



THE OBAMACARE COST SHIFT:  
**How Medicaid  
expansion is crowding  
out private insurance**

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# KEY FINDINGS

1

NEARLY 54 PERCENT OF POTENTIAL MEDICAID EXPANSION ENROLLEES ALREADY HAVE PRIVATE COVERAGE.



2

ANOTHER 12 PERCENT OF POTENTIAL ENROLLEES ALREADY HAVE ACCESS TO THE OBAMACARE EXCHANGE.



3

MILLIONS OF ABLE-BODIED ADULTS COULD BE SHIFTED OUT OF PRIVATE INSURANCE AND INTO MEDICAID IF REMAINING NON-EXPANSION STATES EXPANDED.



4

MORE THAN ONE MILLION CHILDREN COULD BE SHIFTED OUT OF PRIVATE INSURANCE IF THEIR PARENTS JOIN MEDICAID.



## BOTTOM LINE:

EXPANDING MEDICAID TO INDIVIDUALS WHO ALREADY HAVE PRIVATE INSURANCE PUTS THE TRULY NEEDY AT RISK.

## Background on ObamaCare expansion

The Affordable Care Act, commonly known as ObamaCare, gives states the option to extend Medicaid to a new class of able-bodied, working-age adults. Prior to this, Medicaid eligibility had traditionally been reserved for the truly needy, such as seniors, individuals with disabilities, and low-income kids. More than 30 states and the District of Columbia have expanded their Medicaid programs under ObamaCare, resulting in massive enrollment and cost overruns.<sup>1-2</sup> Indeed, states have signed up more than twice as many able-bodied adults as projected at a per-person price tag nearly twice as high as projected.<sup>3</sup>

These individuals can qualify for Medicaid coverage, in perpetuity, as long as their incomes stay below 138 percent of the federal poverty level—regardless of whether or not they already have health coverage. A closer look at relevant Census Bureau data suggests that is primarily the case.

**In fact, most potentially eligible adults in the remaining non-expansion states are adults who either already have private health insurance or are eligible for coverage through the ObamaCare exchange.**



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## The majority of potentially eligible adults in non-expansion states already have private coverage

Most able-bodied adults who would become eligible for Medicaid under ObamaCare expansion already have private health insurance. According to the latest federal data, nearly 36 percent of the adults who could become Medicaid-eligible in the remaining non-expansion states currently have private health insurance through an employer.<sup>4,7</sup> Another 18 percent of potentially eligible adults have coverage through the individual market, including on the ObamaCare exchange.<sup>8-10</sup> Altogether, nearly 54 percent of these individuals—or more than half—already have some form of private health insurance, either through employers or through the individual market.

In Missouri, more than 64 percent of potential expansion enrollees already have private insurance. In North Carolina, 63 percent already have private coverage. And in Florida, more than 61 percent of potential ObamaCare expansion enrollees are already privately insured. Choosing to expand Medicaid under ObamaCare would move millions of able-bodied adults off their existing private coverage and into the taxpayer-funded Medicaid program.

In total, millions of the potential Medicaid expansion enrollees in the remaining non-expansion states already have private coverage—all of whom could potentially move over from their current plans and into taxpayer-funded Medicaid, blowing the lid off of state budgets.

## NEARLY 54 PERCENT OF POTENTIAL MEDICAID EXPANSION ENROLLEES ALREADY HAVE PRIVATE INSURANCE

Share of potential Medicaid expansion enrollees with employer-sponsored or individual market coverage, by state

	EMPLOYER-SPONSORED INSURANCE	INDIVIDUAL MARKET INSURANCE	PRIVATE INSURANCE
Alabama	35%	16%	52%
Florida	34%	28%	61%
Georgia	41%	12%	53%
Kansas	38%	15%	54%
Mississippi	34%	14%	48%
Missouri	43%	21%	64%
North Carolina	35%	28%	63%
Oklahoma	46%	14%	60%
South Carolina	29%	18%	48%
South Dakota	39%	16%	55%
Tennessee	38%	12%	51%
Texas	33%	11%	45%
Wisconsin	65%	6%	71%
Wyoming	48%	16%	63%
<b>TOTAL</b>	<b>36%</b>	<b>18%</b>	<b>54%</b>

Source: Authors' calculations

## Another 12 percent of potential enrollees already qualify for exchange plans

Even among those who have remained uninsured, many have access to heavily-subsidized coverage on the ObamaCare exchange. Individuals who are at or above the poverty line qualify for highly-subsidized coverage on the ObamaCare exchange.<sup>11</sup> An individual or family making 100 percent of the federal poverty limit pay just \$21 per month for the benchmark Silver plan on the exchange.<sup>12</sup> If they were to choose a plan with premiums lower than the benchmark plan, their premiums would drop even further—with some plans requiring no premiums at all.<sup>13</sup>

These plans also come with significant subsidies to pay for deductibles, copayments, and other out-of-pocket costs.<sup>14</sup> After accounting for these subsidies, deductibles for Silver plans are as low as \$0 per year in non-expansion states, with nearly a quarter of exchange plans having no deductible for this group of individuals.<sup>15</sup> None of these plans have deductibles more than \$800 per year.<sup>16</sup> Several plans in these states also have no copayments for primary care physicians, generic prescription drugs, and other types of health care services.<sup>17</sup>

More than 12 percent of potential Medicaid expansion enrollees in non-expansion states are uninsured but have incomes above the poverty line that could make them eligible for subsidized plans on the ObamaCare exchange.<sup>18</sup> In some states—such as Wisconsin—*all* uninsured adults who would potentially become eligible under expansion have income above this threshold.<sup>19-20</sup> But if non-expansion states expand, they will be forced to cover these able-bodied adults, shifting the cost of their coverage onto state and federal taxpayers.

**In total, two out of every three potential Medicaid expansion enrollees already have private insurance or could qualify for coverage through the ObamaCare exchange.**



**TWO OUT OF EVERY THREE POTENTIAL MEDICAID EXPANSION ENROLLEES ALREADY HAVE PRIVATE INSURANCE OR COULD QUALIFY FOR COVERAGE THROUGH THE OBAMACARE EXCHANGE**

## MORE THAN 12 PERCENT OF POTENTIAL MEDICAID EXPANSION ENROLLEES ALREADY QUALIFY FOR EXCHANGE SUBSIDIES

Share of potential Medicaid expansion enrollees who are uninsured but meet income qualifications for exchange subsidies

STATE	EXCHANGE ELIGIBLE
Alabama	8%
Florida	8%
Georgia	17%
Kansas	5%
Mississippi	14%
Missouri	12%
North Carolina	11%
Oklahoma	10%
South Carolina	10%
South Dakota	12%
Tennessee	13%
Texas	14%
Wisconsin	29%
Wyoming	11%
<b>TOTAL</b>	<b>12%</b>

Source: Authors' calculations

## Expanding Medicaid to able-bodied adults could shift more than one million kids out of private insurance

In addition to the millions of adults that could be sucked out of private insurance and added to Medicaid, policymakers should be seriously concerned about the number of children who could also be shifted out of private coverage as a result of expansion.



**1.1 MILLION KIDS  
COULD BE SHIFTED  
OUT OF PRIVATE  
INSURANCE AND  
ONTO MEDICAID**

All states cover low-income children through Medicaid or the Children's Health Insurance Program (CHIP), with eligibility ranging from 205 percent to 317 percent of the federal poverty level—the equivalent of up to \$53,000 to \$82,000 per year for a family of four—in non-expansion states.<sup>21</sup> But if more able-bodied adults who currently have private insurance sign up for Medicaid, their children will follow.

Federal regulations dictate that states cannot qualify for enhanced federal matching funds for parents on Medicaid unless their children are already covered by Medicaid or the state has proof of other coverage. The application process also collects information on all family members and encourages individuals to apply for Medicaid even if their children already have health insurance.

**In total, if every remaining state expanded ObamaCare, nearly 1.1 million kids could be shifted out of private insurance and into Medicaid.**

To be clear, these are not kids who are locked out of the insurance market or in need of coverage. These are children who already have private health insurance but could be added to Medicaid as their parents drop their coverage and shift costs to taxpayers.<sup>22</sup>

Policymakers should be gravely concerned about the impact this would have. Every dollar spent on those who already have private insurance is a dollar that could no longer go to help truly needy individuals who currently depend on Medicaid.

## The crowd out has happened before

States that expanded Medicaid before ObamaCare's passage and implementation have seen significant crowd out of private coverage.<sup>23</sup> Rather than reducing the number of people without insurance, these states saw significant drops in the number of individuals with private coverage.<sup>24</sup>

Arizona, for example, expanded Medicaid to able-bodied adults through a voter referendum in 2000.<sup>25</sup> After ten years of operation, the share of Arizona's population on Medicaid had grown by six percentage points.<sup>26</sup> But over that same time, the share of individuals with private insurance coverage dropped by an identical six percentage points.<sup>27</sup>

In 2002, Maine followed suit and expanded eligibility to able-bodied adults through a federal waiver.<sup>28</sup> Ten years later, the share of Mainers covered by Medicaid had grown by seven percentage points, while the share with private health insurance had dropped by seven percentage points.<sup>29</sup>

Similar patterns have played out after other expansions as well.<sup>30</sup> Economists, including ObamaCare architect Jonathan Gruber, have concluded that Medicaid expansions in the late 1990s and early 2000s produced a crowd-out effect of roughly 60 percent.<sup>31</sup> That means that for every ten new Medicaid enrollees, six left private insurance plans.<sup>32</sup> Worse yet, research focusing specifically on the ObamaCare expansion population estimate that the crowd-out rate could reach as high as 82 percent.<sup>33</sup>

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## Medicaid expansion would siphon resources away from the truly needy to provide welfare to able-bodied adults who already have private insurance

Expanding Medicaid in the remaining non-expansion states would crowd millions of able-bodied adults out of private insurance coverage and shift them into taxpayer-funded Medicaid. In fact, nearly two-thirds of these adults either have private coverage already or have access to very low-cost coverage through the ObamaCare exchange. Even worse, this expansion could also shift more than one million kids who currently have private insurance into Medicaid.

Ultimately, ObamaCare’s Medicaid expansion means taking resources away from those who truly need Medicaid in order to fund a welfare expansion for those who already have private coverage.

If policymakers are interested in reducing the uninsured rate, they should look to expand access to short-term plans and association health plans, both of which are projected to help reduce the number of uninsured.<sup>34-35</sup>

Expanding Medicaid to people with private insurance and shifting those costs onto taxpayers is not the answer.

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6. Adults between the ages of 19 and 64 living in households with one or more related children under the age of 18 were assumed to be parents, while adults between the ages of 19 and 64 living in households with no related children under the age of 18 were assumed to be childless adults for purposes of this analysis.
7. Medicaid expansion eligibility was simulated based on whether an individual had income between the current Medicaid eligibility threshold and 138 percent of the federal poverty level and whether they were enrolled in public coverage. Adults enrolled in Medicaid, Medicare, and other forms of public coverage were assumed ineligible for the Medicaid expansion for purposes of this analysis.
8. Authors' calculations based upon data provided by the U.S. Department of Commerce on the number of adults between the ages of 19 and 64 with incomes in the Medicaid expansion eligibility range, disaggregated by state, insurance status, and presence of a related child under the age of 18.
9. In order to avoid duplicated counts of individuals moving between employer-sponsored and individual market coverage, this analysis counts an individual as having individual market coverage if he or she has private coverage and has no form of employer-sponsored coverage.
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