

FORCED INTO WELFARE:

How Medicaid expansion will kick millions of Americans off of private insurance

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KEY FINDINGS

1

MOST POTENTIAL OBAMACARE EXPANSION ENROLLEES IN NON-EXPANSION STATES ALREADY HAVE PRIVATE COVERAGE.



2

OBAMACARE EXPANSION WOULD FORCE MORE THAN TWO MILLION OF THESE INDIVIDUALS OUT OF PRIVATE COVERAGE AND ONTO MEDICAID.



3

STATES THAT RECENTLY EXPANDED OBAMACARE EXPERIENCED A MASSIVE SHIFT FROM PRIVATE COVERAGE TO MEDICAID.



4

OTHER MEDICAID EXPANSIONS HAVE LED TO SIGNIFICANT CROWDING OUT OF PRIVATE COVERAGE.



BOTTOM LINE:

IF STATES EXPAND OBAMACARE, MILLIONS OF ABLE-BODIED ADULTS WILL BE SHIFTED OUT OF PRIVATE INSURANCE AND ONTO MEDICAID.

Background

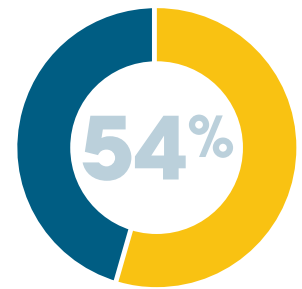
The Affordable Care Act, commonly known as ObamaCare, gives states the option to expand Medicaid to a new class of able-bodied, working-age adults. Before this, Medicaid eligibility had traditionally been reserved for the truly needy, such as seniors, individuals with disabilities, and low-income kids.

States that have expanded their Medicaid programs under ObamaCare have witnessed skyrocketing enrollment and massive cost overruns.¹⁻² States have signed up more than twice as many able-bodied adults as initially projected.³ In many cases, more able-bodied adults signed up for the programs than state officials predicted would ever even be eligible.⁴ Worse yet, the per-person price tag has been nearly twice as high as projected, compounding the cost overruns even further.⁵

Much of the higher-than-expected enrollment has been driven by individuals who already had private insurance or would otherwise qualify for it.⁶ **If the remaining non-expansion states expanded Medicaid under ObamaCare, more than two million able-bodied adults would be shifted out of private coverage and onto Medicaid.**

Most potential ObamaCare expansion enrollees already have private coverage

The vast majority of able-bodied adults who would become eligible for Medicaid under ObamaCare expansion already have private health insurance. A recent analysis concluded that nearly 54 percent of potential Medicaid expansion enrollees were already insured, and in some states, such as Wisconsin, that number was as high as 71 percent.⁷⁻⁸ These figures represent millions of Americans that could potentially move over from their current plans and onto taxpayer-funded Medicaid.



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

ObamaCare expansion would force more than two million individuals out of private coverage

Nearly 2.4 million individuals with income between 100 percent and 150 percent of the federal poverty level (FPL) currently receive federal premium subsidies from the ObamaCare exchange in states that did not expand Medicaid.⁹

The vast majority of exchange enrollees in this income group have income that would fall within the Medicaid expansion guidelines. According to the latest federal data, more than 85 percent of these enrollees have income below 138 percent FPL—the eligibility line for Medicaid expansion.¹⁰

However, individuals who become eligible for Medicaid expansion will automatically lose access to federal premium subsidies. Under federal law, individuals are only eligible for premium subsidies if they are “not eligible for minimum essential coverage,” including government programs such as Medicaid.¹¹ In fact, federal law requires HealthCare.gov to assess these individuals’ eligibility for Medicaid and submit Medicaid applications on their behalf.¹²

This restriction explains why states that have expanded Medicaid under ObamaCare have few exchange enrollees between 100 percent and 150 percent FPL. Only those with income above 138 percent FPL can qualify for subsidies. On average, just 13 percent of exchange enrollees in Medicaid expansion states have incomes between 100 percent and 150 percent FPL.¹³ By contrast, more than 45 percent of exchange enrollees in non-expansion states are in this income range.¹⁴

Based on this data, more than two million individuals with income below the Medicaid expansion eligibility thresholds are currently enrolled in exchange plans in non-expansion states.¹⁵⁻¹⁷ Taxpayers can expect virtually all of these individuals to enroll in Medicaid if the state were to expand ObamaCare because the cost to individuals would be significant, as opposed to “free” Medicaid coverage.

For example, without premium subsidies, these individuals would be required to pay the entire cost of their premiums out of pocket—which averages more than \$650 per month—to stay in their current plans and proactively cancel their automatic Medicaid application. Alternatively, they could let the state enroll them in Medicaid and pay no premiums at all.¹⁸

“According to the latest federal data, more than 85 percent of these enrollees have income below 138 percent FPL—the eligibility line for Medicaid expansion.”



States that recently expanded Medicaid experienced a massive shift from private coverage to Medicaid

In states that have recently expanded Medicaid under ObamaCare, the number of individuals buying private coverage in the exchange has plummeted.

Montana's Medicaid expansion launched on January 1, 2016. In 2015, before the expansion took effect, approximately 17,600 individuals with income between 100 percent and 150 percent FPL were enrolled in the exchange.¹⁹⁻²⁰ Today, exchange enrollment among this group sits at just 4,900—a drop of more than 72 percent.²¹

Similarly, Louisiana expanded Medicaid on July 1, 2016. In early 2016, before the expansion took effect, approximately 97,600 individuals with income between 100 percent and 150 percent FPL were enrolled in the exchange.²² Today, exchange enrollment among this group sits at just 19,200—a drop of more than 80 percent.²³

In both states, thousands of able-bodied adults shifted out of the exchange and onto Medicaid once federal premium subsidies were no longer available. Thousands of individuals purchasing individual market coverage outside of the exchange or insured through an employer-sponsored plan also became eligible for expansion.

This crowd-out likely fueled these states' significant enrollment overruns. Louisiana, for example, predicted just 302,000 adults would sign up for expansion.²⁴⁻²⁵ By July 2019, actual enrollment had reached nearly 455,000.²⁶ Similarly, Montana projected that fewer than 46,000 adults would enroll in its Medicaid expansion.²⁷ However, actual enrollment reached nearly 93,000.²⁸ Both states are now experiencing significant cost overruns, as well.²⁹

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Other Medicaid expansions have led to significant crowding out of private coverage

States that expanded Medicaid before ObamaCare's passage and implementation have also seen significant crowding out of private coverage.³⁰ Rather than reducing the number of people without insurance, these states saw substantial drops in the number of individuals with private coverage.³¹

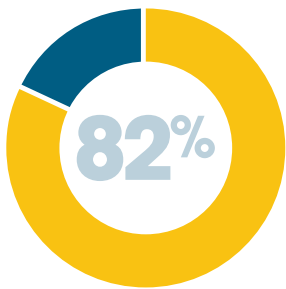
Arizona, for example, expanded Medicaid to able-bodied adults through a 2000 voter referendum.³² After 10 years of operation, the share of Arizona's population on Medicaid had grown by six percentage points.³³ Over that same time, the share of individuals with private insurance coverage dropped by an identical six percentage points.³⁴

In 2002, Maine followed suit and expanded eligibility to able-bodied adults through a federal waiver.³⁵ 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.³⁶

Similar patterns have played out after other expansions as well.³⁷ 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.³⁸ That means that for every 10 new Medicaid enrollees, six left private insurance plans.³⁹ Worse yet, research focusing specifically on the ObamaCare expansion population estimates that the crowd-out rate could reach as high as 82 percent.⁴⁰

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 additional states would crowd millions of able-bodied adults out of private insurance coverage and shift them into taxpayer-funded Medicaid. In fact, most of these adults have private coverage already. Ultimately, ObamaCare's Medicaid expansion means taking resources away from the truly needy to fund a welfare expansion for those who already have private coverage.



THE CROWD-OUT RATE COULD REACH AS HIGH AS 82 PERCENT

APPENDIX 1

NEARLY 2.4 MILLION EXCHANGE ENROLLEES IN NON-EXPANSION STATES HAVE INCOME BETWEEN 100 PERCENT AND 150 PERCENT FPL

Number of exchange enrollees in non-expansion states with incomes between 100 percent and 150 percent FPL, by state, during 2019 open enrollment period

STATE	NUMBER OF ENROLLEES
Alabama	70,951
Florida	981,323
Georgia	219,261
Kansas	28,266
Mississippi	53,009
Missouri	83,499
North Carolina	186,358
Oklahoma	51,744
South Carolina	79,543
South Dakota	7,752
Tennessee	73,392
Texas	474,670
Wisconsin	46,353
Wyoming	5,317
TOTAL	2,361,438

Source: U.S. Department of Health and Human Services

APPENDIX 2

MORE THAN 85 PERCENT OF EXCHANGE ENROLLEES IN NON-EXPANSION STATES WITH INCOME BETWEEN 100 PERCENT AND 150 PERCENT FPL ARE BELOW MEDICAID EXPANSION ELIGIBILITY THRESHOLDS

Exchange enrollees in non-expansion states with incomes below 138 percent FPL as a share of enrollees in non-expansion states with income between 100 percent and 150 percent FPL, by state, during 2016 open enrollment period

STATE	PERCENTAGE OF EXCHANGE ENROLLEES
Alabama	85.2%
Florida	87.2%
Georgia	86.5%
Kansas	81.1%
Mississippi	88.0%
Missouri	83.8%
North Carolina	85.1%
Oklahoma	82.9%
South Carolina	84.8%
South Dakota	79.6%
Tennessee	82.8%
Texas	83.4%
Wisconsin	78.0%
Wyoming	78.8%
TOTAL	85.3%

Source: U.S. Department of Health and Human Services

APPENDIX 3

MORE THAN TWO MILLION EXCHANGE ENROLLEES IN NON-EXPANSION STATES HAVE INCOME BELOW MEDICAID EXPANSION ELIGIBILITY THRESHOLDS

Estimated number of exchange enrollees in non-expansion states with incomes below 138 percent FPL, by state, during 2019 open enrollment period

STATE	NUMBER OF ENROLLEES
Alabama	60,416
Florida	855,285
Georgia	189,737
Kansas	22,924
Mississippi	46,626
Missouri	69,965
North Carolina	158,645
Oklahoma	42,918
South Carolina	67,436
South Dakota	6,172
Tennessee	60,742
Texas	395,832
Wisconsin	36,146
Wyoming	4,190
TOTAL	2,017,034

Source: Authors' calculations

APPENDIX 4

SILVER PLAN PREMIUMS IN NON-EXPANSION STATES AVERAGE MORE THAN \$650 PER MONTH

Average Silver plan premiums in non-expansion states, by state, during 2019 open enrollment period

STATE	AVERAGE PLAN PREMIUM
Alabama	\$699.13
Florida	\$627.39
Georgia	\$621.82
Kansas	\$707.51
Mississippi	\$641.17
Missouri	\$678.20
North Carolina	\$793.66
Oklahoma	\$743.11
South Carolina	\$776.02
South Dakota	\$730.58
Tennessee	\$749.27
Texas	\$587.09
Wisconsin	\$762.78
Wyoming	\$1,143.89
TOTAL	\$652.09

Source: U.S. Department of Health and Human Services

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