State Health Reform Assistance Network

Charting the Road to Coverage

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States Expanding Medicaid See Significant Budget Savings and Revenue Gains

Early Data Shows Consistent Economic Benefits Across Expansion States

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In examining Medicaid expansion across eight states—Arkansas, Colorado, Kentucky, Michigan, New Mexico, Oregon, Washington and West Virginia—it is clear that states are realizing savings and revenue gains as a result of expansion.

- Savings and revenues by the end of 2015 (just 1.5 years into expansion) are expected to exceed $1.8 billion across all eight states
- In Arkansas and Kentucky, savings and revenue gains are expected to offset costs of the expansion at least through SFY 2021

Findings from these eight states suggest that every expansion state should expect to:

- Reduce state spending on programs for the uninsured
- See savings related to previously eligible Medicaid beneficiaries now eligible for the new adult group under expansion
- See revenue gains related to existing insurer or provider taxes

This report examines the budget impact of Medicaid expansion in a sample of eight states from all regions of the country. Based on interviews with state officials, the authors documented state budget implications for fiscal year (FY) or calendar year (CY) 2014 and projected savings for FY/CY 2015[1] in several categories of expenditures. Based on feedback from states, projected expansion related savings and revenue gains are expected to offset costs for several years. Findings in Arkansas and Kentucky, for example, revealed state budgetary savings and revenue gains sufficient to

1 Some states analyzed savings by state fiscal year and others by calendar year. Please see the tables in the appendix of this report for details on the time period for savings figures in each state.

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State Health Reform Assistance Network, a program of the Robert Wood Johnson Foundation, provides in-depth technical support to states to maximize coverage gains as they implement key provisions of the Affordable Care Act. The program is managed by the Woodrow Wilson School of Public and International Affairs at Princeton University. For more information, visit *www.statenetwork.org*.

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offset state costs attributable to expansion at least through SFY 2021. Other studies have documented that expansion has generated gains in coverage, reduction in the number of uninsured and uncompensated care costs, and job creation.

Savings and increased revenue seen in expansion states fall into three major categories:

- **State Savings From Accessing Enhanced Federal Matching Funds.** In the past, states often used waivers or specialized Medicaid eligibility categories to provide coverage to high need enrollees, such as "medically needy" individuals, pregnant women, and individuals with disabilities. States historically have been responsible for 30 to 50 percent of the cost of covering such individuals. *With expansion, many individuals who were previously eligible for Medicaid under pre-ACA eligibility categories are now eligible for full Medicaid coverage in the new adult group—which means the state will receive enhanced federal funding (100 percent in 2015 and 2016, phasing down to 90 percent in 2020 and beyond) for providing full Medicaid benefits to these populations.*
    - ✓ Seven out of eight states highlighted in this report projected savings in this category; savings totaled between $4 million (West Virginia) and $342 million (Washington) through 2015.[2]
- **State Savings From Replacing General Funds with Medicaid Funds.** Historically, many states have supported programs and services for the uninsured—mental and behavioral health programs, public health programs, and health care services for prisoners—with state general fund dollars. *With expansion, many of the beneficiaries of these programs and services are able to secure Medicaid coverage in the new adult category, which means states can fund these services with federal—not state—dollars.*
    - ✓ Five of the states in this report identified savings due to new federal Medicaid funds; savings totaled between $20 million (Colorado) and $389 million (Michigan) through 2015.
- **Revenue Gains.** Most states raise revenue through assessments or fees on providers and/or health plans. *As provider and health plan revenues increase with expansion, this translates into additional revenue for states.*
    - ✓ Four states in this report identified revenue gains due to expansion, totaling between $26 million (Michigan) and $60 million (New Mexico) through SFY or CY 2015.

The appendix (page 5) includes detailed tables on the savings and revenues identified in each of the states highlighted in this report, along with a more complete description of the areas in which states identified expansion related savings and new revenues. It is important to note that many of the states in this report have not yet completed their analyses of expansion savings and revenue gains, so more savings may be identified as states continue to assess the impact of expansion.

Examples of state savings from accessing enhanced federal matching funds

States highlighted in this report identified savings from the use of new enhanced federal matching funds—total savings in this category, based on experience to date, are expected to exceed $1 billion through 2015. **Every expansion state should expect to see savings as individuals who were previously eligible for limited Medicaid benefits under pre-ACA eligibility categories are now eligible for full Medicaid coverage in the new adult group, with enhanced federal funding.**

- **West Virginia** estimates that it saved $3.8 million in CY 2014, as women enrolled in the new adult group who became pregnant remained enrolled in the new adult group.

[2] Id.

- **Washington** saved $6.8 million in spending on pregnant women in SFY 2014 (6 months of savings), and projects savings of $31.5 million in SFY 2015.
- **Washington** expects savings of $11.5 million in SFY 2014 and $35 million in SFY 2015, as medically needy individuals who previously would have had to "spend down" to be eligible for Medicaid enrolled in the new adult group.
- **Kentucky** saved $2.4 million on coverage for medically needy enrollees in SFY 2014 (six months of savings) and expects to save $14 million in SFY 2015.
- **Colorado** saved $136.6 million in CY 2014 and expects to save $148.4 million in CY 2015 as adults and parents previously enrolled through Medicaid waivers transition to the new adult group.
- **Kentucky** has experienced savings of $1.7 million in SFY 2014 (six months of savings) and $7.9 million in SFY 2015 related to spending on disabled enrollees, as enrollees who previously would have had to pursue a disability determination to be eligible for Medicaid under the Disabled category can now enroll in the new adult group.
- **Oregon** has not yet accounted for savings from reductions in spending on disabled populations in their budget projections, but the state has seen a dramatic drop in the number of individuals seeking disability determinations, from 7,000 in CY 2013 to 1,400 in CY 2014.

Examples of state savings from replacing general funds with Medicaid funds

Several states highlighted in this report identified savings as beneficiaries of state-funded health programs and services are able to secure Medicaid coverage under expansion—total savings across all states in this category, based on experience to date, are expected to exceed $610 million through SFY or CY 2015. **All expansion states should expect to be able to reduce state spending on programs for the uninsured.**

- **Michigan** projects savings of $190 million in SFY 2015 by transitioning enrollees in a state-funded program that provided targeted services for the seriously mentally ill into the new adult group.
- **Kentucky** saved $9 million in SFY 2014 (six months of savings) and expects to save $21 million in SFY 2015 in state mental and behavioral health spending.

Savings From Covering Pregnant Women in the New Adult Group

States highlighted in this report expect savings totaling $68 million through SFY/CY 2015 as many women who are enrolled in the new adult group and become pregnant will remain in the new adult group, where the states receive the enhanced federal match for their services. Savings occur even if states maintain their previous Medicaid eligibility levels for pregnant women. While not every state in this report captured these savings in their budget estimates, all expansion states should experience savings in this area.

Savings From Covering Medically Needy/Spend Down Enrollees in the New Adult Group

States identified savings totaling $71 million through SFY/CY 2015 as high-need and high-cost individuals who previously would have only qualified for Medicaid by "spending down" to the medically needy eligibility group instead were able to enroll in the new adult group, where the federal government provides enhanced match for their services. This is a significant area of savings for states with medically needy programs given the high per-beneficiary cost of this population. Savings occur without any reductions in medically needy eligibility levels.

- **Michigan** projects a reduction in state correctional spending of $13.2 million in SFY 2015, as the federal government picks up the hospital inpatient costs of Medicaid-eligible new adults.
- **Colorado** expects savings of $5 million per year in state correctional spending.
- **Arkansas** was able to reduce state spending on community health centers and local health units by $6.4 million for SFY 2015 without reducing services, because these facilities now will receive Medicaid payments for services provided to previously uninsured patients who are eligible as new adults.

Savings From Behavioral Health Programs

The largest savings in this category come as individuals who previously relied on state-funded mental and behavioral health programs and services are able to secure Medicaid coverage in the new adult group, which means states can fund these services with federal—not state—dollars, without reducing services. States highlighted in this report identified savings in state mental/behavioral health spending totaling $472 million through SFY/CY 2015.

Examples of state revenue gains

Four of the states highlighted in this report (Arkansas, Michigan, New Mexico, and Washington) have found that expansion is increasing state revenue from existing assessments on insurers—total revenue gains, based on experience to date, are expected to exceed $150 million through SFY or CY 2015. These gains occurred as local insurer revenues and/or premiums increased, resulting in higher state collections on insurer assessments. **All states with insurer or provider taxes can expect to see revenue gains because of Medicaid expansion.**

- **New Mexico's** CY 2014 premium tax revenues were $30 million greater due to increased revenue related to expansion adults, and the state projects continued revenue gains of $30 million in CY 2015.
- **Michigan** expects revenue gains of $26 million in SFY 2015 from the state's Health Insurance Claims Assessment.

Appendix

DETAILED TABLES ON SAVINGS AND REVENUES IDENTIFIED IN EXPANSION STATES

The following charts summarize the early results on savings and revenue gains in detail for each of the states highlighted in this report. Note that the costs of newly eligible enrollees were paid entirely by the federal government in FY 2014 and 2015. Savings and revenue gains, on the other hand, accrued to state budgets.

ARKANSAS[3]		SFY 2014[4]	SFY 2015
Cost of Newly Eligible Enrollees	Number of Newly Eligible Enrollees	200,700	248,000
	Per Member Per Year (PMPY) Cost	$5,200	$6,100
	Total Cost of Newly Eligible Enrollees	**$362,660,000[5]**	**$1,378,600,000**
	Newly Eligible FMAP	**100%**	**100%**
Source of Savings/Revenues		**SFY 2014**	**SFY 2015**
State Savings From Enhanced Federal Matching Funds	ARHealthNetwork[6]	$5,700,000	$14,200,000
	Medically Needy[7]	$1,650,000	$6,600,000
	Disabled Adults[8]	$2,250,000	$9,000,000
	Pregnant Women[9]	$4,900,000	$19,600,000
	Family Planning[10]	$780,000	$1,600,000
	Breast & Cervical Cancer Treatment Program	$2,200,000	$4,400,000
	Tuberculosis Program[11]	$10,000	$20,000
	Total Savings From Enhanced Federal Matching Funds	***$17,500,000***	***$55,400,000***
Savings From Replacing State General Funds With Medicaid Funds	Uncompensated Care Funding to Hospitals	N/A	$17,200,000
	State Mental/Behavioral Health Spending[12]	N/A	$7,100,000
	State Public Health Spending[13]	N/A	$6,350,000
	Hospital Inpatient Costs of Prisoners	N/A	$2,750,000
	Total Savings From Replacing State General Funds With Medicaid Funds	***$13,300,000***	***$33,400,000***
Estimated Revenue Gains	Revenue From Insurer Assessment	$4,700,000	$29,700,000
	Total Revenue Gains	***$4,700,000***	***$29,700,000***
Total Arkansas Estimated Savings and Revenues Related to Expansion		***$35,500,000***	***$118,400,000***
Arkansas' State-Only Medicaid Budget		***$1,541,000,000***	***$1,537,000,000***
Arkansas' Regular Federal Medical Assistance Percentages (FMAP)		***70.10%***	***70.88%***

[3] All numbers are budget estimates, and are based on expansion experiences to date.

[4] SFY 2014 numbers represent six months of savings, as the State fiscal year began on July 1, 2013.

[5] The total cost calculation reflects the average length of enrollment of each of these enrollees. Total costs are lower than the product of the number of enrollees and the average annual cost due to rapid enrollment growth during this time period.

[6] ARHealthNetwork was a Section 1115 waiver program under which the State and Medicaid helped subsidize limited benefit health packages provided by small businesses to their employees. The program was discontinued, and its enrollees transitioned into ACA coverage, in January 2014.

[7] Savings reflect medically needy individuals who gained coverage under the new adult group. Arkansas did not reduce or eliminate eligibility for medically needy spend down populations.

[8] These costs result from reductions in spending on Aged, Blind and Disabled populations, and from reductions in disability enrollment growth.

[9] Savings reflect women who became pregnant while enrolled in the new adult group, who remained in the new adult group. Arkansas did not reduce eligibility levels for pregnant women.

[10] Arkansas discontinued its family planning waiver program in 2014 as a result of expansion.

[11] Arkansas used Medicaid funding to provide limited services to those with Tuberculosis, but discontinued this program in 2014 as a result of expansion.

[12] Savings resulted in reductions in State spending on community mental health centers.

[13] Savings resulted in reductions in State spending on community health centers and local health units.

KENTUCKY[14]		SFY 2014[15]	SFY 2015
Cost of Newly Eligible Enrollees	Number of Newly Eligible Enrollees	311,000	393,000
	PMPY Cost	$5,923	$6,868
	Total Cost of Newly Eligible Enrollees	**$921,000,000**	**$2,699,000,000**
	Newly Eligible FMAP	**100%**	**100%**
Source of Savings/Revenues		**SFY 2014[16]**	**SFY 2015**
State Savings From Enhanced Federal Matching Funds	Medically Needy	$2,400,000	$14,000,000
	Disabled Adults	$1,700,000	$7,900,000
	Breast and Cervical Cancer Treatment Program	$400,000	$1,300,000
	State Transitional Assistance Program	$1,900,000	$9,000,000
	Total Savings From Enhanced Federal Matching Funds	***$7,400,000***	***$33,300,000***
Savings From Replacing State General Funds With Medicaid Funds	State Mental/Behavioral Health Spending	$9,000,000	$21,000,000
	Hospital Inpatient Costs of Prisoners	$5,400,000	$11,000,000
	Public Health Programs	$4,000,000	$6,000,000
	Uncompensated Care Funding to Hospitals[17]	---	$11,800,000
	Total Savings From Replacing State General Funds With Medicaid Funds	***$18,400,000***	***$49,800,000***
Total Kentucky Savings and Revenues Related to Expansion		***$25,800,000***	***$83,100,000***
Kentucky's State-Only Medicaid Budget		***$1,980,000,000[18]***	***$2,080,000,000[19]***
Kentucky's Regular FMAP		***69.83%***	***69.94%***

MICHIGAN		SFY 2014	SFY 2015
Cost of Newly Eligible Enrollees	Number of Newly Eligible Enrollees	275,000[20]	588,000
	PMPY Cost	$4,800	$4,900
	Total Cost of Newly Eligible Enrollees	***$1,320,000,000***	***$1,347,500,000***
	Newly Eligible FMAP	***100%***	***100%***
	Source of Savings/Revenues	**SFY 2014[21]**	**SFY 2015**
State Savings From Enhanced Federal Matching Funds	Adult Benefits Waiver Program[22]	$17,000,000	$34,000,000
	Family Planning[23]	$700,000	$1,400,000
	Total Savings From Enhanced Federal Matching Funds	***$17,700,000***	***$35,400,000***
Savings From Replacing State General Funds With Medicaid Funds	Hospital Inpatient Costs of Prisoners	$6,000,000	$13,200,000
	State Mental/Behavioral Health Spending[24]	$180,000,000	$190,000,000
	Total Savings From Replacing State General Funds With Medicaid Funds	***$186,000,000***	***$203,200,000***
Estimated Revenue Gains	Revenue From Insurer Assessment	----	$26,000,000
	Total Revenue Gains	***$0***	***$26,000,000***
Total Michigan Savings and Revenues Related to Expansion		***$203,700,000***	***$264,600,000***
Michigan's State-Only Medicaid Budget		***$2,200,000,000***	***$2,300,000,000***
Michigan's Regular FMAP		***66.32%***	***65.54%***

14 Deloitte, "Commonwealth of Kentucky Medicaid Expansion Report", (February 2015) available online at http://governor.ky.gov/healthierky/Documents/medicaid/Kentucky_Medicaid_Expansion_One-Year_Study_FINAL.pdf.

15 Kentucky's state fiscal year begins on July 1; SFY 2014 numbers reflect six months of costs.

16 Kentucky's state fiscal year begins on July 1; SFY 2014 numbers reflect six months of savings.

17 This line item reflects reductions in budgeted funding for the Kentucky Quality Care Charity Trust Funds, to cover economically disadvantaged populations.

18 2014-2016 Budget of the Commonwealth, Operating Budget Volume I (Part B), page 158, available online at: http://www.osbd.ky.gov/NR/rdonlyres/64166014-AA66-4D99-90E7-9269F99E4B30/0/1416BOCVolumeIBcorrected.pdf.

19 Id.

20 This is the SFY 2014 actual number of newly eligible enrollees.

21 Michigan's SFY begins on October 1, and Michigan expanded Medicaid was effective April 1, 2014; SFY 2014 numbers reflect six months of savings.

22 Michigan's Adult Benefits Waiver Program provided limited benefits to childless adults with income 30 – 35% of the FPL, and was discontinued in 2014.

23 Michigan discontinued its family planning waiver program in 2014.

24 These savings resulted as Michigan transitioned enrollees in a state-funded program providing targeted services for the seriously mentally ill into the new adult group.

COLORADO		CY 2014	CY 2015
Cost of Newly Eligible Enrollees	Number of Newly Eligible Enrollees	244,000	341,900
	PMPY Cost	$5,000	$5,600
	Total Cost of Newly Eligible Enrollees	***$1,220,000,000***[25]	***$1,930,000,000***
	Newly Eligible FMAP	***100%***	***100%***
	Source of Savings/Revenues	**CY 2014**	**CY 2015**
State Savings From Enhanced Federal Matching Funds	Childless Adults Early Expansion Waiver	$96,300,000	$96,300,000
	Breast and Cervical Cancer Treatment Program	$1,100,000	$603,000
	Early Expansion for Parents	$40,300,000	$52,100,000
	Pregnant Women[26]	$206,000	$903,000
	Total Savings From Enhanced Federal Matching Funds	***$137,900,000***	***$149,900,000***
Savings From Replacing State General Funds With Medicaid Funds	State Mental/Behavioral Health Spending[27]	N/A	N/A
	Hospital Inpatient Costs of Prisoners	$5,000,000	$5,000,000
	Old Age Pension - Targeted State Funded Program	$4,500,000	$5,400,000
	Total Savings From Replacing State General Funds With Medicaid Funds	***$9,500,000***	***$10,400,000***
Total Colorado Savings and Revenues Related to Expansion		***$147,400,000***	***$160,300,000***
Colorado's State-Only Medicaid Budget		***$3,225,000,000***	***$3,498,000,000***
Colorado's Regular FMAP		***50.00%***	***51.01%***

[25] 2014 numbers are actuals.

[26] Savings reflect general fund impact only.

[27] Colorado estimates a decrease of 2,000 utilizers of Medicaid funded behavioral health services in SFY 2014, and a decrease of 4,000 utilizers in SFY 2015, relative to prior years.

WASHINGTON		SFY 2014[28]	SFY 2015
Cost of Newly Eligible Enrollees	Number of Newly Eligible Enrollees	343,000[29]	480,000
	PMPY Cost	$8,300	$6,100
	Total Cost of Newly Eligible Enrollees	***$1,420,000,000***	***$2,830,000,000***
	Newly Eligible FMAP	***100%***	***100%***
	Source of Savings/Revenues	**SFY 2014**	**SFY 2015**
State Savings From Enhanced Federal Matching Funds[30]	Medically Needy	$11,500,000	$35,000,000
	Breast and Cervical Cancer Treatment Program	$700,000	$3,600,000
	Family Planning	$500,000	$1,000,000
	Pregnant Women[31]	$6,700,000	$31,500,000
	Adult Waiver Populations[32]	$34,000,000	$69,100,000
	Presumptive Supplemental Security Income (SSI) – Expansion State Designation[33]	$38,100,000	$109,800,000
	Total Savings From Enhanced Federal Matching Funds	***$91,500,000***	***$250,500,000***
Savings From Replacing State General Funds With Medicaid Funds[34]	State Mental/Behavioral Health Spending	$13,400,000	$51,200,000
	Hospital Inpatient Costs of Prisoners	$700,000	$1,400,000
	State Public Health Spending	$2,600,000	$5,800,000
	Other State Funded Programs[35]	$4,000,000	$9,700,000
	Total Savings From Replacing State General Funds With Medicaid Funds	***$20,700,000***	***$68,100,000***
Estimated Revenue Gains[36]	Revenue From Insurer Assessments	N/A	$33,900,000
	Total New Revenues	***N/A***	***$33,900,000***
Total Washington Savings and Revenues Related to Expansion		***$112,200,000***	***$352,500,000***
Washington's State-Only Medicaid Budget		***N/A***	***N/A***
Washington's Regular FMAP		***50.00%***	***50.03%***

WEST VIRGINIA		SFY 2014	SFY 2015
Cost of Newly Eligible Enrollees	Number of Newly Eligible Enrollees	130,400	150,000
	PMPY Cost	$983	$4,350
	Total Cost of Newly Eligible Enrollees	***$128,200,000***	***$652,600,000***
	Newly Eligible FMAP	***100%***	***100%***
	Source of Savings/Revenues	**CY 2014[37]**	**CY 2015**
State Savings From Enhanced Federal Matching Funds[38]	Breast and Cervical Cancer Treatment Program	$25,000	N/A
	Family Planning	$6,000	N/A
	Pregnant Women	$3,800,000	N/A
	Total Savings From Enhanced Federal Matching Funds	***$3,831,000***	***N/A***
Total West Virginia Savings and Revenues Related to Expansion		***$3,831,000***	***N/A***
West Virginia's State-Only Medicaid Budget		***$933,000,000***	***$956,800,000***
West Virginia's Regular FMAP		***71.09%***	***71.35%***

[28] Washington's state fiscal year begins on July 1; SFY 2014 numbers reflect six months of costs or savings.

[29] This line item reflects an average monthly caseload for first six months of expansion.

[30] Kaiser Family Foundation and Urban Institute, "The Effects of the Medicaid Expansion on State Budgets: An Early Look in Select States," (March 2015). Available online at: http://kff.org/medicaid/issue-brief/the-effects-of-the-medicaid-expansion-on-state-budgets-an-early-look-in-select-states/.

[31] Savings for pregnant women were sourced from interviews with State budget officials.

[32] This line item reflects savings from transitioning the State's Medical Care Services, ADATSA and Basic Health Plan program enrollees into the new adult group.

[33] Savings reflect FMAP of 75%, increased from 50%.

[34] Kaiser Family Foundation and Urban Institute, "The Effects of the Medicaid Expansion on State Budgets: An Early Look in Select States," (March 2015). Available online at: http://kff.org/medicaid/issue-brief/the-effects-of-the-medicaid-expansion-on-state-budgets-an-early-look-in-select-states/.

[35] Figure reflects savings for programs related to long term care, developmental disability and labor and industries programs outside of Medicaid.

[36] Id.

[37] West Virginia's analysis of savings related to expansion reflects reductions in CY 2014 spending compared to CY 2013 spending.

[38] All savings figures are estimates based on assumptions regarding the reduction in these Medicaid populations and average cost per enrollee.

OREGON		CY 2014	CY 2015
Cost of Newly Eligible Enrollees	Number of Newly Eligible Enrollees	328,000	315,000
	PMPY Cost	$7,000	$7,100
	Total Cost of Newly Eligible Enrollees	***$2,280,000,000***	***$2,240,000,000***
	Newly Eligible FMAP	***100%***	***100%***
	Source of Savings/Revenues	**CY 2014**	**CY 2015**
State Savings From Enhanced Federal Matching Funds	Adult Waiver Populations[39]	$137,500,000	$137,500,000
	Disabled Adults[40]	N/A	N/A
	Total Savings From Enhanced Federal Matching Funds	***$137,500,000***	***$137,500,000***
Total Oregon Savings and Revenues Related to Expansion		***$137,500,000***	***$137,500,000***
Oregon's State-Only Medicaid Budget		***N/A***	***N/A***
Oregon's Regular FMAP		***63.14%***	***64.06%***

NEW MEXICO	Source of Savings/Revenues	CY 2014	CY 2015
Estimated Revenue Gains	Revenue From Insurer Assessment[41]	$30,000,000	$30,000,000
	Total Revenue Gains	***$30,000,000***	***$30,000,000***
Total New Mexico Savings and Revenues Related to Expansion		***$30,000,000***	***$30,000,000***
New Mexico's State-Only Medicaid Budget		***$1,100,000,000***	***$1,100,000,000***

Index of Savings and Revenue Opportunities Identified in Expansion States

STATE SAVINGS FROM ACCESSING ENHANCED FEDERAL MATCHING FUNDS

- **Adults Enrolled Through Waivers.** Many states have used 1115 waivers to provide limited-benefit coverage to childless adults or parents who were not otherwise Medicaid-eligible. If they did not qualify for full Medicaid benefits under pre-ACA rules, these individuals are eligible for full Medicaid coverage in the new adult group and the state is able to secure enhanced federal matching funds on their behalf. Similarly, some individuals who previously might have become eligible for Medicaid waivers under pre-ACA rules no longer do so as a result of the Medicaid expansion, and will now secure coverage through the new adult group, for which the state may secure enhanced federal matching funds for the cost of their care.
- **Breast and Cervical Cancer Treatment Program.** States may cover individuals who are in need of treatment for breast or cervical cancer through the Breast and Cervical Cancer Treatment Program.[42] To be eligible, individuals must be under age 65 and uninsured or not otherwise eligible for Medicaid. Individuals receive full Medicaid coverage during the period that they need cancer treatment. State expenditures are matched at the state's Children's Health Insurance Program (CHIP) enhanced federal match rate. In expansion states, individuals with incomes below 138 percent of the federal poverty level (FPL) who might previously have been found eligible through the Breast and Cervical Cancer Treatment Program, often end up being covered as a newly-eligible adult prior to their diagnosis.
- **Disabled Individuals.** Prior to the expansion of Medicaid eligibility, individuals who were disabled were able to secure coverage under the category range of disability-based Medicaid categories. To be eligible under these categories, individuals are required to be low-income, and to seek either a federal or state disability determination. States receive their regular FMAP for these eligibility groups. In expansion states, individuals with incomes up to 138 percent of the FPL are eligible for Medicaid under the new adult group without a disability determination. As a result, individuals who previously sought a disability determination solely to secure health coverage no longer must do so in Medicaid expansion states, resulting in fewer individuals enrolled in the Disabled category at the regular match.

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[39] This line item reflects savings from transitioning roughly 60,000 Oregon Health Plan Standard enrollees into the new adult group.

[40] While Oregon has not yet accounted for savings from reductions in spending on disabled populations in their budget projections, the state has seen a dramatic drop in disability determination applications, from 7,000 in 2013 to 1,400 in 2014.

[41] New Mexico estimates an increase in revenue from premium taxes related to the additional MCO premium revenue for the new adult group under expansion.

[42] 42 U.S.C. 1396a(a)(10)(A)(ii)(XVIII); 1396a(aa).

- **Family Planning Services.** States may offer family planning services to individuals under the Family Planning optional eligibility category or under a waiver. To be eligible, individuals must not be pregnant and may have income up to the income eligibility limit for pregnant women. States receive an enhanced federal match of 90 percent for family planning services and the state's regular federal match for family planning-related services such as treatment for sexually transmitted diseases.[43] Individuals with income below 138 percent of the FPL who might have qualified for Family Planning coverage now often end up enrolled in the new adult group with the enhanced federal matching rate.

- **Medically Needy Spend Down Program.** States have the option of covering individuals through a medically needy program.[44] The medically needy are individuals who are eligible for an eligibility category such as the Aged, Blind, or Disabled, but their income or resources exceed maximum allowable limits. Applicants may become Medicaid-eligible by "spending down" their income to the state's medically needy threshold and submitting incurred medical expenses to the state. States receive the regular federal match for medically needy programs. In expansion states, individuals with incomes above the medically needy threshold, but below 138 percent of the FPL, are eligible for the new adult group.

- **Pregnant Women.** Women who are enrolled in the new adult group and become pregnant remain in the new adult group and are eligible for enhanced federal match until such time that they report their pregnancy (generally at renewal). In addition, some states are evaluating whether to reduce income eligibility limits for pregnant women to 138 percent of the FPL given the availability of federal subsidies in health insurance marketplaces.

- **Tuberculosis Program.** A state may opt to cover non-disabled individuals who are infected with tuberculosis (TB).[45] Eligible individuals may receive coverage limited to their TB treatment such as TB-related prescriptions, physician services, and outpatient hospital treatment. Very few individuals are currently receiving coverage under this Medicaid category. In expansion states, individuals with income below 138 percent of the FPL who have TB will receive coverage under the new adult group.

STATE SAVINGS FROM REPLACING GENERAL FUNDS WITH MEDICAID FUNDS

- **Corrections Savings.** Medicaid's "inmate exclusion" prohibits payment of care of services for any individual who is an inmate of a public institution. However, Medicaid will cover services provided to an inmate during an inpatient stay of at least 24 hours in a medical institution such as an acute care facility.[46] In expansion states, state corrections budgets may be reduced to the extent that newly Medicaid-eligible prisoners are treated in an inpatient medical facility outside of the state correctional system.

- **State Mental Health and Substance Abuse Spending.** States have allocated state and local funding to support mental health and substance abuse treatment for uninsured individuals. In states that expand Medicaid, previously uninsured individuals who were recipients of these state funded mental health and substance abuse services are now eligible for full coverage under the new adult group.

- **Uncompensated Care Funds.** The expansion of Medicaid to adults with incomes up to 138 percent of the FPL has resulted in fewer patients who are unable to pay their medical bills because they are uninsured. As a result, expansion states are able to reduce or repurpose state expenditures for uncompensated care provided by hospitals and other health care providers.

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43 Centers for Medicare and Medicaid Services, "Family Planning Services Option and New Benefit Rules for Benchmark Plans," SMDL#10-013, (July 2, 2010).

44 42 U.S.C. 1396a(a)(10)(C); 42 C.F.R. § 435.300-350.

45 42 U.S.C. 1395a(a)(10)(A(ii)(XII).

46 42 U.S.C. 1396a(a)(29)(A).