Facts About Closing Virginia's Healthcare Coverage Gap

What is Virginia's Healthcare Coverage Gap?
Virginia has approximately 240,000 residents who would be eligible for healthcare coverage if Virginia were to draw down federal Medicaid dollars allocated under the Affordable Care Act. This money has been budgeted by the federal government through taxpayer dollars (including Virginians') and healthcare industry fees, to cover the healthcare coverage gap between those who already qualify for the state's existing Medicaid program and those who are eligible for subsidies on the healthcare exchange. This is essentially our money that Virginia is turning down and thereby denying its citizens comprehensive health coverage.

Virginia has a very restrictive state Medicaid program. To qualify, a family of three can't earn more than $10,464 and an individual can't qualify unless he or she is pregnant, elderly or disabled no matter how little he or she earns. To qualify for healthcare subsidies on the federal healthcare exchange established by the Affordable Care Act, a family of three must earn at least $20,160 and an individual must earn at least $11,880. The difference between being eligible for Virginia's state Medicaid and the subsidies on the exchange is Virginia's healthcare coverage gap. So a family of three who has an income from $10,465 to $20, 159 and an individual who has income below $11,880 generally falls in this coverage gap. These hundreds of thousands of Virginians are mostly people working in low-paying jobs and/or their family members, including more than 25,000 veterans or their spouses.

Why does Virginia have a Healthcare Coverage Gap?
Virginia is one of 19 states that has not expanded its Medicaid program or used Medicaid dollars to establish a Virginia plan to cover those people who fall in the gap. Coverage under the Medicaid expansion became effective Jan. 1, 2014, in all states that have adopted the Medicaid expansion except for the following: Michigan (2014), New Hampshire (2014), Pennsylvania (2015), Indiana (2015), Alaska (2015), Montana (2016), and Louisiana (2016). Arkansas, Indiana, Iowa, Michigan, Montana, and New Hampshire have approved Section 1115 waivers for the Medicaid expansion. Wisconsin covers adults up to 100 percent of the federal poverty level in Medicaid but did not adopt the ACA expansion. In November, Maine voters approved Medicaid Expansion.

Why has Virginia <u>not</u> addressed the Healthcare Coverage Gap?
The answer to this question is a bit complicated. First, there are the arguments that legislators give for why they won't draw down federal Medicaid dollars. Then, there are the unofficial (mostly political) reasons that most observers believe are the real reasons the General Assembly has not addressed this coverage gap, effectively denying hundreds of thousands of Virginians healthcare.

Argument One: Some legislators say they believe the Affordable Care Act, which sets aside this money for closing the coverage gap, will be overturned and thus they question why the General Assembly should work on creating a program that may disappear. *Response:* Although it is likely that the Affordable Care Act will be changed, whether the Democrats or Republicans win the White House or Congress, it is unlikely – given how effective the Affordable Care Act has been in helping low-income

Americans get healthcare – that the provision of government-subsidized healthcare will go away. The U.S. remains the only industrialized country in the world without a comprehensive national Healthcare program. Although the Affordable Care Act does not create a comprehensive solution to American's Healthcare crisis, it does make a giant leap forward in addressing coverage issues. Cost issues still remain a concern in the American Healthcare marketplace given our private sector payment system.

Argument Two: Many legislators say they are concerned that the federal Medicaid dollars won't be adequate and any Healthcare coverage program will be a drain on Virginia's budget. *Response:* Through 2016, the federal government paid for 100 percent of Medicaid expansion. From 2017 through 2021, the federal government slowly reduces its contribution to 90 percent of the cost and stays at that level of contribution, bringing an average of $2.1 billion annually in new federal funding. This would result in a projected 15,700 new jobs and $68 million in new tax revenues. On top of these revenues, Virginia could save $1.55 billion over the next six years by paying for some of the services, such as hospital care for the poor and prisoners, as well as community mental health services.

Many argue that Virginia can't trust the federal government to keep paying the 90 percent match. First of all, Virginia could legislate that if the federal matching funding is not available, the Virginia program would go away. But, perhaps most importantly, Medicare and Medicaid turned 50 years old this year and the Federal government has never reduced its level of funding and, in fact, has frequently increased the funding levels for these programs. Virginia does not turn away money from the federal government for transportation, education, defense, or other services. Virginia should take federal money that will improve the health and well being of numerous hard working Virginians.

Most observers and commentators believe that the real reasons the General Assembly has not addressed the Healthcare coverage gap are political. Many in the General Assembly do not like the Affordable Care Act. In addition, many do not want to give the governor a win on his campaign promise to access this funding to close the coverage gap. The Virginia Interfaith Center for Public Policy believes that expanding health coverage for Virginians will be a win for all Virginians and Virginia's economy. The General Assembly has the opportunity to develop a Virginia specific program that could build upon Virginia's history of being pragmatic in addressing the state's problems.

Why should Virginia close the coverage gap?
There are lots of good reasons for closing the coverage gap. Closing the coverage gap will:
- ***Provide comprehensive Healthcare for approximately 400,000 Virginians*** who work in low-paying jobs and their families. This is the most important reason to close the coverage gap. Currently, most of these Virginians only go to clinics and emergency rooms when they have a crisis. This means their chronic problems are not addressed and problems are not caught and dealt with in their early stages. Providing comprehensive Healthcare is the smart, compassionate and cost-effective thing to do to help the Commonwealth's residents.
- ***Help address the state budget deficit.*** Virginia is facing a serious budget deficit (estimated at $266.3 million). Drawing down federal Medicaid dollars to expand Healthcare would effectively eliminate this deficit since federal dollars could be used instead of state dollars for some vital services.
- ***Create approximately 16,000 new jobs.*** Drawing down federal Medicaid dollars will bring money to hospitals, clinics, and community-based providers and is estimated to result in adding 16,000 new Healthcare jobs in the state.

- ***Save rural hospitals.*** Many rural hospitals are in jeopardy of closing down because they don't have enough paying customers. Some hospitals, like Lee Regional Medical Center, have already closed, leaving their communities without an accessible hospital and vital medical services. Most of these hospitals could stay open if Virginia expanded health coverage so that hospitals could be reimbursed for the coverage they provide to low-income Virginians.

Would Virginia have to expand Medicaid?
No. Virginia, like many other states, can create its own plan, apply to the Center for Medicaid and Medicare Services for a waiver, and tap into the federal Medicaid dollars to fund it. In 2014, several Republican Senators introduced a Virginia plan for closing the Healthcare coverage gap by drawing down federal Medicaid dollars but their colleagues would not support it. Virginia should take advantage of these federal dollars, but should create its own plan if that's what legislators want.

What's happening with Medicaid growth in other states?
Every state, including Virginia, has a state Medicaid program that provides healthcare for low-income people. Most of the traditional Medicaid services are reimbursed on a 50-50 basis, with the federal government contributing 50 percent and the states picking up the remaining 50 percent. All state Medicaid budgets are growing primarily because of the increase in older people who need long-term care, which is very expensive. States that have expanded coverage using the "new" federal dollars for Medicaid have had slower rates of growth in their traditional Medicaid programs than those that have not drawn down these new expansion Medicaid dollars. The money for expanding healthcare via using Medicaid dollars that was approved in the Affordable Care Act is paid to states on a 100 percent basis initially and then drops to 90 percent. There will be some people, particularly children, who currently qualify for Medicaid but they or their parents don't realize it and, therefore, become enrolled in Medicaid under the current match rate when they enroll. This is not a bad thing, since they would now receive regular care.

Doesn't Virginia already invest in free health clinics and community health centers to provide care for uninsured people?
Virginia increased the state funds for free health clinics from $3.1 to $6.2 million and for community health centers from $2.1 to $3.1 million, which was helpful in trying to meet the State's tremendous need for healthcare for low-income, uninsured residents. However, the great services provided by these safety net providers is no substitute for the comprehensive health coverage that could be provided if Virginia took the billions of federal dollars to close the existing gap. Moreover, these dollars could then be used to provide critical services, such as dental care and case management, which will continue to be needed in our communities.