

Medicaid Expansion

For discussion on April 12, 2013

Governor Steve Beshear must make an important decision in the upcoming months-whether or not Kentucky should expand Medicaid under the Affordable Care Act?

Beginning in 2014, the Affordable Care Act (ACA) makes federal funding available to provide adults earning up to 133% of the federal poverty level (\$14,856 for an individual; \$30,657 for a family of four in 2012)¹ with health coverage through Medicaid. An estimated 181,000 uninsured adults in Kentucky would be eligible for Medicaid coverage if Kentucky decides to accept the federal funds that have been allocated for this purpose. Under the new law, the federal government will fund 100% of the costs for states to cover newly-eligible adults from 2014 to 2016, and 90% of the costs by 2020.² In upholding the law in June, the Supreme Court ruled that the expansion of Medicaid was an option for states, not a requirement.

With a tight budget and a troubled managed care system, there may be a better option for Kentucky than the traditional Medicaid expansion offered under the ACA. The federal government has recently approved a waiver for Arkansas to use federal Medicaid dollars to buy private insurance coverage for everyone below 133 percent of the federal poverty line.

The [proposed plan](#), which is currently before Arkansas' General Assembly, would have the state pay for private policies for residents with incomes below 133% of the federal poverty level. They would purchase the policies on insurance exchanges that will operate under the ACA starting next January 1, which would avoid the need to expand the existing Medicaid program directly. Florida, Ohio, Louisiana, Maine and Pennsylvania are all looking into this option.

Why would this be beneficial to Kentucky? Privatization can harness market competition to control costs, reduce the need to expand existing Medicaid bureaucracies to administer the expansion, and result in better care.

If Kentucky accepts the traditional Medicaid expansion, everyone that qualifies would be put into the already struggling managed care system, which until changes are made, cannot support the influx.

The Obama administration has actually [encouraged](#) states to consider the Arkansas approach and has provided [information](#) on how they can proceed with applying for a [waiver](#).

¹ <http://www.kff.org/medicaid/upload/7993-02.pdf>

² http://www.kff.org/medicaid/quicktake_aca_medicaid.cfm

