WHAT’S NEW WITH KIDS?

For September 2010

Opting Out of Medicaid Could Leave Many Kids without Health Insurance

In a recent article, “What if States Ditch Medicaid?” in the Washington Post, the author Suzy Khimm wrote that some elected officials in the country have expressed concern over escalating Medicaid program costs to states due to the expected expansion resulting from the Patient Protection and Affordable Care Act. The act “will expand the program rapidly by subsidizing insurance for all Americans up to 133 percent of the poverty line. . .” she said. As a result, some state officials have considered rejecting federal Medicaid funds, particularly as their budgets are strained from a weak economy.

The effects of states opting out of the Medicaid program could be far reaching, as is reported in several state studies, including a Nevada study. The Nevada Department of Health and Human Services (NDHHS) and the Division of Health Care Financing and Policy (DHCFP) conducted an impact analysis of Nevada opting out of the Medicaid program. The results were presented in a January 22, 2010, white paper titled Medicaid Opt-Out. According to the paper, opting out of the Medicaid program could affect: (1) Medicaid recipients (potential loss of health-insurance coverage); (2) state and local government agency funding (as a result of losing Medicaid dollars and cost of providing service to the increased number of uninsured); (3) hospitals, doctors, and dentists (reduction in Medicaid reimbursements); and (4) other state agencies (whose grant funding may be tied to Medicaid participation).

During calendar year 2009, 129,841 Nevada children ages 18 and under were enrolled in Medicaid. As of October 2010, 21,146 children ages 18 and under were enrolled in Nevada Check Up, which most likely would end without Medicaid dollars. Many of these children’s parents/guardians are unlikely to afford private medical insurance. Not many of the low-income families could afford to purchase coverage through the proposed Health Insurance Exchanges.

Medicaid is a state and federal cost-sharing program. In fiscal year 2010, the federal government covered 63.93 percent of the Medicaid costs for children ages 18 and under in Nevada. The state match was 36.07 percent. During this period, the Nevada total Medicaid expenditures for children was about $492,345,827. The federal government’s share was about $314,756,687.
Given the state’s budget crisis and expectations of rising costs under an expanded program, Nevada could look to drop Medicaid. The question is: Would the increase in Medicaid expenditures due to an increase in Medicaid-eligible children, resulting from the new health-care reform, warrant the loss of about 315 million federal Medicaid dollars to Nevada? The answer to the question should be carefully considered. The long-term economic costs of uninsured children to the state could be substantial. When people lose health coverage, they typically wait until they are critically ill before visiting the doctor, a practice that greatly increases the burden on emergency rooms. With emergency rooms supported by tax dollars and by those with health insurance, dropping Medicaid could raise medical costs and create a more severely ill population.

5. “Total cost of coverage MARS [Management Administrative Reporting Subsystem] is the sum all healthcare expenditures, and this financial measure includes Medicaid expenditures for the Fee for Service population and the capitation payments for the HMO enrollees,” Bob Moore, RACC Unit Decision Support Team, Nevada Department of Health and Human Services, data retrieved on 11/17/10 from DSS.
6. Ibid.

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