



Covering More Minnesotans through Medicaid Would Improve Health Outcomes and Reduce State Costs

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More than 87,000 Minnesotans would gain access to affordable health insurance and the state would save millions of dollars if lawmakers do the right thing and expand Medicaid during the 2013 Legislative Session. Providing health care to more Americans through Medicaid is a key component of the federal Affordable Care Act (ACA), which is already helping thousands of Minnesotans stay healthy by improving access to affordable health insurance. Federal funds would cover nearly the entire cost of the Medicaid expansion for the first three years. That's a good bargain for the state and for Minnesotans with private insurance who now shoulder much of the cost of caring for patients without insurance through higher premiums.

Medicaid Coverage is a Critical Health Care Resource for Minnesotans

Medicaid (known as Medical Assistance in Minnesota) is a federal-state partnership that provides health insurance for hundreds of thousands of Minnesotans – low-income children and their parents, seniors and people with disabilities. It offers these families and individuals the security of affordable and comprehensive health care so they can stay healthy, participate in their community, and provide a stable home for their kids to thrive in.

But thousands of very low-income Minnesotans, mostly adults without children, currently don't qualify for Medicaid. They face a frustrating reality – they need health insurance like everyone else, yet they struggle to afford premiums and co-payments in the current market. Unable to get or maintain health insurance, they end up in costly emergency rooms when a health crisis strikes.

The Affordable Care Act allows states to cover these vulnerable individuals with comprehensive and affordable insurance through Medicaid. Beginning in January 2014, states can expand Medicaid to cover all non-elderly individuals with incomes up to 138 percent of the federal poverty line – \$15,415 for an individual, or \$20,879 for a couple.¹ This expansion would benefit adults without children, as well as parents and 19 and 20 year olds. The federal government will pick up nearly all of the additional costs for expanding coverage. That's a great deal for Minnesota, which is already a national leader in creating health insurance options for struggling families.

The key goal of the Affordable Care Act is for everyone to have health insurance. Expanding access to affordable and comprehensive health insurance to very low-income individuals through Medicaid is a critical step. Congress originally made the Medicaid expansion mandatory, but the June 2012 U.S. Supreme Court decision upholding the Affordable Care Act made this element optional for states. That's why it's crucial for Minnesota policymakers to approve the expansion. The action will benefit more than 87,000 Minnesotans, free up state resources for other needs and help reduce health care costs for everyone.

Medicaid Expansion Would Improve Access to Care for 87,000 Minnesotans

In 2011, Minnesota took advantage of an opportunity under the Affordable Care Act to use federal funds to help very low-income Minnesotans access health insurance. Under this "early expansion" of Medicaid, adults with incomes up to 75 percent of the federal poverty line – \$8,378 a year for an individual and \$11,348 for a couple – became eligible for Medicaid in March 2011. Minnesota used to pay the full cost of covering these Minnesotans. Now the federal government is picking up 50 percent of the cost.

Taking the next step to cover nearly all non-elderly Minnesotans with incomes up to 138 percent of the federal poverty line through Medicaid will mean an additional 87,000 Minnesotans will get affordable and comprehensive health insurance.² According to the Minnesota Department of Human Services, this action will help 34,000 currently uninsured individuals get meaningful health insurance coverage. An additional 53,000 Minnesotans will move from MinnesotaCare to Medicaid, where they will get better and more affordable coverage. And if Minnesota approves this full expansion, the federal government will pay 100 percent of the costs for those newly eligible for Medicaid.

Expanding access to Medicaid also represents an important opportunity to help Minnesota improve health outcomes for people of color. Minnesota has some of the nation's worst gaps in health insurance coverage between white Minnesotans and people of color.³ In Minnesota, 30 percent of the Hispanic population, 23 percent of the American Indian population, and 15 percent of the black (non-Hispanic) population have no health insurance, compared to only seven percent of the white (non-Hispanic) population. Many families of color have low incomes and would qualify for affordable health care under the Medicaid expansion, improving their access to care and ultimately leading to better health outcomes.⁴

Medicaid Expansion Would Free up State Resources for Other Critical Needs

The federal government's commitment to pick up 100 percent of the cost for newly eligible Medicaid participants for the first three years would bring significant new resources to the state to pay for health care.⁵ Although the federal contribution will phase down to 90 percent by 2020, that is still significantly higher than the 50 percent that Minnesota receives for the people it currently covers through Medicaid.⁶ The Minnesota Department of Human Services estimates that the state will save \$1.0 billion over the next four years if it fully expands Medicaid up to 138 percent of the federal poverty line for parents, 19 and 20 year olds, and adults without children, freeing up state resources for other essential public services.⁷

However, in order to qualify for 100 percent federal funding, Minnesota must agree to increase eligibility for Medicaid all the way to 138 percent of the federal poverty line for adults without children. If Minnesota fails to meet that requirement, the state could lose all federal dollars for covering for these newly eligible Minnesotans – even the 50 percent the federal government currently pays.

Medicaid Expansion Would Mean Fewer Unpaid Bills

People need health care, whether they have insurance or not. Many doctors and hospitals treat patients who do not have insurance, knowing they are unlikely to get paid for their services. The cost for these unpaid bills gets shifted elsewhere, with health care providers making up for some of the losses by increasing the costs for those who do have insurance.⁸ Medicaid expansion is intended to reduce this “uncompensated care.” Having more patients able to pay for health care services will help control costs for everyone in the health care system by reducing the need to shift costs elsewhere.

Failure to Expand Medicaid Will Leave Many Without any Health Insurance

The Affordable Care Act initially required states to cover all adults with incomes up to 138 percent of the federal poverty line through Medicaid because policymakers knew that these very low-income Americans often have greater health care needs than the average individual, but are unable to access affordable and comprehensive health insurance through an employer or on the private market. If the state fails to expand Medicaid, there will be few alternatives for these Minnesotans.

MinnesotaCare is in jeopardy. Some of these low-income Minnesotans currently qualify for MinnesotaCare – which offers working individuals and families low-cost coverage – but many can't afford the premiums and others find the limited benefits don't meet their needs. Moreover, the future of MinnesotaCare is in doubt.

Some elements of MinnesotaCare may not meet the coverage requirements of the Affordable Care Act, so changes would likely be necessary. Even more troublesome, it is unclear whether Minnesota will continue to receive federal funding to help pay for MinnesotaCare, leaving the state to pick up the entire cost – more than \$500 million a year. Without significant changes, MinnesotaCare is unlikely to be there for low-income Minnesotans.

Private insurance on the exchange will be unaffordable for low-income Minnesotans. Beginning in 2014, many Minnesotans with an income between 100 and 400 percent of the federal poverty line will be able to find private insurance coverage through the new Health Insurance Exchange being created under the Affordable Care Act. Although they will qualify for tax credits to reduce the cost of premiums and may receive subsidies to reduce their out-of-pocket costs, private insurance coverage will still not be a good option for most low-income Minnesotans. These families have little to no income left after paying for essentials like food, housing, transportation and child care. They are likely to choose a health care plan in the exchange that has no monthly premiums but very high out-of-pocket costs. This often ends up as a trap for low-income people who, despite having health insurance, avoid seeking medical care because they cannot afford the co-payments and deductibles.

Loss of federal funds could jeopardize insurance for adults without children. Although the federal government is currently paying half the cost for covering some adults without children through Medicaid, Minnesota could lose all federal funding unless the state agrees to move forward with full expansion. No Medicaid expansion would mean Minnesota policymakers would face the choice of continuing insurance coverage for those up to 75 percent of poverty using state resources, or dropping coverage entirely for these extremely low-income Minnesotans.

Lowest income Minnesotans won't qualify for financial assistance. Minnesotans with incomes below 100 percent of the federal poverty line are potentially in the worst position if the state fails to expand eligibility for Medicaid. The Affordable Care Act assumed that these Minnesotans would be covered by the required expansion, so they are not eligible for premium tax credits or subsidies to help them purchase insurance on the private market. They will be left without any affordable health care option. The most likely choice for them will be to go without health insurance.

Simply put, failure to cover low-income Minnesotans under Medicaid would push Minnesota backward when it comes to people having access to comprehensive and affordable health insurance.

Minnesota Should Move Forward to Cover More Minnesotans through Medicaid

The state has a unique opportunity to provide affordable and comprehensive coverage to 87,000 individuals, with the federal government picking up the cost. Rarely do policymakers face a situation where the stakes are so clear – and so high. If Minnesota fails to expand Medicaid, it will not only increase costs for the state, for people with private insurance and for health care providers, it will also leave tens of thousands of Minnesotans struggling to get the health care they need.

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¹ The Affordable Care Act extends Medicaid eligibility up to 133 percent of the federal poverty line. However, five percentage points of an individual's income is not counted toward determining eligibility, making the eligibility level effectively 138 percent. Groups who are not included in the Medicaid expansion include undocumented immigrants and legal immigrants who have resided in the U.S. for less than five years.

² [Governor Dayton's FY 2014-15 Budget – Department of Human Services](#), January 2013.

³ Minnesota Department of Health, [Eliminating Health Disparities Initiative: Report to the Minnesota Legislature 2011](#), 2011.

⁴ Minnesota Budget Project analysis of U.S. Census Bureau American Community Survey data. See also, Minnesota Budget Bites, “Minnesota economy stabilizes, but disturbing disparities persist,” September 20, 2012.

⁵ In Minnesota, newly eligible individuals are adults without children with income under 138 percent of the federal poverty line. Minnesota will continue to receive a 50 percent federal match for all other populations moving from MinnesotaCare to Medicaid.

⁶ Minnesota Department of Human Services, [ACA Expansion Options: Access Workgroup Presentation](#), September 2012.

⁷ [Governor Dayton’s FY 2014-15 Budget – Department of Human Services](#), January 2013.

⁸ The federal government currently provides special payments to hospitals that serve a disproportionate share of low-income individuals who are uninsured, called DSH payments. Under the Affordable Care Act, these DSH payments will decline substantially because it was anticipated that Medicaid expansion would reduce rates of uninsurance. If Minnesota fails to expand Medicaid, uncompensated care costs are likely to continue even as these federal payments decline.