



FACT SHEET: Medicaid Expansion and Pennsylvania

Background: The Pennsylvania Medicaid program, often referred to as the Medical Assistance program, provides a comprehensive array of health and long-term care services to over 2.2 million Pennsylvanians. These benefits are provided to persons of all ages including adults, children, pregnant women, low-income families, people with disabilities and seniors. Currently 1 out of every 6 citizens in Pennsylvania receives Medicaid benefits.

Spending on Medicaid programs accounts for 75 percent of the Department of Public Welfare's (DPW) \$27.6 billion budget (including state, federal and other funds). DPW's budget constitutes 39 percent of the state's annual budget with Medicaid being the number one cost driver at 30 percent of Pennsylvania's General Fund.

In addition to Medicaid, Pennsylvania also provides an additional layer of benefits as part of the safety net not found in many other states, namely state-only funded General Assistance medical benefits for adults who do not qualify for Medicaid. All of these programs represent important and vital services to some of Pennsylvania's most vulnerable citizens; however, funding for these programs represents a substantial amount of state and federal spending that continues to grow every year.

Cost Growth of Current Program: The costs of the current Medicaid program in Pennsylvania continue to grow. Maintaining that cost growth is requiring substantial new state revenue. The costs to fund DPW are projected to grow by nearly \$400 million in fiscal year 2013-2014. These costs do not include additional costs that the state may incur as a result of the Affordable Care Act (ACA).

While Medicaid is a very important program, the continued annual cost growth is placing an increased strain and burden on Pennsylvania's budget and is making it more difficult for the state to invest in other important programs.

Medicaid Expansion: The expansion of the Medicaid program, as proposed in the ACA, would make all adults between the ages of 19-64 with incomes at or below 133% of the federal poverty level (FPL) eligible for the program. This expansion would cover vulnerable persons as well as healthy, able-bodied individuals. However, as a result of the United States Supreme Court's ruling, states have the option to decide whether expansion of the Medicaid program is the best approach to improving access to affordable health care coverage for their citizens. After review, initial estimates on the costs and impact of expanding Pennsylvania's Medicaid program, as proposed in the ACA, are as follows:

- In total, expansion under the ACA would add over 800,000 new enrollees into the program – resulting in approximately 1 in 4 Pennsylvanians being enrolled in Medicaid. The expansion would add more than 643,000 new adults above and beyond the current 2.2 million Pennsylvanians already enrolled. In addition to these new adults, the ACA mandates that an additional 161,306 children be covered through Medicaid. The number of children required to be covered by Medicaid increases by another 75,352 if Pennsylvania is required to transfer into Medicaid all the children under 133% FPL who are currently enrolled in the Children's Health Insurance Program (CHIP) -- bringing the potential total number of children covered by Medicaid as a result of its expansion under the ACA to 236,658.

- The expansion numbers above include individuals currently eligible who have not enrolled (“woodwork”) and individuals who are currently insured but could enter the program as a result of their employer dropping their insurance or a personal choice to drop coverage (“droppers”) because they would be eligible to enroll in benefits fully paid for by the taxpayers.
- The premise that the federal government is picking up 100 percent of the costs of expansion is simply inaccurate. The additional federal funding does not apply to:
 - (1) current Medicaid recipients
 - (2) “woodwork” (new enrollees who were eligible under Pennsylvania’s current program rules)
 - (3) “droppers” category noted above.

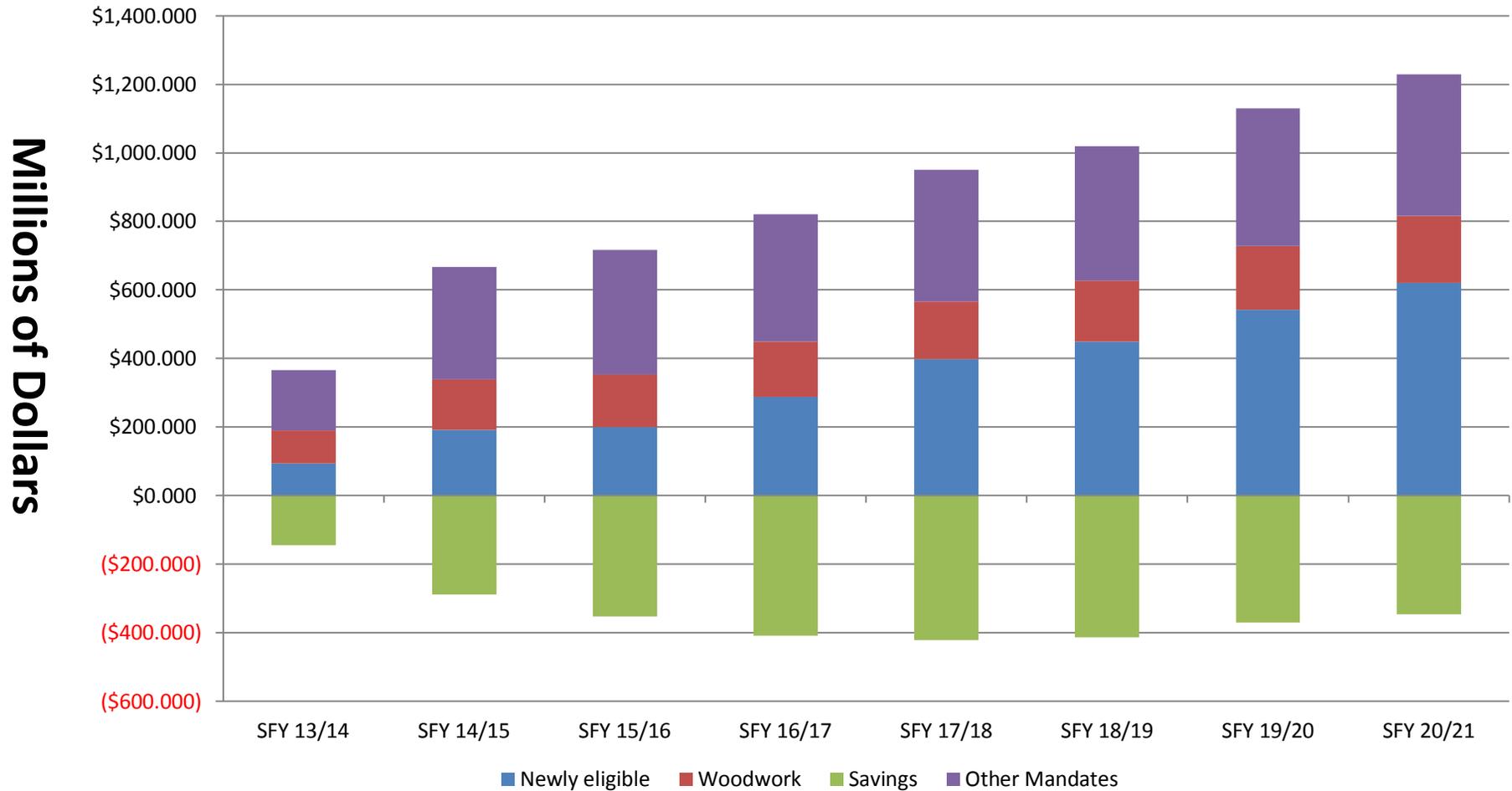
In addition, the Commonwealth has to absorb increased costs associated with additional staffing, administrative and IT changes that are not paid for at the higher federal funding level.

- Even with initial federal support for some categories, under the ACA, federal funds will decline by 10 percent over the next 6 years -- thereby shifting a staggering burden onto the states. In addition, through the years states have seen Washington reduce or change funding for programs, such as Medicaid, as new policies are enacted or budget cuts threaten federal government spending. Any additional reductions in federal funding in the future would only compound the states’ burden further.
- Thousands of individuals with intellectual and physical disabilities have been on waiting lists for home and community based services for years. The ACA expansion does nothing to assist those people reach the critical services they need. There is no additional federal funding for these programs, and every state dollar put toward expanding Medicaid, takes away funding that could be used to help these individuals get off of waiting lists and into programs and services.
- A recent study by the Government Accountability Office (GAO) raised numerous concerns with the management of the current Medicaid program nationally. In particular, the GAO raised various inconsistencies in the administration of the program by the Center for Medicare & Medicaid Services and the overall financial integrity of what they have dubbed a “high-risk program.” In fact the GAO found that in 2009, \$43 billion could not be traced directly back to Medicaid beneficiaries.
- Initial estimates show that expanding Medicaid, as proposed in the ACA, would cost Pennsylvania almost \$1 billion of new state taxpayer dollars through FY 2015-2016; rising to a total of over \$4.1 billion of new state taxpayer dollars by the end of FY 2020-2021.

Conclusion: Pennsylvania is striving to maintain a health safety net for its citizens, while maintaining fiscal stability for our taxpayers. However, with continued large annual cost increases of the current Medicaid program, serious questions exist as to the sustainability of an expansion of Medicaid without significant reform of the program.

DPW is examining reforms and program changes designed to meet the unique needs and diversity of Pennsylvania’s citizens and to make the program work more effectively for beneficiaries and the state. It may be possible for Pennsylvania to provide affordable health care coverage to more of its citizens, but only if DPW is allowed to pursue meaningful reforms and program flexibility.

ACA Impact: Breakout of Costs to Pennsylvania



	SFY 13/14	SFY 14/15	SFY 15/16	SFY 16/17	SFY 17/18	SFY 18/19	SFY 19/20	SFY 20/21	TOTAL
State Savings	(\$144.799)	(\$288.939)	(\$352.329)	(\$408.526)	(\$421.360)	(\$414.536)	(\$369.872)	(\$346.864)	(\$2,747.225)
State Cost	\$366.547	\$666.444	\$716.294	\$821.455	\$949.900	\$1,018.521	\$1,129.115	\$1,229.430	\$6,897.705
Net	\$221.748	\$377.505	\$363.965	\$412.929	\$528.540	\$603.985	\$759.242	\$882.566	\$4,150.480