Under the ACA Medicaid expansion requirements, the federal government will finance 100% of the expansion costs to cover newly eligible enrollees from 2014 to 2016. The the federal share of the expansion costs will gradually phase down to 90% in 2020 and subsequently. The expansion is estimated to cost Idaho between \$101 and \$133 million over the six year period of initial expansion (an increase of about 2.5% on current spending). In return, the burden on Idaho's safety nets will be reduced by expanding Medicaid to more than 100,000 currently uninsured Idahoans (Leavitt Partners, 2012; Kaiser Family Foundation, 2012a & 2012c).

In June of 2012, the U.S. Supreme Court upheld the ACA and the expansion of Medicaid. However, its decision limited the Health & Human Services Office's enforcement authority over the states as it pertains to the expansion. In effect, the ruling allows states to choose whether to participate in the Medicaid expansion. Many states, including Idaho, are now in the process of determining whether to opt in to Medicaid expansion or to maintain current Medicaid eligibility rules (National Federation of Independent Business et al. v. Sebelius, 2012).

## I. Idaho's nonprofit sector cannot continue to cover the increasing costs of healthcare without government collaboration and the expansion of public insurance.

---

### IDAHO NONPROFITS AND THE HEALTHCARE SYSTEM IN IDAHO

#### Philanthropic Giving

It is commonplace for Americans to donate to organizations and causes that they find appealing and worthwhile. In fact, a national study found that 70% of all households donate an average of 2% of their income to charitable organizations and causes, 84% of all households donate goods or services, and 80% purchase goods or services from charitable organizations and causes (Brooks & Van Slyke, 2005). People in Idaho are actually giving more than the national average. Idaho is ranked 8th in the nation for highest per capita giving, and Idaho's average giving per tax filer was about 4.5% of per capita income or just over \$1,000 (Gittell & Tebaldi, 2006).

Because most nonprofits rely primarily on individual contributions, there is tremendous competition for donor recruitment and donor retention, especially during recessions. A decline in charitable giving can devastate a nonprofit organization and leave the public without crucial supports. The Center on Philanthropy at Indiana University (2009) found that nationally, charitable donations dropped by 5.7% (adjusted for inflation) in 2009, and organizations in the human service sector saw donor contributions decline by about 16%.

#### Nonprofits in Idaho

Nonprofits provide a majority of the healthcare services in the U.S., and in Idaho, nonprofits play a large role in the state's healthcare system and economy. Healthcare nonprofits include hospitals (nonprofits account for about 80% of the acute care hospitals in the country), nursing facilities, community health centers, and group homes. There are a total of 4,772 registered public charity nonprofits in the state of Idaho with total revenue of about \$3.61 billion or 3.5% - 5.8% of the gross state product (depending on the economic impacts measure used). Healthcare nonprofits in Idaho represent just over 60% of this total revenue (\$2.3 billion) (Peterson, 2012).

The Idaho Nonprofit Center (2012) estimates that federal or out-of-state sources contribute to 52% of all charitable nonprofit revenues, and 55% of Idaho hospital revenues come from Medicare and Medicaid sources (\$1.25 billion). Idaho charitable nonprofit revenues (and expenditures) have been growing at a steady rate for the last ten years with an average annual rate of 8.8% growth per year. In 2000, Idaho's public charities had a total of \$1.3 billion in revenues, and in 2010, the total had risen to \$3.28 billion (Peterson, 2012).

#### Hospital Charity Care Expenses

Not only have hospital revenues been increasing, but so have hospital charity care expenses. Idaho hospitals provide care for all individuals regardless of their financial situation. According to the Idaho Hospital Association (2012), the expanding number of uninsured and underinsured patients is putting a strain on hospital budgets, forcing hospitals to raise costs and even cut services. In 2012, Idaho hospitals provided almost \$50 million in charity care, and in 2009, Idaho hospitals lost \$500 million to unpaid cost of government programs and unpaid hospital bills (Idaho Hospital Association, 2012).

The expanding number of uninsured and underinsured patients is putting a strain on hospital budgets in Idaho, forcing hospitals to raise costs and even cut services.

Charity care, unreimbursed care, and bad debt amount to 20 – 30% of Idaho hospitals' expenses (averages vary between hospitals) (Idaho Hospital Association, 2012). The American Hospital Association (2012) reports that nationwide, uncompensated care has been rising by about 8% over the last year. Reducing the number of uninsured patients through Medicaid expansion would alleviate much of the charity care burden placed on healthcare nonprofits and would free up revenue that could be spent on improving care delivery, focusing on community health, and reducing overall costs to consumers.

### Community Health Center Expenses

Hospitals are not the only nonprofits providing medical services to an increasing number of uninsured patients in Idaho. Another large segment of the Idaho nonprofit healthcare industry is Community Health Centers (CHCs). CHCs provide primary and preventive medical care, oral health, and mental health services to low-income and underserved Idahoans. CHCs are structured to overcome barriers to medical care in rural communities. Unlike other primary care providers, CHCs are required to provide care to anyone in need. Almost 50% of CHC patients are uninsured, 23% are on Medicaid, 19% have private insurance, and 9% are on Medicare. Uninsured patients are charged on a sliding scale based on income, but only about 10% of CHC revenues come from self-pay reimbursements. In 2010, CHCs in Idaho provided care to 133,355 patients (NACHC, 2012; Leavitt Partners, 2012).

It is estimated that if Medicaid is expanded in 2014, over 50% of the current CHC patient population would become eligible for Medicaid in Idaho. Expanding and strengthening CHCs would further reduce health disparities in Idaho, increase access to high quality and consistent care, and boost local economies. As a result, fewer Idahoans would rely on costly sources of care, such as emergency departments, thereby saving tax payers significantly and making the overall healthcare system more efficient (NACHC, 2012; Leavitt Partners, 2012).

### Government and Nonprofit Collaboration

The relationship between nonprofits in Idaho and the government is dynamic. Nonprofit organizations are separate from, but deeply interactive with, the state and federal governments and economic markets. Idaho is increasingly becoming dependent on nonprofits for jobs and various services in the communities. Idaho relies on nonprofits to provide specialized knowledge and tailored programs to the communities as well as to be dominant employers adding significantly to the state economy. As the number of nonprofits continues to increase, so does the importance of strong partnerships between government and nonprofits.

Nonprofits rely on an assortment of funding sources, including individual and private donations, membership or client fees, private foundations, corporations, and government contracts and grants. Because nonprofit and government activities intersect so often in so many capacities, nonprofits in Idaho are becoming increasingly sensitive to changes in public policy and government funding. Any changes in Medicaid funding could have a tremendous impact on healthcare in Idaho, affecting the state's ability to maintain or enhance current infrastructure and patient access to care.

With over half of Idaho hospital and other healthcare nonprofit revenues coming from the federal government, it is essential that the partnership between nonprofit and government programs be sustained and expanded into the future. Even in a state with high rates of individual philanthropic giving, donations are not keeping pace with the rising costs of healthcare, especially costs related to indigent and uninsured populations during the recent economic downturn. A collaborative and continued effort between government and charitable giving is essential to funding healthcare for those most in need in Idaho and for expanding health insurance coverage to everyone in poverty.

## II. Expanding public health insurance will reduce strain on the county and state medical safety nets and save Idaho millions of dollars.

---

### COUNTY AND STATE MEDICALLY INDIGENT SERVICES

There is a large segment of the Idaho population made up of primarily employed, non-elderly adults living in poverty which does not currently qualify for Medicaid (Kaiser Family Foundation, 2012a). When these uninsured individuals require healthcare they cannot afford, the counties and the state are relied upon to provide safety net assistance in Idaho.

Each state across the U.S. covers indigent healthcare costs a little differently, and Idaho is no exception. Idaho determines eligibility not by income level, but instead by patient resources. If a patient cannot pay off a hospital bill in five years, is not eligible for Medicaid, and does not have access to health insurance that adequately covers necessary medical services, the patient will qualify for aid from county-based assistance and the Catastrophic Healthcare Fund (CAT). These programs are incident based, and individuals only apply “as needed” when faced with a catastrophic injury or illness. Before applications are approved for assistance, each one is screened for Medicaid eligibility. Of the 6,688 applications processed in FY2012, only 634 applicants met the requirements for Medicaid eligibility (about 9% of the total applicants) (Idaho Division of Financial Management, 2012; Leavitt Partners, 2012).

Approved participants receive county assistance on medical expenses up to \$11,000. After the county assistance is exhausted, the CAT covers all remaining medical bills. Participants are expected to reimburse the county and CAT programs for all of their medical expenses and once enrolled, must accept a lien on their personal assets in an attempt to recover the financial aid provided by the safety net. Nevertheless, the money is rarely recovered (Idaho Division of Financial Management, 2012; Leavitt Partners, 2012).

Newly eligible Medicaid enrollees would represent a large majority of the population applying for and participating in medically indigent services and would save both the counties and the state millions of dollars.

The county-based and CAT programs are financed by local property taxes, the state general fund, and seat belt fines. Program costs have been significantly rising over the last decade, increasing from \$19 million in 2000 to \$51.1 million in 2011 (a 169% increase). This year, the programs are expected to cost a total of about \$60 million (Leavitt Partners, 2012). According to the Catastrophic Health Care Performance Measurement Report from the Idaho Division of Financial Management (2012), the increasing healthcare costs as well as the economic downturn make it more of a challenge each year to meet the needs of the citizens of Idaho.

It is estimated that if Medicaid were expanded in 2014, about 6,000 county-based and CAT applicants would qualify for Medicaid and no longer require county/state assistance. These newly eligible Medicaid enrollees would represent a large majority of the population applying for and participating in the county and CAT programs and would save both the counties and the state millions of dollars in indigent service program funding (Leavitt Partners, 2012).

### III. Increasing access to affordable care will enhance the health of the community and stimulate local economies.

---

#### BENEFITS OF EXPANSION TO THE HEALTH OF INDIVIDUALS AND THE COMMUNITY

##### Medicaid's Impact on the Health of Individuals

Medicaid's fundamental purpose is to provide healthcare to indigent populations, but while the majority of the adults and children covered by either Medicaid or private insurance have a usual source of care, the uninsured frequently postpone or go without needed care (Kaiser Family Foundation, 2012c). A Kaiser Poll found that half of Americans report that their families have cut back on medical care within the last year due to cost, and 17% said that they experienced serious financial problems due to family medical bills (Kaiser Family Foundation, 2012f). A recent study conducted in Oregon found that when adults enroll in Medicaid, their use of primary and preventive care increases, their financial burdens decrease, and their self-reported health and well-being improves, as compared to adults remaining uninsured (Kaiser Family Foundation, 2012c).

Expanding Medicaid would improve healthcare access for low-income populations by connecting more low-income individuals and families with providers, thus lowering financial barriers to care. Healthy citizens benefit the entire society and are more likely to give back to their community through employment, innovation, and economic growth. For example, healthy employees are less likely to be absent, are more productive, and are better able to focus (Kaiser Family Foundation, 2012c).

Healthy citizens benefit the entire society and give back to their community through employment, innovation, and economic growth.

##### Medicaid's Impact on the Health of Communities

Expanding Medicaid would provide an extra stimulus to struggling local economies. Medicaid currently supports thousands of healthcare providers throughout Idaho, including work in hospitals, nursing facilities, group homes, community health centers, and managed care plans. Analyzing the role Medicaid plays in local economies, the Kaiser Commission compiled findings from 29 studies in 23 states. Key findings show that Medicaid spending generates economic activity, including jobs, income, and state tax revenues. The Kaiser report includes an Idaho study which found that Medicaid spending results in approximately five times the total business activity than the state's original investment. Each study in the report produced similar findings: no matter the economic impact model used, state and local economies were found to be positively impacted by Medicaid spending (Kaiser Family Foundation, 2012d).

As the states faced budget shortfalls over the last several years, many lawmakers discussed targeting Medicaid spending to gain savings. However, the Kaiser report clearly shows that cutting Medicaid not only negatively affects providers and beneficiaries, but it has an impact on the larger state economy as well. Reducing Medicaid would decrease economic activity, and conversely, increasing Medicaid spending through eligibility expansion would increase economic activity at both state and local levels.

## IV. Access to affordable healthcare is a basic human right. Expanding healthcare coverage to every person in our community is a matter of fundamental justice.

---

### MORAL RATIONALE FOR EXPANDING PUBLIC HEALTH INSURANCE

A basic moral test for our community is to assess how our most vulnerable members are faring. With 18% of Idahoans lacking health insurance, too many in Idaho communities are going without essential medical care. Catholic Charities of Idaho's position on healthcare in Idaho is shaped by a simple but fundamental principle

Every person has a right to adequate healthcare. We each have a moral and personal responsibility to protect the health and well-being of ourselves, our families, and our communities.

grounded in the social teachings of our Catholic faith: every person has a right to adequate healthcare. This right flows from the sanctity of human life and the dignity that belongs to all human persons.

Access to healthcare should not depend on where a person works, how much a family earns, or where a person lives. Instead, every person has a right to life and to those things necessary to sustain life, including affordable, quality healthcare. In Idaho, we each have a moral and personal responsibility to protect the health and well-being of ourselves, our

families, and our communities. We strive for a society in which every person is accountable to and contributes to the common good and overall health of our communities. Idahoans have an obligation to be concerned not just about their own welfare and the welfare of their family, but the welfare of every member of society.

As a matter of fundamental justice, special attention must be paid to the basic health needs of the poor and marginalized in Idaho. Expanding Medicaid will ensure that those struggling most will receive affordable medical care and thus utilize primary and preventive care regularly, experience reduced financial burdens, and benefit from higher quality health and well-being.

## Conclusion

---

Medicaid expansion as outlined in the ACA could potentially provide public health insurance to over 100,000 individuals in Idaho, and costs to the state would likely be offset by savings from the safety net programs. It is Catholic Charities of Idaho's position that the benefits of expanding Medicaid to individuals and the community far outweigh any potential burdens to the state. We encourage the state to take these benefits into consideration when choosing whether to opt into Medicaid expansion.

As noted before, Idaho is a philanthropic state with a majority of households donating to charitable causes. However, it has become apparent that donation trends do not always respond to need – giving decreased during the economic downturn when need was at its highest. To cover the increasing costs of medical and charity care, healthcare nonprofit revenues in Idaho have become reliant on federal funding, with over half of revenues coming from Medicare and Medicaid dollars.

The collaboration between government and healthcare nonprofits in Idaho is expansive and intertwined. Nonprofits depend on government funding to maintain essential community services. Government and the Idaho nonprofit sector's collective effort should be focused on creating a system that will efficiently and effectively connect low-income Idahoans to affordable healthcare. Expanding Medicaid would not only increase the number of needy Idahoans served by the healthcare system, but it would reduce the overall cost burden on nonprofits, stimulate job growth, reduce overall healthcare costs, and increase quality of care for all in Idaho.

There is a large segment of Idaho's population which is uninsured, largely consisting of employed adults living in poverty. When a catastrophic illness or injury occurs, county-based medically indigent services and the Catastrophic Healthcare Fund are often relied upon to reimburse medical costs to healthcare providers in Idaho for the uninsured. The Idaho Division of Financial Management (2012) reports that the recent economic downturn and increasing healthcare costs are straining Idaho's safety net programs and placing increased and unsustainable costs on county and state budgets. Because a large majority of county-based and CAT program participants would qualify for Medicaid if it were expanded, the state could save hundreds of millions of dollars (Leavitt Partners, 2012).

Furthermore, expanding Medicaid would increase the health of newly insured Idahoans and the community. It has been well documented that the uninsured frequently go without needed medical care, but once insured, individuals are more likely to use primary and preventive care and report increased health and reduced financial burdens. Healthy individuals give back to Idaho by being productive members of their communities. Moreover, the added Medicaid funds would positively impact communities by pumping additional dollars into local economies.

It is for these reasons along with Catholic Charities of Idaho's belief that healthcare is a right belonging to every person in society that we encourage the state to expand Medicaid in Idaho. We believe in the idea of strengthening families, engaging communities, and in working toward a healthier society that allows people to learn new ways to think and live everyday; a society of hope and opportunity. Catholic Charities of Idaho believes in breaking the cycle of poverty by paying special attention to the basic health needs of the poor and marginalized in Idaho and by ensuring that every Idahoan has access to affordable healthcare.

Catholic Charities of Idaho believes in breaking the cycle of poverty by paying special attention to the basic health needs of the poor and marginalized in Idaho and by ensuring that every Idahoan has access to affordable healthcare.

## REFERENCES:

- American Hospital Association (2012). *Hospital Billing and Charity Care*. Retrieve October 8, 2012 from <http://www.aha.org>.
- Brooks, A.C., & Van Slyke D.M. (2005). Why do people give?: New evidence and strategies for nonprofit managers. *The American Review of Public Administration*, 35(3), 199-222.
- The Center on Philanthropy at Indiana University (2009). *Giving USA 2009: The Annual Report on Philanthropy*. Retrieved on October 8, 2012 from <http://www.givingusa.org/>.
- Gittell, R., & Tebaldi, E. (2006). *Charitable giving: Factors influencing giving in the U.S. states*. *Nonprofit and Voluntary Sector Quarterly*, 35(4), 721-736.
- Idaho Division of Financial Management (2012). *Catastrophic Health Care*. Retrieve October 8, 2012 from <http://dfm.idaho.gov>.
- Idaho Hospital Association (2012). *Idaho's Community Hospitals at a Glance*. Retrieved October 8, 2012 from <http://www.teamiha.org>.
- Kaiser Family Foundation (2012a). *Facts at a Glance: Idaho*. Retrieved October 8, 2012 from <http://www.kff.org>.
- Kaiser Family Foundation (2012b). *State Medicaid Fact Sheets: Idaho & United States*. Retrieved October 8, 2012 from <http://www.kff.org>.
- Kaiser Family Foundation (2012c). *The Medicaid Program at a Glance*. Retrieved October 8, 2012 from <http://www.kff.org>.
- Kaiser Family Foundation (2012d). *The Role of Medicaid in State Economies: A Look at the Research*. Retrieved October 8, 2012 from <http://www.kff.org>.
- Kaiser Family Foundation (2012e). *Who Benefits from the ACA Medicaid Expansion?* Retrieved October 8, 2012 from <http://www.kff.org>.
- Kaiser Family Foundation (2012f). *Health Care Costs: Key Information on Health Care Costs and their Impact*. Retrieved October 8, 2012 from [www.kff.org](http://www.kff.org).
- Leavitt Partners (2012). *Idaho's Newly Eligible Medicaid Population: Demographic and Health Condition Information*. Prepared for the Idaho Department of Health and Welfare. Retrieved October 20, 2012 from <http://healthandwelfare.idaho.gov>.
- NACHC, National Association of Community Health Centers (2012). *Fact Sheets #0712 and #1111*. Retrieved October 8, 2012 from <http://nachc.com>.
- National Association of Public Hospital and Health Systems. *History of Public Hospitals in the United States*. Retrieved October 8, 2012 from <http://www.naph.org>.
- National Federation of Independent Business et al. v. Sebelius. No. 11–393 (2012).
- Peterson, S. (2012). *The Economic Impacts of Idaho's Nonprofit Organization Research Report*. Idaho Nonprofit Center. Retrieved October 8, 2012 from [www.idahononprofits.org](http://www.idahononprofits.org).
- U.S. Census Bureau (2012). *American Community Survey Briefs – Poverty: 2010 and 2011*. Retrieve October 8, 2012 from [www.census.gov](http://www.census.gov).

## Addendum to the Report – January 2013

---

### RECOMMENDATION TO IDAHO

Catholic Charities of Idaho urges the State of Idaho to implement the optional Medicaid expansion in 2014 and provide public health insurance coverage to all individuals within 138% of the federal poverty level, while simultaneously transforming Idaho's health delivery system to focus on personal accountability and improved health outcomes.

### MEDICAID EXPANSION WORKGROUP EVALUATION & COST PROJECTIONS

Governor C.L. "Butch" Otter appointed a workgroup to study and consider key questions related to Idaho's path forward on Medicaid expansion. The Governor's Medicaid Expansion Workgroup met for a final meeting in November 2012 and released a report with recommendations in December 2012 titled, "Idaho Workgroup on Medicaid Expansion: An Evaluation of the Possible Expansion of Comprehensive Healthcare Services to Low-Income Idahoans." Please refer to the following issue brief from Saint Alphonsus Health System titled, "Medicaid Expansion and Innovation: Right for Idaho," for an overview of the Workgroup's report, cost projects of expanding Medicaid in Idaho, and recommendations for Idaho.

### ADDITIONAL RESOURCES

Additional topics not specifically addressed in this report relate to and affect the decision of whether to expand Medicaid in Idaho. Please refer to the following resources for further information.

- Medicaid Expansion and Health Insurance Exchange Idaho Workgroups:  
<http://gov.idaho.gov/priorities/Workgroups.html>
- Economic Impact of Medicaid Expansion on Idaho:  
<http://gov.idaho.gov/priorities/Workgroups.html>
- Questions About Health Insurance Subsidies:  
<http://www.kff.org/healthreform/7962.cfm>
- Understanding Idaho's Doctor Shortage:  
<http://stateimpact.npr.org/idaho/tag/doctor-shortage/>

# Saint Alphonus Health System Issue Brief

## Medicaid Expansion and Innovation: Right for Idaho

### Situation

In June 2012, the U.S. Supreme Court decision on PPACA makes Medicaid Expansion to 138% of the federal poverty level optional for states. Governor Otter's Medicaid Expansion Workgroup studied the options extensively and voted unanimously to recommend expansion with certain caveats. The Governor and Legislature now have the opportunity to provide coverage for thousands of uninsured Idahoans in a transformed system of healthcare delivery focused on personal accountability and improved health, and in the process will achieve significant savings for the State of Idaho over the next 10 years.

### Background

In light of the Supreme Court's decision placing states in the driver's seat with respect to Medicaid Expansion, Governor Otter appointed a 15-member workgroup to collect and analyze data from various national consultants and experts regarding Idaho's various options, and make a recommendation as to which of the following options is best for Idaho:

- Status quo (implement mandatory Medicaid expansion only)
- Reform state/county indigency programs (plus mandatory Medicaid expansion)
- Expand Medicaid to 138% of federal poverty level

After spending considerable time reviewing and analyzing data and comparing options, the workgroup voted unanimously to support moving forward with the optional Medicaid expansion, with specific caveats:

- Personal accountability must be incorporated into plan design, with goal of improved health outcomes for Medicaid enrollees
- Transformation of the health delivery system must occur, with shift in incentives and efforts to address Idaho's primary care workforce shortage

### Analysis

Factors that weighed into the workgroup's decision included:

- Mandatory ACA requirements will add 70,000 Idahoans to Medicaid even without the optional expansion, costing \$284 M over 10 years
- The optional expansion population consists of nearly 80,000 people -- mostly working citizens (64%), and mostly white (83%). Most do not have children in their households. Idaho would save \$290 M over 10 years by expanding Medicaid to this population.
- Idaho's existing county/state indigent health care programs could potentially be eliminated with optional Medicaid expansion, at a time with these programs are experiencing escalating cost growth trends but not structured to incentivize wellness or appropriate use of medical services
- 10-year net savings if both the mandatory and optional expansion were implemented: \$6.5 M
- Beyond this net savings, there is a multiplier effect associated with the overall economic impact of expanding Medicaid and \$9.24 B federal funds flowing through the state over 10 years: 16,000 new jobs, \$615 M in sales, property and income taxes (IHA & Milliman analyses)
- The ACA reduces hospital Medicare payments by \$500 M over next 10 years. If optional expansion is not approved, the resulting cost shift will raise premiums for privately insured families

From a local Saint Alphonus Health System perspective, implementing the optional Medicaid expansion is important to offset anticipated Medicare cuts projected to impact our Boise & Nampa facilities approximately \$110 M over the next 10 years. Implementing Medicaid Expansion would potentially completely offset these losses, thereby preventing negative impacts to jobs and healthcare services to the community.

## Recommendation

Saint Alphonsus Health System urges Governor Otter and the Idaho Legislature to move quickly to adopt the workgroup recommendation and expand Medicaid to 138% of the federal poverty level, while taking steps to seek a federal waiver to implement an innovative plan design focusing on personal accountability, improved health outcomes, and a transformed health delivery system.

To maximize the benefit to the state, Idaho should work toward implementing the optional expansion in 2014 due to the 100% federal match for the expansion in 2014-2016, after which point the matching rate gradually declines to 90% by 2020.

If Idaho implements the optional expansion, it would achieve significant savings (\$6.5 M) over 10 years – it would be our hope that a portion of these savings could be invested in:

- Transforming the state's mental health system to invest more in community support for those with mental illness – this is important to protect the health and safety of Idaho citizens, especially in light of the recent tragic events in Connecticut.
- Expanding Idaho's primary care workforce capacity, investing in additional medical school slots through our WWAMI and Utah partnerships, and expanding slots in Idaho's family residency programs