

TO: All Parties Interested in Florida’s Medicaid Expansion Decision
FROM: Florida Center for Fiscal and Economic Policy
Florida CHAIN
DATE: February 18, 2013
RE: “Lessons” from Early Medicaid Expansions in Arizona and Maine Rely on Misrepresentations, Ignorance of the Larger Context, and Irrelevant Comparisons

Summary:

Claims by opponents of the Affordable Care Act (ACA) that the early Medicaid expansion experiences in Arizona and Maine supposedly prove that the ACA Medicaid expansion is too risky a proposition for Florida are unsubstantiated, irrelevant, and in fact false. Furthermore, the “lessons” that these states supposedly learned, as related by critics, are based solely on misrepresented, selective, and incomplete information. Specifically, their conclusions were only possible as a result of:

- Inaccurate portrayal of these expansions as vast “money pits” that far exceeded cost projections without reducing uninsurance
- Deliberate presentation of cost and enrollment data in a vacuum, completely ignoring consideration of events much larger than expansion, particularly overall population growth and the recession
- Unswerving reliance on original forecasts of expansion impacts that contained readily identifiable and correctable errors, as well as persistent reference to them a decade later as “evidence” that expansion impacts cannot be projected with any reasonable accuracy

Extending Medicaid to provide much-needed health coverage for low-income, uninsured Floridians at a cost to the state of pennies on the dollar makes eminent sense for Florida. By contrast, reliance on skewed and flawed conclusions about what occurred in Arizona and Maine makes no sense. Using such misinformation as a basis for rejecting Medicaid expansion in Florida would be both irresponsible and harmful to the state’s interests.

Statement #1: Childless adults cost considerably more to cover [than parents].

Response:

Opponents of expansion are confusing two very different cost comparisons, and missing the real point. The cost comparison they focus on is only one part of a much bigger picture. A childless adult may be somewhat more expensive to cover than a parent on average, but Newly Eligible recipients would actually *reduce* the cost per person of Florida Medicaid.

(It should be noted that the claim that a childless adult will likely cost more than a parent on average is likely accurate. Uninsured childless adults tend to be older than parents and have gone longer without coverage than parents. HOWEVER, this is only one part of a much larger question.)

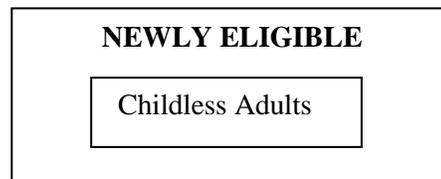
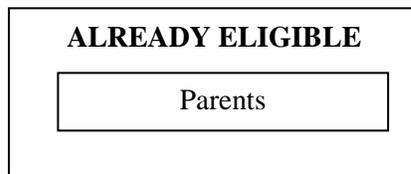
To draw an analogy with basketball, it makes no sense to focus only on the question of which team scored more points in the 3rd quarter. What matters is the final score of the full game. In the same way, the fact that, under Medicaid expansion, childless adults cost more perperson than parents is not nearly as important as the fact that

Newly Eligible adults would cost *less* per person than Already Eligible adults.

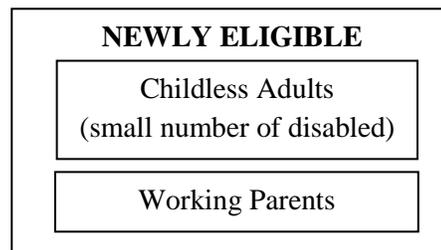
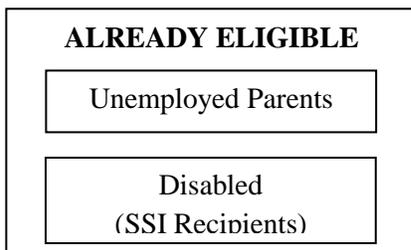
- Already Eligible adults in Florida consist of more than just unemployed parents. They also include poor adults with disabilities who receive SSI payments and automatically qualify for Medicaid. In Florida, almost as many non-elderly adult SSI recipients have Medicaid coverage as parents. This is very significant, because although researchers found that a childless adult costs **60 percent more** on average to cover than a parent, in Florida, an SSI recipient costs **350 percent more**.
- Newly Eligible adults do not include only childless adults. They also include working parents. Among the Newly Eligible in Florida, there are almost as many parents as childless adults.
- Among *all* Floridians who would qualify for Medicaid in 2014 but are not enrolled (both Already Eligible and Newly Eligible), far more disabled and chronically ill Floridians already receive SSI and Medicaid than are uninsured. In addition, the disabled who receive Social Security Disability (but not SSI) will qualify for Medicare after 2½ years and no longer be eligible for Medicaid expansion.

These realities completely change the cost picture, as shown below:

What the Maine and Arizona “Lessons” Imply that Medicaid Expansion Is



What Florida’s Medicaid Expansion Actually Is



Statement #2: The percentage of uninsured residents has not decreased in Maine and Arizona as a result of Medicaid expansion.

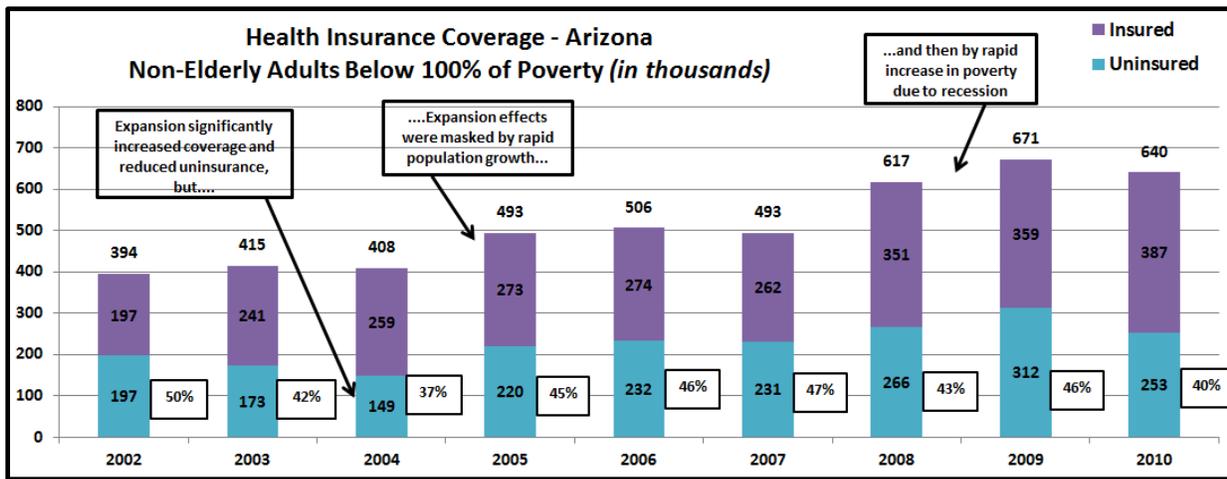
Response: The reality is that Medicaid expansion significantly improved coverage rates and access to care for the target populations in both states. However, opponents of expansion have sought to mask the benefits of expansion by:

- Ignoring big picture realities that materialized after expansion that were beyond states’ control
- Pretending that the effectiveness of an expansion that affected only a small portion of the state’s total population could have a significant impact on the *overall* uninsurance rate
- Intentionally continuing to compare actual numbers to fatally flawed, long outdated projections

Arizona:

In charts he provided to the Senate PPACA Committee on February 11, Mr. Bragdon (Foundation for Government Accountability) based his assessment that Medicaid expansion had not been successful in providing access to coverage by examining total uninsurance rates for the state of Arizona as a whole. Arizona’s expansion was targeted to non-elderly adults at or below the poverty level. However, this group represents less than 10% of Arizona’s total population. The implication that expansion could somehow have significantly reduced the overall percentage of uninsured Arizonans was unreasonable.

Any assessment of the impact of Arizona’s Medicaid expansion is particularly meaningless without consideration of the broader context. Similar to Florida, two different events in the 2000s impacted health coverage rates in Arizona far more significantly than Medicaid expansion: rapid population growth during the first half of the decade and the recession during the second half. Expansion *did* significantly increase coverage among the target population. However, that impact was masked by those far larger events, as depicted below:



Specifically, between 2002 and 2005, the number of poor, non-elderly adult Arizonans with health coverage increased by 76,000. However, the total population of that group increased by 99,000 over the same period. Between 2005 and 2009, the number of poor, non-elderly adult Arizonans with coverage increased by 86,000, but the total size of that group increased by 165,000 during that period, largely because of the recession.

Rapid population growth followed by recession-driven increases in poverty caused the baseline Medicaid-eligible populations in both Florida and Arizona to level off, but they have not yet decreased. As a result, if expansion is approved, the growth in the number of Medicaid-eligible Floridians will not grow at a rate resembling anything seen in the previous decade. Any assertion that those earlier trends have any bearing on the current expansion decision would be irresponsible.

Maine: Prior to expansion in 2002, the projected number of uninsured childless adult Mainers at or below poverty was estimated at 14,800. By March 2003, however, 17,000 childless adult Mainers were enrolled in expanded Medicaid, but Census data shows that about 15,000 were uninsured in that year, yet the total number of non-elderly, poor childless adults did not change significantly during this period. Thus, either the size of the target population more than doubled within one year or the original estimate was grossly inaccurate, with only the latter explanation being plausible.

One factor contributing to the discrepancy in the Maine data may be that these numbers are so small and therefore

difficult to estimate with precision sufficient for planning purposes. The margin of error for such small estimates is high. Florida's forecasts are simply not prone to such high relative error rates.

Another chart provided to the Senate Committee by Mr. Bragdon indicated that total uninsurance rates did in fact drop 1 to 2 percent in Maine in the years following expansion. Since childless, non-elderly adults in poverty constituted only about 4 percent of Maine's total population, a successful expansion effort would be expected to result in such a reduction in the state's overall uninsurance rate , at least until the recession caused significantly more Mainers to fall into poverty.

Statement #3: The "woodwork effect" (enrollment in coverage by adults who were already eligible under pre-expansion rules) was far higher than anticipated in Arizona, and Florida may have a similar experience if it expands Medicaid.

Response: Again, such a claim is only possible if one ignores the larger context and makes inappropriate use of estimates known to be obsolete and deficient.

Medicaid expansion in Arizona was authorized by Proposition 204, which passed in 2000 and took effect in 2001. The claim that the "woodwork effect" of Arizona's expansion was far more pronounced than anticipated was based on a single chart provided by Mr. Bragdon. The chart visually suggested that many more non-expansion parents ultimately enrolled than were thought to even be eligible. A closer look at the underlying numbers is therefore in order:

Actual number of non-expansion parents enrolled (July 2003):	250,200
Actual number of non-expansion parents enrolled (January 2001):	<u>127,100</u>
Actual woodwork effect after 2+ years:	123,100
vs.	
"Estimated" <u>total</u> number of non-expansion parents eligible (2001)	157,600

Why did Arizona project that only 157,600 non-expansion parents would enroll, since 123,100 were already enrolled prior to expansion?

They didn't. Proposition 204 was also on the ballot in Arizona in 1996. At that time, state officials arbitrarily estimated that there were only 30,500 parents who were already eligible but not enrolled. That same 1996 estimate was simply recycled by Arizona in 2000. In creating his chart, Mr. Bragdon simply added that 30,500 figure to the 127,100 who were already enrolled in 2001. He then claimed that this 157,600 total was to be the reference point for all measurement of the woodwork effect, not only for 2001 but from that point forward. So his calculation of how many more parents enrolled than expected was based on misapplication of an estimate that was flawed even when first issued 16 years ago.

In short, woodwork in Arizona's Medicaid expansion didn't exceed reasonable expectations. Rather, the estimate of the expected woodwork effect was based on old, arbitrary, bad, misapplied forecast that was corrected long ago. Such a situation will not arise in Florida.

But didn't Arizona's non-expansion parent population almost double in the first two years?

Yes, but that is in no way an indication that the number of parents in *Florida's* existing Medicaid program population could double as well.

For one, Florida has 400,000 parents already enrolled its primary coverage categories for Medicaid. By contrast, current Census data shows that fewer than 140,000 Florida parents are Already Eligible but not enrolled. Even if every one of them did enroll, that would only increase the group's ranks by 35%. (Most of the Already Eligible in Florida are children.)

In addition, Arizona approved Medicaid expansion during a time of relative prosperity, just before the "dot-com" bubble burst. In 2001-03, immediately following the launch of expansion, not only was Arizona's population growing very rapidly, but the low-income population was growing even faster. Florida is not growing rapidly, and a slow economic recovery is progress.

Statement #4: Arizona's parent expansion population increased from 86,600 in 2005 to 149,800 in 2010 (+73%). Also Arizona's childless adult expansion population increased from 118,100 in 2005 to 226,800 in 2011 (+92%),

Response: These increases are simply a function of the increase in the number of Arizonans living in poverty due to the recession as well as of increased need for safety net coverage due to job and income losses. This increased need obviously could not have been foreseen years before the onset of the recession.

The growth in Medicaid was similar in Florida (which obviously did not expand Medicaid), as the state experienced significant but previously unanticipated increases in enrollment in its existing adult Medicaid categories. In fact, in the Unemployed Parent category of Florida Medicaid, enrollment increased from 101,700 in 2005-06 to 240,200 in 2010-11 (+136%), The Arizona experience therefore sheds no additional insight about what would occur under Medicaid expansion in Florida.

Statement #5: The cost per childless adult in Arizona in 2010 was 2½ times higher than what had been projected in 2000 (supposedly showing that the cost of expansion will exceed original projections).

Response: An additional forecasting mistake that Arizona made back in 2000 was basing its projections of the cost of covering childless adults solely on the cost of coverage for the parent population. In fact, Arizona projected that the costs of coverage for childless adults and parents would be identical.

Florida knows better, and its forecasters have not made this mistake. The state is well aware that the Newly Eligible include a mix of working parents and childless adults, some of whom have disabilities or chronic health problems that make covering them much more expensive. This reality has been factored into Florida's cost estimates already. In fact, because the Social Services Estimating Conference overstated the per-person cost of parent coverage in its projections (by only including women, who are more expensive to cover), Florida's estimate of the cost of coverage for the Newly Eligible is certain to be too high, not too low.