

# MEDICAID EXPANSION

## IMPROVING HEALTH & STABILITY, REDUCING COSTS & HOMELESSNESS

NATIONAL  
HEALTH CARE  
for the  
HOMELESS  
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The Supreme Court decision giving states the option to extend Medicaid eligibility to most adults earning at or below 138% of the federal poverty level (FPL) has led to a discussion over the costs and benefits of the program itself and the merits of expansion. Lost in this debate has been the poor health status of those newly eligible—which include many of those experiencing homelessness—and the opportunities for a more healthy and productive life offered through Medicaid. Foregoing the Medicaid expansion extends beyond politics, and has a direct impact on the life, health, and economic stability of both individuals and states. To fully consider the impact Medicaid expansion would have on states, it is necessary to consider the connection between poor health and poverty, the demonstrated benefits of Medicaid, and the cost savings that states can realize from full implementation of the expansion option.

### Medicaid expansion is critical to improve the health of people without homes

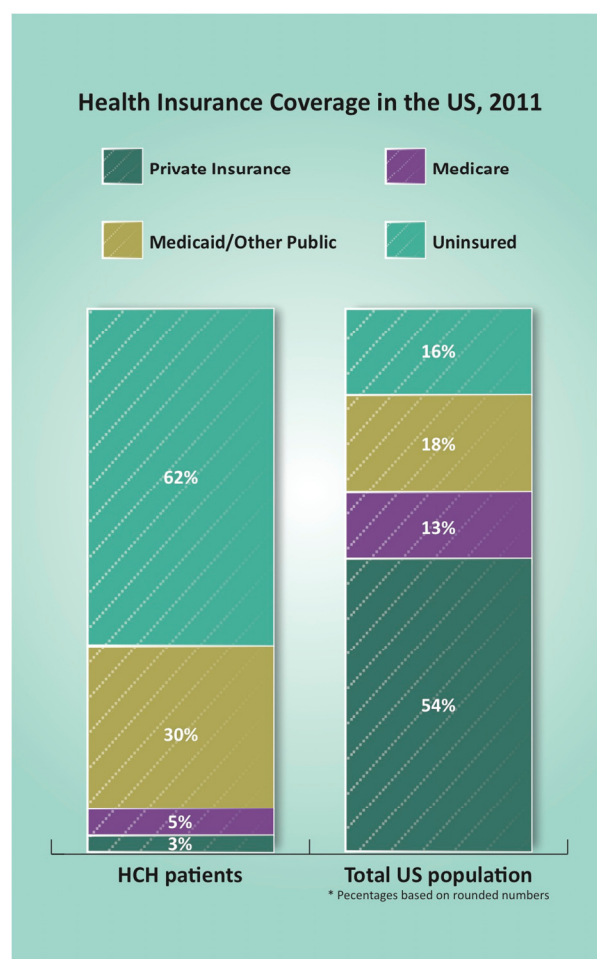
Poor nutrition, inadequate hygiene, exposure to violence and weather-related illness and injury, increased risk of contracting communicable diseases, and the constant stress of housing instability all contribute to poor health; poor access to health care services exacerbates these circumstances.<sup>1</sup> Without housing and health care, simple cuts become infected, routine colds develop into pneumonia, and manageable chronic diseases such as asthma, hypertension, diabetes, and HIV become disabling, life-threatening and costly conditions. Medicaid provides the consistent health coverage needed to prevent and treat the health issues of individuals experiencing homelessness and remains the primary health insurance option open to those living in poverty.

### People without homes have poor health:

- Die 30 years earlier than their housed counterparts.<sup>2</sup>
- Suffer injury 3-6 times the rate of general population.<sup>3</sup>
- In January 2010, 26% of shelter population was found to have severe mental illness and 35% to have a substance use disorder, often co-occurring.<sup>4</sup>

### People without homes are largely uninsured:

- 62% of patients served by Health Care for the Homeless projects were uninsured in 2011, much higher than the general population (see figure above).<sup>5</sup>
- Adults without dependent children or a disability are ineligible for Medicaid in most states.



Source: Kaiser Family Foundation, State Health Facts; HRSA, 2011 National Homeless Data.

### **Medicaid expansion is the only coverage option for people without homes:**

- Nearly all those experiencing homelessness are under 100% FPL and thus, unable to afford insurance and ineligible for subsidies in the state-based health exchanges.
- Demonstrating disability is often needed to qualify for Medicaid, but the determination process is especially difficult for people without homes. They are only successful on their first application 10-15% of the time.<sup>6</sup>

### **Medicaid provides effective health coverage:**

- States that have previously expanded Medicaid to adults have had significant reductions in mortality.<sup>7</sup>
- The Oregon Health Study found Medicaid coverage resulted in significant increases in having a regular source of care, using preventive services, and reporting improved health status.<sup>8</sup>
- Medicaid beneficiaries report health care access comparable to those with private health insurance.<sup>9</sup>

### **Medicaid expansion is critical to maintain or regain stability**

Homelessness is often the result of a downward spiral: illness results in loss of employment—and in turn, income, housing, and health coverage (if offered in the first place). Reliable coverage through Medicaid can break this cycle before it starts. Individuals can receive regular treatment for chronic conditions before they become disabling, prevent chronic illnesses from developing, and access needed behavioral health services. Additionally, Medicaid provides financial security both to those suffering with a chronic illness or those struck with a sudden, catastrophic injury or illness. For those on the street for many years, regaining stability is more challenging, often requiring intensive supportive services only available either through small targeted programs or through Medicaid. Expansion can help make these models of support more widely available, thus increasing housing stability and reducing homelessness.

### **Medicaid improves financial security and helps prevent homelessness:**

- 62% of personal bankruptcies are caused by medical debt.<sup>10</sup>
- Medicaid reduces by 40% the need to borrow money or skip payments due to medical expenses.<sup>11</sup>
- Medicaid reduces by 25% the chance someone will have medical bills referred to a collection agency.<sup>12</sup>

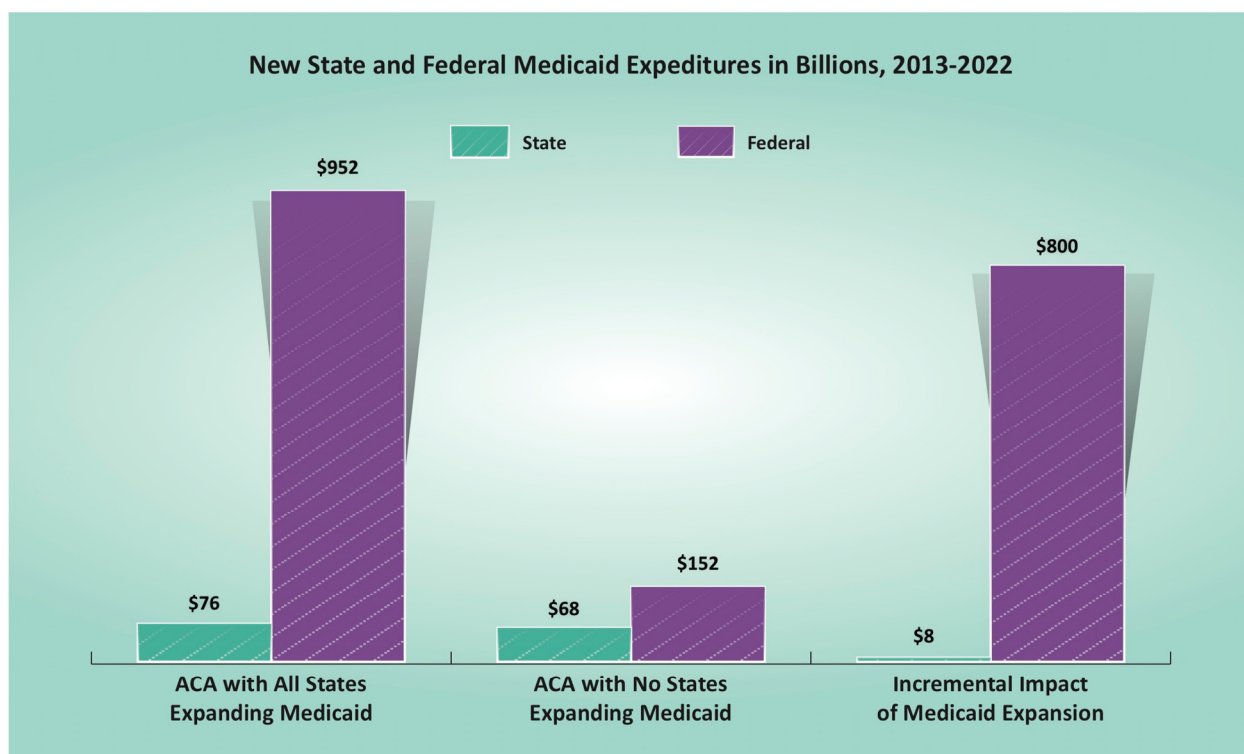
### **Medicaid expansion will stabilize health and reduce homelessness:**

- Medicaid improves care coordination by providing access to specialists, needed surgery, and other ambulatory care not typically offered by providers that may be accessible to those without coverage.
- Disabled people who want to return to work currently risk losing insurance due to employment income, a significant impediment to re-entering the workforce.<sup>13</sup> Medicaid expansion solves this problem.
- Access to behavioral health treatment increases worker productivity and decreases absenteeism.<sup>14</sup>
- Medicaid expansion can improve access to permanent supportive housing programs, shown to improve health status and mental health outcomes, reduce substance use, and increase survival rates for people with HIV.<sup>15</sup> After one year, 83% remain in housing; after two, 77% remain housed.<sup>16</sup>

### **Medicaid expansion is critical to improve state budgets & lower health care costs**

The federal government is providing the vast majority of funding needed for Medicaid expansion. A recent Kaiser Family Foundation analysis found the difference in state Medicaid spending between all states expanding and none to be \$8 billion over ten years, a 0.3% increase (see **figure next page**). This 0.3% increase in state spending would result in nearly \$1 trillion new federal spending and approximately 16 million residents obtaining coverage.<sup>17</sup> One reason for this small increase is the ‘woodwork effect’, meaning the publicity of the ACA insurance expansions will lead currently eligible individuals to apply for Medicaid coverage (likely to occur regardless a state’s decision on expansion). Another reason is that states

will save on uncompensated care when more residents have Medicaid coverage. Beyond replacing current state funds with federal funds, many other potential areas of states savings exist such as increased economic activity, increased health industry jobs, and reduced spending on hospitalization and criminal justice for individuals with severe behavioral health needs who obtain Medicaid coverage.



Source: Kaiser Family Foundation, *The Cost and Coverage Implications of the ACA Medicaid Expansion* (Nov. 2012).

### Medicaid expansion will lower state costs:

- States who have expanded either full or limited Medicaid benefits prior to the ACA will see a \$66 billion savings through 2019 from enhanced federal funding for these groups.<sup>18</sup>
- State spending for uncompensated care will be reduced as much as 50%, or \$26-\$52 billion.<sup>19</sup>
- Supplanting state and local mental health funds with Medicaid reimbursement will save \$20-40 billion through 2019.<sup>20</sup> States have cut mental health funding \$4.6 billion from 2009-2012.<sup>21</sup>
- Medicaid expansion will promote higher quality care through models such as patient-centered medical homes, health homes and permanent supportive housing. Several studies found permanent supportive housing reduced per-patient costs 40% or more through reduced hospital and criminal justice costs.<sup>22</sup>

### Medicaid expansion will increase economic activity:

- Medicaid expansion will add new jobs for doctors, administrators, social workers, support staff, construction workers and others. Numerous state-level studies have shown tens of thousands of jobs created through Medicaid Expansion; estimates include 26,000 jobs in Virginia and 24,000 in Missouri in 2014 alone.<sup>23,24</sup>
- Federal Medicaid dollars will have multiplier effect, resulting in more revenue and healthier businesses.<sup>25</sup>
- The financial stability of key health care providers such as hospitals will be much improved, allowing for service expansion and improved community health. Hospitals in particular are depending on Medicaid expansion to offset an \$18 billion reduction in uncompensated care payments through 2020.
- A healthier workforce makes for healthier businesses and a more stable state economy. Employers spend on average \$33 billion per year in lost work and productivity due to depression alone.<sup>26</sup> Better access to treatment will reduce these costs and improve productivity.

# Medicaid expansion is an opportunity to improve health, improve financial security, increase economic activity, reduce costs, and reduce the burdens and incidence of homelessness.

## All states should fully expand Medicaid starting January 1, 2014.

### Notes:

<sup>1</sup> Institute of Medicine (IOM). (1988.) Homelessness, Health, and Human Needs. Washington, DC: The National Academies Press.

<sup>2</sup> O'Connell, J. (2005.) Premature Mortality in Homeless Populations: A Review of the Literature, Nashville: National Health Care for the Homeless Council, Inc.

<sup>3</sup> IOM, 1988.

<sup>4</sup> U.S. Department of Housing and Urban Development (HUD). (2011.) The 2010 Annual Homeless Assessment Report to Congress. Washington, DC. Available at: <https://www.onecpd.info/resources/documents/2010homelessassessmentreport.pdf>.

<sup>5</sup> UDS 2011 Health Resources and Services Administration (HRSA). Uniform Data System (UDS) 2011. Available at: <http://bphc.hrsa.gov/uds/view.aspx?fd=ho&year=2011>.

<sup>6</sup> Dennis, D., Lassiter, M., Connelly, W.H., and Lupfer, K.S. (2011.) Helping adults who are homeless gain disability benefits: The SSI/SSDI Outreach, Access, and Recovery (SOAR) program. *Psychiatric Services*, 62(11): 1373-1376. Available at: [http://www.prainc.com/SOAR/library/pdfs/SOAR\\_Psych\\_Services\\_2011.pdf](http://www.prainc.com/SOAR/library/pdfs/SOAR_Psych_Services_2011.pdf).

<sup>7</sup> Sommers, B. D., Baicker, K., and Epstein, A.M. (2012.) Mortality and Access to Care among Adults after State Medicaid Expansions. *New England Journal of Medicine*, 367(11): 1025-1034. Available at: <http://www.nejm.org/doi/full/10.1056/NEJMsa1202099#t=article>.

<sup>8</sup> Finkelstein A, Taubman S, Wright B, et al. (July, 2011.) The Oregon health insurance experiment: evidence from the first year. NBER working paper no. 17190. Cambridge, MA: National Bureau of Economic Research (NBER). Available at: [http://www.nber.org/papers/w17190.pdf?new\\_window=1](http://www.nber.org/papers/w17190.pdf?new_window=1).

<sup>9</sup> GAO. States Made Multiple Program Changes, and Beneficiaries Generally Reported Access Comparable to Private Insurance. GAO-13-55, Nov 15, 2012. Available at: <http://gao.gov/assets/650/649788.pdf>.

<sup>10</sup> Himmelstein, D.U., Thorne, D., Warren, E., and Woolhandler, S. (February 2009.) "Medical Bankruptcy in the United States, 2007: Results of a National Study." *The American Journal of Medicine*, 122(8): 741-6.

<sup>11</sup> Finkelstein, A., et al, July 2011.

<sup>12</sup> Ibid.

<sup>13</sup> Drake, R.E., Skinner, J.S., Bond, G.R., and Goldman, H.H. (2009.) Social Security and Mental Illness: Reducing Disability With Supported Employment. *Health Affairs*, 28(3): 761-770. Available at: <http://content.healthaffairs.org/content/28/3/761.long>.

<sup>14</sup> Langlieb, A.M. and Kahn, J.P. (November 2005.) How Much Does Quality Mental Health Care Profit Employers? *Journal of Occupational and Environmental Medicine*, 47(11).

<sup>15</sup> Nardone, M., Cho, R., and Moses, K. (June 2012.) Medicaid-Financed Services in Supportive Housing for High-Need Homeless Beneficiaries: The Business Case. Center for Health Care Strategies. Available at [http://www.csh.org/wp-content/uploads/2012/06/SH-Medicaid-Bz-Case\\_Final.pdf](http://www.csh.org/wp-content/uploads/2012/06/SH-Medicaid-Bz-Case_Final.pdf).

<sup>16</sup> Barrow, S., Soto, G., and Cordova, P. (February 2004.) Final Report on the Evaluation of the Closer to Home Initiative, Corporation for Supportive Housing. Available at: [http://www.csh.org/wp-content/uploads/2011/12/Report\\_cth\\_final1.pdf](http://www.csh.org/wp-content/uploads/2011/12/Report_cth_final1.pdf).

<sup>17</sup> Holahan, J., Buettgens, M., Carroll, C., and Dorn, S. (November 2012.) The Cost and Coverage Implications of the ACA Medicaid Expansion: National and State-by-State Analysis. Prepared by the Urban Institute for the Kaiser Commission on Medicaid and the Uninsured. Available at: <http://www.kff.org/medicaid/upload/8384.pdf>.

<sup>18</sup> Buettgens, M., Dorn, S., and Carroll, C. (July 2011.) Consider Savings as Well as Costs: State Governments Would Spend at Least \$90 Billion Less With the ACA than Without It from 2014 to 2019. The Urban Institute. Available at: <http://www.urban.org/uploadedpdf/412361-consider-savings.pdf>.

<sup>19</sup> Ibid.

<sup>20</sup> Dorn, S. and Buettgens, M. (December 2010.) Net Effects of the Affordable Care Act on State Budgets. Prepared by the Urban Institute for First Focus. Available at: <http://www.urban.org/UploadedPDF/1001480-Affordable-Care-Act.pdf>.

<sup>21</sup> Miller, J., Lentz, C., Maududi, N., and Harding, J. (December 2012.) The Waterfall Effect: Transformative Impacts of Medicaid Expansion on States. National Association of State Mental Health Program Directors. Available at: <http://www.nasmhpd.org/docs/publications/NASMHPDMedicaidExpansionReportFinal.pdf>.

<sup>22</sup> Nardone, M., et al, June 2012.

<sup>23</sup> Chmura Economic and Analytics. (December 2012.) The Economic Impact of Medicaid Expansion on Virginia's Economy. Prepared for the Virginia Hospital and Healthcare Association. Available at: <http://www.vhha.com/documents.html?id=845>.

<sup>24</sup> University of Missouri School of Medicine: Department of Health Management and Informatics and Dobson DaVanzo & Associates, LLC, Vienna, VA. (November 2012.) The Economic Impacts of Medicaid Expansion on Missouri. Prepared for the Missouri Hospital Association. Available at: [http://web.mhanet.com/uploads/media/MU\\_Medicaid\\_Expansion\\_Economic\\_Report.pdf](http://web.mhanet.com/uploads/media/MU_Medicaid_Expansion_Economic_Report.pdf).

<sup>25</sup> Nardone, M., et al, June 2012.

<sup>26</sup> Langlieb, A.M. and Kahn, J.P. How Much Does Quality Mental Health Care Profit Employers? *Journal of Occupational and Environmental Medicine*, 47(11).