

KANCARE EXPANSION

AN OVERVIEW

Kansas has an opportunity to expand eligibility for KanCare, the state's Medicaid program, to cover an additional 150,000 Kansans. Taking advantage of this opportunity will greatly increase the number of Kansans with insurance coverage, spur economic development and new jobs, provide financial stability to low-income families, and enhance the viability of hospitals and other health care providers. Thirty-six states and the District of Columbia have chosen to expand their Medicaid programs. **It's time for Kansas to join them.**



Medicaid

Medicaid – known as KanCare in Kansas – is a health insurance program that provides coverage to some low-income families and children, pregnant women, the elderly, and people with disabilities. It covers a broad range of health care services and is a key source of financing for hospitals, physicians, community health centers, nursing homes, and other providers.

The administration of Medicaid is shared by states and the federal government. States have broad flexibility to design their own programs, subject to federal guidelines. In Kansas, this flexibility has been exercised to greatly limit program eligibility and to require that all enrollees receive services through managed care organizations (MCOs).

Financing is also shared by the state and federal governments. In Kansas, the federal government covers 55% of program costs, with the remaining 45% financed by the state.

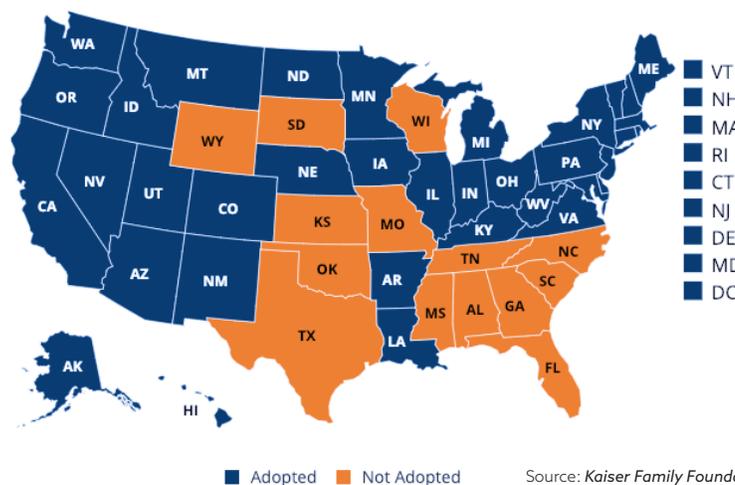
More than 400,000 Kansans, mostly children, are enrolled in KanCare. Eligibility for the program is dependent on income and Kansas has among the strictest eligibility requirements in the nation.

In Kansas, non-disabled adults without children are not eligible for KanCare regardless of income. Parents with dependent children are eligible only if their income is below 38% of the federal poverty level (FPL) – \$8,105 per year, or \$675 per month, for a family of three. To put this income level into perspective, a single mother with two children who works a minimum wage job for 22 hours per week, just slightly more than half-time, would make too much to be eligible for KanCare. As a result, thousands of hardworking Kansans are not eligible for KanCare and are uninsured.

KanCare Expansion and the Coverage Gap

States have always had the flexibility to expand Medicaid eligibility to higher income populations. Historically, however, this expansion was financed at the state's existing federal match rate. So, in Kansas, the state would have paid 45% of all expansion costs.

Status of State Action on the Medicaid Expansion Decision



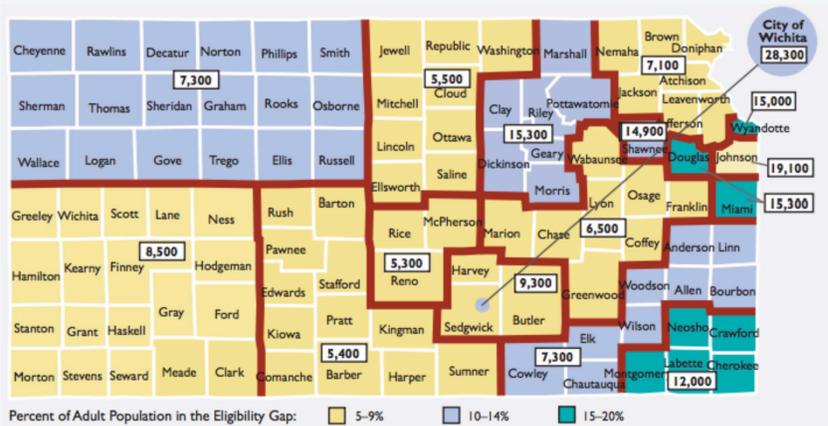
Source: Kaiser Family Foundation

Since 2014, however, states have had the opportunity to expand eligibility under much more favorable financial terms.

States can now expand Medicaid eligibility to 138% FPL – \$29,435 annually for a family of three – at little direct cost. Under federal law, states will never pay more than 10% of the costs of the expansion, a considerable savings from current state-federal match rates for Medicaid.

KanCare expansion would allow Kansas to fill a coverage gap that leaves tens of thousands of Kansans uninsured. Under the Affordable Care Act (ACA), those with income from 100-400% FPL are eligible for tax credits and subsidies to help them purchase private insurance coverage. All those with income below this level were to be covered by an expanded Medicaid program. The U.S. Supreme Court, however, ruled that Medicaid expansion was optional. So, the choice to expand was left to the states.

Estimated Number and Percent of Kansas Adults (Age 19-64) in the Eligibility Gap by Region, 2009-2011



Note: The U.S. Census Bureau determines Public Use Microdata Areas reported here.
Source: KHI Analysis of 2009-2011 American Community Survey Three-year Public Use Microdata Sample

To date, 36 states and DC have taken advantage of the opportunity to expand their Medicaid programs. Kansas, unfortunately, is not among them. As a result, 150,000 Kansans are caught in a cruel coverage gap – they earn too much to be eligible for the current KanCare program, but not enough to qualify for financial assistance to purchase private coverage. As a result, despite the fact that a majority are employed, most of these Kansans are uninsured and without options for affordable health care coverage.

Impact of KanCare Expansion

Kansans would benefit greatly from the expansion of KanCare. First and foremost, tens of thousands of Kansans would gain health care coverage. Beyond enhancing coverage, expanding KanCare provides a number of other health, economic, and community benefits.

Economy and Jobs

KanCare expansion is a pro-growth policy that will return nearly \$700 million in Kansans' federal tax dollars to the state each year. These funds will ripple through the state and local economies, creating millions of dollars of economic growth and more than 3,800 new jobs. Foregoing expansion has cost the state of Kansas more than \$3 billion in federal funding to date, a total that increases by \$1.8 million every day.

Medicaid expansion creates positive results for state budgets. Expansion states experience growth in jobs and economic activity and, as a result, enhanced state revenue. With expanded coverage, some social and health services are no longer needed, so state spending on these services declines. The state of Kansas also generates revenue through the KanCare program via MCO privilege fees and pharmaceutical rebates. Higher enrollment means more revenue.

KanCare expansion will save rural hospitals, many of which are in crisis. In Kansas, two rural hospitals have closed in recent years and more than 30 others are financially vulnerable. Due in part to high uncompensated care as a result of the state's failure to expand KanCare and thus enhance hospital revenue, many of these facilities are in danger of closure.

The closure of a hospital affects a rural community in many ways beyond the loss of access to health care and emergency services. In addition to being the anchor of rural health systems, hospitals are among the largest employers in their communities and a key foundation of economic growth and development. Communities without a hospital are at a profound disadvantage in attracting new businesses and new residents. KanCare expansion is a key factor in creating a positive policy environment for economic growth and opportunity in rural Kansas.

Hospitals in states that have expanded their Medicaid programs immediately increase their base of covered patients and experience deep declines in uncompensated care. The large majority of hospital closures in recent years have occurred in states that have not accepted expansion. Hospitals in these states are six times more likely to close than hospitals in expansion states.

Financial Security and Affordability for Families

KanCare expansion will protect Kansans from the high cost of health care and provide financial security for Kansas families. When health costs are covered, families do not accumulate medical debt, the leading cause of bankruptcy. They are more able to pay off other debts and less likely to take on high interest payday loans. Their credit scores increase, enhancing access to better jobs and housing. In states that have taken advantage of this opportunity, Medicaid expansion is a proven path out of poverty.

Expansion has a favorable impact on the cost of private marketplace insurance plans. Premiums for these plans in expansion states are lower than in states that have not expanded Medicaid.

IMPACT OF EXPANSION ON STATE ECONOMIES

MICHIGAN

- 30,000 NEW JOBS
- INCREASES PERSONAL INCOME BY \$2 BILLION PER YEAR
- GENERATES \$150 MILLION ANNUALLY IN NEW STATE REVENUE.

LOUISIANA

- 19,000 NEW JOBS
- STATE TAX RECEIPTS OF \$103 MILLION ANNUALLY
- LOCAL TAX RECEIPTS OF \$75 MILLION ANNUALLY
- INCREASE IN BUSINESS ACTIVITY OF \$3.5 BILLION
- INCREASE IN PERSONAL INCOME OF \$1.1 BILLION

COLORADO

- 31,000 NEW JOBS
- INCREASE IN STATE DOMESTIC PRODUCT OF \$3.8 BILLION
- INCREASE IN ANNUAL HOUSEHOLD EARNINGS OF \$643

MONTANA

- 5,000 NEW JOBS
- GROWTH IN PERSONAL INCOME OF \$270 MILLION

Medicaid is also a key support in helping people work. Healthy workers are more productive and unmet need for health care hinders employment. Surveys in states that have expanded Medicaid demonstrate that health coverage makes it easier for people to work or look for work.



Medicaid expansion was associated with improved hospital financial performance and substantially lower likelihoods of closure, especially in rural markets and counties with large numbers of uninsured adults before Medicaid expansion.”

Source:
R. Lindrooth et al. Understanding The Relationship Between Medicaid Expansions And Hospital Closures, Health Affairs 37(1), January 2018.

Healthy Kansans

KanCare expansion will improve the health of Kansans. People with health coverage are less likely to delay medical care due to cost and more likely to get care when they need it. They are better able to access treatment for mental health and substance use disorders. Those with coverage are healthier than those without it. And, in previous expansions, state mortality rates have declined. Medicaid coverage saves lives.

Conclusion

KanCare expansion would close the coverage gap in Kansas, providing comprehensive insurance and financial protection for 150,000 Kansans, most of whom are in working families. By bringing hundreds of millions of Kansans' federal tax dollars back home each year, expansion would create economic opportunity and thousands of new jobs. It would bring much needed revenue to rural hospitals and rural communities and provide financial stability for Kansas families.

Kansas has already forfeited more than \$3 billion in federal funding. We can't afford to wait any longer. It's time to **expand KanCare now!**

Sources for the data in this report can be found at www.expandKanCare.com/KanCareExpansionSource



ALLIANCE FOR A
HEALTHY KANSAS