Health Care Reform and Kentucky’s Economy

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What were the Implications of the ACA for Kentucky?

• Under ACA, Kentucky experienced the largest reductions in the uninsured rate, largely attributable to the ACA’s adoption of both the Medicaid expansion and the implementation of the state-based exchange

• Under expansion, all adults with incomes up to 138% FPL eligible for Medicaid coverage
  • Major component of ACA was the individual coverage mandate implemented in 2014, expanding Medicaid extends coverage to a larger share of low-income population
  • 14% uninsured rate in KY, higher than national average (13%)—17th highest among US in 2013.
What were the Implications of the ACA for Kentucky?

• Following Medicaid expansion…
  • Kentucky’s uninsured rate down to 6% in 2015 (from 14% in 2013), and starkest decline in uninsurance among all states

  • Medicaid eligibility limited to parents with incomes <57% Federal Poverty Limit (~$11,500 for a family of 3)
Impacts of ACA on Health Care

• Coverage Rates

• Access to Care

• Hospital Outcomes
  • Uncompensated Care Costs
  • Medicaid Revenue
  • Hospital Profit Margins
Impacts of ACA on Health Care Coverage

Impacts of ACA on Health Care (cont’d.)

• Hospital Financial Outcomes

Impacts of ACA on Health Care (cont’d.)

• Hospital Financial Outcomes

Impacts of ACA on Health Care (KY)

Impacts of ACA on Health Care (KY)

Benitez et al (2017). Did Health Reform in Kentucky address Disparities in Coverage and Access for the Poor?. Forthcoming in *Health Services Research*
Adverse Effects of the ACA—Focusing on Labor Force Participation

Effects on State Budgets—the Michigan Case

What Lies Ahead?

• ACA Repeal...Replace....Repair?

• Medicaid
  • Expansion?
  • Cutbacks?
  • Block Grants?

• DSH Payment Cuts/No Cuts?
What Lies Ahead for Medicaid?

• Presently, Medicaid Expansion dollars bring in additional revenue for states with generally positive effects on state budget due to federal matching funds
  • 100% in 2014-2017
  • 95% in 2017-2020
  • 90%, thereafter

• 2012 U.S. Supreme Court decision, gave states option to expand Medicaid
  • Arkansas & Kentucky were only southern states electing to do so with Louisiana expanding in 2016*
What Lies Ahead for Medicaid?

- Large uptakes in coverage among the expansion population under ACA largely responsive to pre-expansion uninsured rates and concentrations in poverty
  - Courtemanche et. al (2016)
  - Benitez et. al (2017)

- Expanded eligibility (access to Medicaid coverage) generally associated with improved access to care among low-income, frequently removing much of the burdensome out-of-pocket expenses associated with medical care and limiting cost as a deterrent to seeking care
What Lies Ahead for Medicaid?

• Medicaid is jointly operated by States & Federal government to provide coverage for low-income persons
  • Prior to 2014, most states limited access to Medicaid coverage to parents, children, and disabled adults
  • Federal government also established a core of basic services (e.g. preventive care screenings) which Medicaid plans must provide.

• Post-expansion (2014 for most expanding states) extended eligibility benefits to adults based on income alone, which may change under ACA repeal
What Lies Ahead for Medicaid?

• Capped Medicaid funding (via Block-grant or Per-Capita funding) would shift much of financial risk towards the states

• Currently Medicaid largely reimbursed with Federal funding, though a block grant would cap how much 1) Congress allocates to Medicaid program each year; 2) how much each state receives on the front end
What Lies Ahead for Medicaid?

• Medicaid financing (i.e. Federal) often acts as a buffer or safety net resource for states, and block-granting would take much of that away in event of financial downturn (e.g. recession)

• Likely outcomes of Medicaid changes include:
  • Lowering upper limits on Medicaid eligibility
  • Restrict types of services reimbursable by Medicaid (e.g. vision, dental)
  • Categorize eligibility
What Lies Ahead for Medicaid?—Historical Lesson

Sample of 2016 Medicaid Eligibility Limits

<table>
<thead>
<tr>
<th></th>
<th>Kentucky</th>
<th>Indiana</th>
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</thead>
<tbody>
<tr>
<td>Low-Income/Non-Disabled</td>
<td>138% FPL</td>
<td>138% FPL</td>
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<tr>
<td>Children (aged 0-18)</td>
<td>218% FPL</td>
<td>255% FPL</td>
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<tr>
<td>Pregnant Women &amp; Infants</td>
<td>200% FPL</td>
<td>213% FPL</td>
</tr>
</tbody>
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- In 2016, 138% FPL corresponds to: Annual HH Income of $11,880 for an individual, $16,020 for a family of 2, and $20,160 for a family of 3.

- Prior to 2014, parental status was generally a requirement for Medicaid eligibility in most states; repeal of ACA could return to status quo
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