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HARVARD LAW SCHOOL

Expanding Medicaid under the Affordable Care Act: A Factsheet for States

Prepared by the Harvard Law School's
Center for Health Law and Policy Innovation

As states weigh the costs and benefits of expanding Medicaid eligibility under the Patient Protection and Affordable Care Act (ACA), elected officials will consider its implications not only for individual and public health but also state fiscal stability. The following provides an overview of issues that should be considered by states as part of their decision making processes. More detailed information is available at <http://www.law.harvard.edu/academics/clinical/lsc/clinics/health.htm>.

Chronic Disease – Newly eligible beneficiaries will have access to free preventive services, increasing the likelihood that residents get regular testing that prevents onset of many costly diseases as well as reduces the severity of prognosis for those that enroll in early treatment.

Infectious Disease – Expanded access to care reduces the spread of disease by providing a cure or reducing infectiousness (e.g., continuous and comprehensive treatment of HIV not only improves the health of the individual, but also reduces the likelihood of transmitting the virus by 96%).¹

Hospital Solvency – Nationwide expansion of Medicaid eligibility was presumed by the ACA, which incrementally reduces federal payments to hospitals to offset the cost of uncompensated care. Hospitals in states that opt out of the Medicaid expansion will face severe deficits and be forced to close or pass costs onto consumers of private health insurance, inflating premiums.

Federal Funding – Federal dollars will pay for 90-100% of the cost of covering newly eligibles, leaving states to pay no more than 10% at any time. Increased federal funding contributes to state economies – creating jobs and spurring consumer spending. Moreover, residents of states that do not expand will ultimately subsidize the cost of coverage in states that do, via federal taxation.

Net Savings – State spending on newly eligibles will be offset by the savings realized in reduced spending on uncompensated care. Because current Medicaid eligibility standards vary, so too do projected savings, ranging from \$12-19 billion in the first five years of expanding coverage.²

This fact sheet was last updated on July 18, 2012. Questions may be directed to Katherine Record, krecord@law.harvard.edu

¹ Myron S. Cohen et al, *Prevention of HIV-1 Infection with Early Antiretroviral Therapy*, 365 N. ENG. J. MED. 493 (2011).

² Matthew Buettgens, Stan Dorn, & Caitlin Carroll. *Consider Savings as Well as Costs: State Governments Would Spend at Least \$90 Billion Less with the ACA than without it from 2019-2019*, URBAN INSTITUTE & ROBERT WOOD JOHNSON FOUNDATION (2011).