

Federal Health Care Funding Makes Dollars and Sense for Maine

Accepting federal funds to expand health coverage will create jobs, boost Maine's economy, and provide health care to thousands of Maine people

This report documents the benefits associated with accepting funding available through the Patient Protection and Affordable Care Act (ACA) to increase health coverage in Maine. Analysis conducted by Maine Equal Justice Partners and the Maine Center for Economic Policy indicates that accepting federal funds to expand health coverage will create jobs, boost Maine's economy, and provide health care to thousands of Maine people.

By 2016, new federal funds will:

- ▶ **Provide health coverage to as many as 69,500 uninsured Maine people.** The majority of these are people who have jobs but not health care coverage.
- ▶ **Stimulate over \$350 million in economic activity** by infusing more than \$250 million of additional federal funding into Maine's economy annually.
- ▶ **Create more than 3,100 jobs here in Maine.**
- ▶ **Generate \$16 to \$18 million in state and local taxes annually.**
- ▶ **Be a bargain for Maine.** The federal government will pay 100 percent of the cost for covering all newly eligible people for the first three years. After that, the state's share would still be considerably smaller than under the current MaineCare program. In addition, Maine can opt out at any time.
- ▶ **Prevent Maine from losing funds set aside by Congress for Maine people.** If the state does not accept these funds, Maine taxpayers will help pay for health coverage in other states, while forgoing the potential benefit of these dollars here in Maine.
- ▶ **Promote a competitive business environment.** States that accept federal funds to increase health coverage will have a competitive advantage over states that do not. Reducing the ranks of the uninsured will lessen health insurance cost-shifts to businesses.
- ▶ **Improve the productivity of Maine's workforce.** When workers resolve health problems more quickly and can better manage chronic illnesses such as asthma and diabetes, they can avoid absences and be more productive.
- ▶ **Be good for rural Mainers.** The potential benefits of accepting federal funds to increase health coverage are more pronounced for residents in rural Maine. For example, in rural Washington County, 13.2 percent of the adult population under age 65 stands to gain coverage compared to 6.6 percent in Cumberland County.
- ▶ **Boost economic activity in counties with a high density of health care jobs.** Approximately 1 out of every 5 jobs in Penobscot, Androscoggin, Aroostook, and Washington Counties are in health care related industries.
- ▶ **Slow the growth of health insurance costs for everyone.** Nationally, the cost of caring for the uninsured currently increases premiums for the average insured family by an estimated \$1,000 a year.
- ▶ **Prevent potential tax penalties for large employers.** Most employers with at least 50 full-time equivalent employees will face significant tax penalties if one or more of their full-time employees obtain a subsidy to help purchase health insurance. If a low-income worker is covered through Medicaid, the employers will not pay a penalty.

Federal Health Care Funding Makes Dollars and Sense for Maine

BY SARA GAGNÉ-HOLMES, CHRISTINE HASTEDT, AND GARRETT MARTIN

Too many Mainers are one illness or accident away from financial ruin. It doesn't have to be that way.

Introduction

Maine has an opportunity to cover more people and save millions of dollars currently spent to treat uninsured people in emergency rooms. We can do this by accepting federal dollars to provide health coverage to approximately 69,500 uninsured Mainers. This decision is in the hands of Maine's legislature and governor. It will have important consequences for Maine's economy and people.

At stake are millions of federal dollars that would create thousands of jobs and promote additional economic activity. Also at stake is the economic and health security of thousands of Maine families for whom losing a job in tough economic times should not also mean losing access to affordable health care.

Accepting federal funds available through the Patient Protection and Affordable Care Act (ACA) to expand health coverage will save lives and reduce the growth of health insurance costs for all Mainers. Expanding health care access through MaineCare, the state's Medicaid program, will make workers more productive and protect some

of Maine's largest employers from unnecessary penalties. It will strengthen Maine's health care system and increase state and local revenues.

These benefits will easily outweigh any potential costs. For newly eligible individuals, the ACA coverage expansion is 100 percent federally funded from 2014 to 2016. While the federal share steps down to 90 percent in 2020, this is significantly higher than the current federal share of 63 percent.¹

Maine people are already paying for ACA coverage expansions through federal taxes. The question is: will we take the money that is available to us or pass up this opportunity, letting other states use our tax dollars to provide health coverage to their own residents? Maine's legislature and governor must decide in the coming months. This decision is not binding and Maine can opt out at any time.²

Based on the potential impacts explored in this report, the answer is clear: it is in Maine's best interest to take the money. The health and well-being of Maine's people and economy depend on it.

1. Kaiser StateHealthFacts.org, *Federal Medical Assistance Percentage (FMAP) for Medicaid and Multiplier*. Accessed on February 19, 2013 at <http://statehealthfacts.org/comparetable.jsp?ind=184&cat=4>

2. Centers for Medicaid and Medicare Services, *Memo on "Frequently Asked Questions on Exchanges, Market Reforms, and Medicaid,"* December 12, 2012, p. 12. Accessed on March 2, 2013 at <http://cciio.cms.gov/resources/files/exchanges-faqs-12-10-2012.pdf>.

Background

Affordable Care Act sets the stage

When Congress enacted the ACA into law in 2010, one of its primary objectives was to reduce the number of people without affordable health insurance. To provide coverage to those earning less than 138 percent of the federal poverty level—\$15,856 for an individual or \$26,951 for a household of three in 2013—the ACA expanded Medicaid (MaineCare in Maine), a program that provides health coverage to low-income children, adults, seniors, and people with disabilities.³

The ACA expanded Medicaid uniformly, requiring all states to cover individuals and families with incomes less than 138 percent of poverty. In June 2012, the Supreme Court ruled that states could effectively opt out of this provision.⁴ States that choose to opt out will not benefit from new federal funds that are available to pay for 100 percent of the cost of expanding coverage from 2014 to 2016 (stepping down to 90 percent of the costs in 2020) for “newly eligible” individuals. For Maine, the decision about whether or not to accept these new federal funds and increase health coverage remains unresolved. This decision will have enormous economic and human consequences.

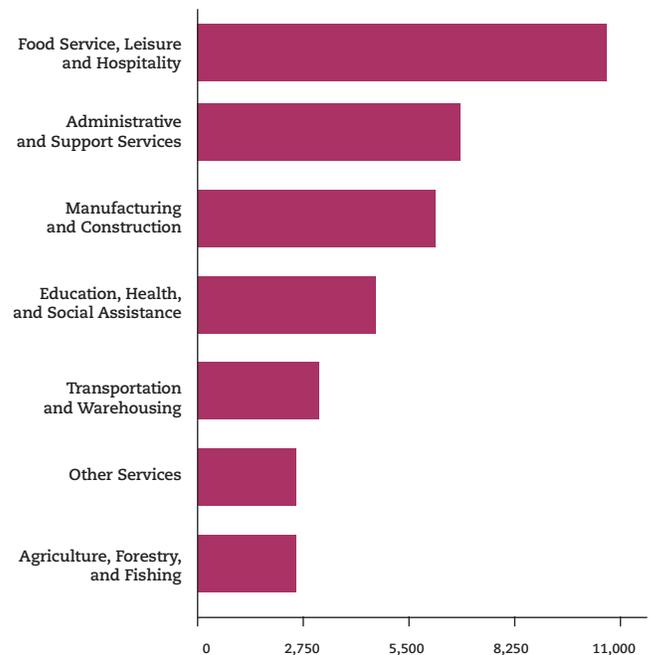
69,500 Mainers are eligible, a majority are working Mainers

Approximately 128,000 Maine people lack health insurance.⁵ This includes working and unemployed Mainers alike as well as people across all income groups. In fact, 65 percent of Maine’s uninsured population lives in families where someone is working full-time. Accepting federal funding means that 69,500 Mainers earning less than 138 percent of the federal poverty level will have access to health insurance.⁶ It also means that if you (or someone in your family) lost your job or suffered an accident or illness that left you unable to work and in need of health care services, affordable coverage would now be there while you got back on your feet.

Among the 69,500 potential beneficiaries, a majority are working Mainers.⁷ Many of these individuals work in industry sectors including accommodations, food service, and retail trade, which employ 23 percent of Maine’s workforce, including a disproportionate share of Maine’s working poor.⁸ Table 1 summarizes the number of workers by selected industries who would gain access to coverage if Maine accepts federal funding to expand health coverage.

Workers in these industries include housekeepers, waiters and waitresses, cooks, salespersons, cashiers, and others whose median hourly wages range between \$8.70 and \$10.42, significantly less than what is needed to afford private health insurance and, in some cases, below 100 percent of the federal poverty level for a family of three.⁹

MAINE WORKERS STAND TO GAIN | Table 1: Number of workers by industry eligible for federally funded health insurance in 2014



Source: U.S. Census, 2011 American Community Survey, Public Use Microdata Sample

3. Technically, the ACA expands Medicaid to 133 percent of the federal poverty level but then disregards up to 5 percent of income to effectively make the income limit up to and including 138 percent of the poverty level. For simplicity and consistency, 138 percent is referenced in this paper.

4. National Federation of Independent Businesses v. Sebelius, 567 U.S. ____, 132 S.Ct. 2566, 2012 WL 2427810.

5. Kaiser StateHealthFacts.org, Distribution of the Nonelderly Uninsured by Family Work Status, states (2010-2011). Accessed on February 19, 2013 at <http://www.statehealthfacts.org/comparebar.jsp?typ=1&ind=135&cat=3&sub=40>.

6. See Appendix A: Methodology for more detail on eligible populations.

7. Authors’ analysis of U.S. Census Bureau, 2011 American Community Survey, Public Use Microdata Sample. Due to small sample size, actual numbers likely vary.

8. Maine Department of Labor, Center for Workforce Research and Information, Quarterly Census of Employment and Wages, Statewide Table on Employment and Wages by Industry Sector, Monthly 2000-2011. Accessed December 6, 2012 at <http://www.maine.gov/labor/cwri/qcew.html>.

9. Occupational Employment and Wage Estimates for Maine, 2011. Accessed January 9, 2013 at http://www.bls.gov/oes/current/oes_me.htm.

The ACA as enacted by Congress envisioned everyone under 138 percent of poverty accessing affordable coverage through Medicaid. The Supreme Court's decision made this coverage expansion voluntary. If a state chooses not to accept federal funds, then individuals earning less than 100 percent of poverty will not be eligible for any coverage subsidies and those earning between 100 percent and 138 percent of poverty will most likely be unable to afford coverage even with a subsidy to buy private insurance. Therefore, if Maine chooses not to accept federal funds to expand Medicaid, many of these workers will remain uninsured.

Findings

Jobs and other economic benefits hang in the balance

By deciding to provide health coverage for up to 69,500 Maine people, the state will receive approximately \$256 million a year in new federal funds by 2016.¹⁰ These funds will pay hospitals, physicians, pharmacists, mental health providers, and other health service providers and ripple through Maine's economy. These health care businesses will use these funds to purchase materials and equipment and to pay the salaries of doctors, nurses, health aides, administrative personnel, and others. In turn, these individuals will use their wages to purchase food, clothing, and other goods and services in their community. The combined effect of this chain of events will yield significant economic activity that can be approximated with analytic tools used by economic developers to quantify the impacts of new development in a state or region.

The \$256 million in health care spending in 2016 will grow jobs, economic activity, and state and local revenues throughout Maine by:

▶ **Creating more than 3,100 jobs in Maine**

The federal funds will inject money into Maine's economy that will create more than 3,100 jobs. Close to 1,700 of these jobs will be created directly by health care businesses. Additional job impacts will occur across a wide range of businesses and geographic locations as a result of the ripple effects associated with new spending on goods and services by health care businesses and workers.

▶ **Stimulating over \$350 million in economic activity**

Direct and indirect effects of the \$256 million in new health care spending will generate more than \$350 million in economic activity in 2016 and provide a significant boost for local businesses and regional economies.

▶ **Generating \$16 to \$18 million in state and local taxes**

The economic activity associated with accepting federal funds will generate \$16 to \$18 million in new revenues in 2016 primarily through sales and income taxes generated by new earnings and spending.

Businesses and workers stand to gain

In addition to the broad economic impacts highlighted in the previous section, both businesses and workers stand to gain even more from accepting federal funds to increase health coverage by:

▶ **Giving Maine businesses a competitive edge**

States that accept federal funds to increase health coverage will have a competitive advantage over states that do not. Reducing the ranks of the uninsured will also lessen health insurance cost-shifts to businesses.

▶ **Increasing worker health and productivity**

Health coverage improves health and productivity. Accepting the ACA funds will reduce business costs since access to health insurance can boost employee retention and reduce absenteeism and "presenteeism" (i.e., being at work, but being ill and less productive). A recent study by the Integrated Benefits Institute found that poor health costs the U.S. economy \$576 billion per year. Thirty-nine percent of that cost—\$227 billion—is from lost productivity when ill employees are either absent from work or present, but underperforming.¹¹

For example, when Oregon opened up its Medicaid program to a limited number of adults, researchers conducted a scientific study to determine the impact of providing health coverage to low-income uninsured adults. Because enrollment was limited, the study included a random sample and control group—the gold standard for such analysis.¹²

10. See Appendix A: Technical Notes and Methodology for more detail on federal funds calculation. See in particular "Step 2: Establish Appropriate Take-Up Rate" for discussion of reasons for basing calculations on projected figures for 2016.

11. Poor Health Costs US Economy \$576 Billion According to the Integrated Benefits Institute (Press Release, September 12, 2012). Accessed December 10, 2012 at [http://www.ibiweb.org/UserFiles/File/Poor%20Health%20Costs%20US%20Economy%20\\$576%20Billion.pdf](http://www.ibiweb.org/UserFiles/File/Poor%20Health%20Costs%20US%20Economy%20$576%20Billion.pdf).

12. Finkelstein, A., Taubman, S., Wright, B., Bernstein, M., Gruber, J. et al., *The Oregon Health Insurance Experiment: Evidence from the First Year*, 29, Working Paper 17190, National Bureau of Economic Research, 2011. Accessed December 8, 2012 at <http://www.nber.org/papers/w17190>.

Researchers found that the group who received health coverage through Medicaid increased their care usage including preventive care, reduced their exposure to medical debt, and improved their mental and physical health outcomes.¹³ Similarly, a recent study comparing mortality and health in adults in states with and without Medicaid expansions showed that states that expanded Medicaid had lower mortality rates, improved self-reported health status, and a significant decrease in the rate of delayed care due to cost.¹⁴

When workers are healthy—when they resolve existing health problems quickly and can better manage chronic illnesses such as asthma or diabetes—they can avoid absences and stay focused and more productive at work.

► **Protecting large employers from costly penalties**

The ACA does not explicitly mandate that an employer offer health insurance. However, beginning in 2014, most employers with at least 50 full-time equivalent employees will face tax penalties if one or more of their full-time employees obtain a subsidy to purchase health insurance through the new health insurance exchanges.¹⁵ These health insurance exchanges will provide a mechanism for individuals to shop for health insurance that allows them to make “apples to apples” comparisons of different insurance options (think Travelocity or Priceline for health insurance) and to determine their eligibility for subsidized coverage provided through a premium tax credit that is issued directly to insurance companies. Individuals with income between 100 percent and 400 percent of the poverty level who are not offered “affordable” employer-sponsored coverage and are not eligible for Medicaid or certain other government sponsored coverage will be eligible for subsidized coverage through the health insurance exchange.¹⁶

If Maine accepts federal funds to increase coverage through Medicaid, then employees with incomes between 100 percent and 138 percent of poverty would not qualify for a premium tax credit because they would be eligible for Medicaid. Large businesses that employ these workers

Health coverage allows individuals to access preventive services and manage chronic health conditions in a more consistent and cost-effective way.

would NOT face penalties for failing to offer affordable health insurance to those employees. This was the original coverage design under the ACA as enacted by Congress.

If Maine does not accept federal funding under the ACA, any adult between 100 percent and 138 percent of poverty would be eligible for premium tax credits in the exchange if they are unable to obtain affordable coverage from their employer. If even a single employee of a large business that does not offer health coverage receives a premium tax credit, his or her employer would be required to pay a tax penalty. For example, an employer with more than 50 full-time employees would pay \$2,000 times the total number of employees minus 30. For a large business that offers health coverage, the penalty is the lesser of \$2,000 times the total number of employees minus 30 or \$3,000 times the total number of employees receiving coverage through the exchange.¹⁷

As Ernst and Young, a respected national accounting firm, noted, “the employer community has reacted with concern to the Supreme Court’s ruling on the ACA’s Medicaid provisions...In states that do not expand Medicaid, employers could face greater exposure to taxes for lower-wage employees who otherwise would have been eligible for Medicaid and may now be entitled to tax credits for Exchange coverage if their employer coverage is not affordable.”¹⁸

13. *Ibid.*

14. Sommers, B.D., Baicker, K., and Epstein, A.M., *Mortality and Access to Care among Adults after State Medicaid Expansions*, 1028-29, *N Eng J Med* 367:1025-1034 (September 13, 2012). Accessed December 10, 2012 at <http://www.nejm.org/doi/full/10.1056/NEJMsa1202099>.

15. Chaikind, H., *Summary of Potential Employer Penalties Under the Patient Protection and Affordable Care Act* (Congressional Research Service, January 13, 2011). Accessed December 29, 2012 at <http://www.ncsl.org/documents/health/SumEmpPenalties.pdf>.

16. *Affordable is being defined as less than 9.5 percent of an employee’s annual income (not household income).*

17. Chaikind, *op cit.*

18. Washington Council Ernst & Young, *Employer coverage requirements and taxes under the Affordable Care Act*, 2 (October 2012). Accessed December 19, 2012 at http://www.nacsonline.com/NACS/News/Daily/Documents/ND101812_WCEY.pdf.

A greater share of rural residents will benefit

Adults living in rural Maine are more likely to have lower incomes and less access to employment that offers affordable health insurance than their suburban and urban counterparts.¹⁹ In addition, once a rural worker experiences job loss, he or she tends to stay unemployed and uninsured longer.²⁰ As a result, expanding health coverage through Medicaid could have a greater impact for rural residents. Table 2 summarizes by county the number of eligible individuals, their share of the adult population age 18 to 64, and projected federal funds that will be drawn down on behalf of individuals who are enrolled in the program.

RESIDENTS IN MAINE’S POOREST, MOST RURAL COUNTIES REPRESENT A GREATER SHARE OF POTENTIAL BENEFICIARIES

Table 2: Summary of Eligibility and Funding by County ²¹

County	Eligible Individuals	Eligible Individuals as a Percent of Adult Population Age 18–64	Total New Federal Funds (2016)
Washington	2,601	13.2%	\$9,289,722
Somerset	3,590	11.1%	\$12,827,524
Waldo	2,629	10.8%	\$9,735,326
Oxford	3,806	10.7%	\$13,769,530
Aroostook	4,615	10.6%	\$16,844,062
Piscataquis	1,067	10.2%	\$4,034,372
Franklin	1,878	9.6%	\$6,975,514
Knox	2,317	9.5%	\$8,636,283
Hancock	3,235	9.4%	\$12,959,204
Lincoln	1,817	8.9%	\$6,672,030
Androscoggin	5,829	8.6%	\$20,817,068
Penobscot	8,447	8.3%	\$31,652,641
Kennebec	5,997	7.7%	\$20,854,366
Sagadahoc	1,456	6.6%	\$5,347,413
Cumberland	12,018	6.6%	\$46,624,703
York	8,196	6.5%	\$29,721,087
Total	69,500	8.2%	\$256,800,847

Greater economic benefits will likely accrue to counties with a high density of health care jobs

Helping people pay their health care bills also contributes to the local economy. In 15 of Maine’s 16 counties, a major health care provider is one of the top two employers.²² Between 1 in 5 jobs and 1 in 6 jobs are in health care

for 10 Maine counties. Medicaid reimbursements, while often lower than private insurance, are better for the provider and local economy than no reimbursement at all, or uncompensated care in the emergency room.

Table 2 depicts how the federal funds would be allocated based on where the individual beneficiary lives. In reality, individuals may not necessarily obtain health services in their home county. A greater share of dollars, and economic benefits, may actually flow to counties that have a high density of health care services and health care jobs. Table 3 depicts all counties and health care related jobs as a percent of all jobs.

COUNTIES WITH HIGHER PROPORTIONS OF HEALTH CARE WILL REAP GREATER ECONOMIC BENEFITS

Table 3: Summary of Health Care Jobs by County

County	Health Care Jobs as a Percent of All Jobs
Penobscot	20.0%
Androscoggin	19.7%
Aroostook	19.6%
Washington	18.9%
Kennebec	18.3%
Cumberland	17.9%
Somerset	17.3%
Piscataquis	17.2%
Franklin	16.9%
Lincoln	16.6%
Knox	16.1%
Waldo	15.7%
Oxford	15.4%
Hancock	14.2%
York	13.7%
Sagadahoc	8.1%
Total	18.1%

Growth in health insurance premium costs will slow

By reducing the ranks of the uninsured and reducing the need for uncompensated care, accepting federal funds to expand Medicaid should allow Maine to cover more people and help slow the growth in private insurance costs. Health care providers shift the costs of uncompensated care to other payers. As noted in a recent Supreme Court decision, costs of uncompensated

19. Anderson, N.J., Ziller, E.C., Race, M.M. and Coburn, A.F., *Impact of Employment Transitions on Health Insurance Coverage of Rural Residents*, (Cutler Institute of Health and Social Policy, Muskie School of Public Service, University of Southern Maine, October 2010). Accessed December 18, 2012 at <http://muskie.usm.maine.edu/Publications/rural/WP46/employment-transitions-rural-health-insurance.pdf>.

20. Ibid.

21. Note: Funding figures are based on county of residence for eligible individuals and do not necessarily reflect actual dollars that will be paid to health care providers and pharmacies in those counties.

22. Center for Workforce Research and Information, *Top 25 Employers in Maine by County, 2nd Quarter 2012 (November 29, 2012)*. Accessed December 18, 2012 at <http://www.maine.gov/labor/cwri/>.

care shifted to private premiums have raised the cost of family health insurance premiums nationally, on average, by over \$1,000 per year.²³

Providing access to health coverage also allows individuals to access preventive services and manage chronic health conditions in a more consistent and cost-effective way. We all bear the cost associated with poor disease management and care that is not cost-effective.

Furthermore, if Maine decides to reject federal dollars already set aside to cover individuals with income between 100 percent and 138 percent of the poverty level, then some of these individuals may seek private coverage through the new health insurance exchange. The Congressional Budget Office estimated that the Supreme Court's decision allowing states to choose not to provide Medicaid to adults up to 138 percent of poverty would increase premiums for individual policies sold on health insurance exchanges on average

nationwide by two percent.²⁴ This is because lower income people generally tend to have higher health care costs, affecting premiums for the entire risk pool. It would also be reasonable to expect that individuals with low income that have a chronic or known health condition will be more likely to enroll in the exchange and access services because their well-being depends upon access to health care services. The American Academy of Actuaries notes that the premium increases for individual coverage will be significantly higher than two percent in the specific states that do not adopt the Medicaid coverage.²⁵ Maine can prevent these private premium increases for individuals and employers and reduce the cost shifting that would otherwise occur in our health care market place by accepting the federal dollars available through the ACA. Failure to do so will increase costs for employers and all other individuals purchasing private policies.

Maine can reduce the cost shifting that would otherwise occur in our health care market place by accepting the federal dollars available through the Affordable Care Act.

Discussion

The benefits of accepting federal funds outweigh the costs

The positive impacts of accepting federal funds to increase health coverage are clear. What's more, there are few, if any, risks – financial or otherwise – from doing so.

The federal government will pay 100 percent of the cost for covering all newly eligible people from 2014 to 2016. After that, the federal share steps down to 90 percent in 2020 and remains at that level thereafter. For states with high levels of uninsured people, the increase in participation will likely result in some additional costs after 2016.

However, Maine has a lower proportion of uninsured individuals due in part to previous efforts to increase health coverage. As a result, Maine may actually be able to cover more people and do so at a lower cost than other states. In fact, according to the Urban Institute, Maine is one of eight states that are expected to save money by accepting federal funds available through the ACA. The other states are Connecticut, Delaware, Iowa, Massachusetts, Maryland, New York, and Vermont.²⁶

23. *National Federation of Independent Business v. Sebelius*, 2012 U.S. LEXIS 4876 at *37, citing 42 U.S.C. § 18091(2)(F).

24. Congressional Budget Office, *Estimates for the Insurance Coverage Provisions for the Affordable Care Act Updated for the Recent Supreme Court Decision at 15 (July 2012)*. Accessed January 17, 2013 at <http://cbo.gov/sites/default/files/cbofiles/attachments/43472-07-24-2012-CoverageEstimates.pdf>.

25. American Academy of Actuaries, *Implications of Medicaid Expansion Decisions on Private Coverage*, 2, September 2012. Accessed January 17, 2013 at http://www.actuary.org/files/Medicaid_Considerations_09_05_2012.pdf.

26. Holahan, J., Buettgens, M., Carroll, C., Dorn, S., *The Cost and Coverage Implications of the ACA Medicaid Expansion: National and State-by-State Analysis*. (Washington DC: The Urban Institute, November 2012).

Any potential costs that Maine may incur will be outweighed by the benefits and will likely be offset in future years by program savings and new revenues generated by the infusion of \$256 million new federal dollars coming into the state's economy.

Ultimately, any risks are minimized by the fact that Maine can opt out of federal expansion of Medicaid at any time.²⁷

A decision not to accept federal funds comes at a significant cost

If Maine lawmakers choose not to accept federal funds, Maine will miss out on many, if not all, of the benefits identified in this report. Worse still, Maine will actually take a step backwards.

Maine people will wind up paying for people to have health coverage in other states while forgoing any potential benefits here at home. Over 24,000 low-income people who would otherwise retain their coverage as a result of accepting the federal funds will lose their health coverage

as of January 2014. This will increase the percentage of low-income individuals without insurance and result in higher levels of uncompensated care and greater cost shifts attributed to that specific population.

Individuals who lose their jobs and their health insurance will have few, if any, alternatives for maintaining coverage, especially if they have limited savings to begin with. Large employers who do not offer “affordable” plans to their employees, especially those at the low-end of the pay scale, will incur new and unnecessary penalties. Insurance costs will continue to go up at a faster pace than they might have otherwise. Jobs will be lost and some people will even die unnecessarily because they did not receive timely, effective care.²⁸

Far too many Mainers live on the edge. Without health insurance, they face financial ruin from just one accident or one serious illness. Accepting this federal money to expand MaineCare means that more Mainers will benefit from the security affordable health coverage can provide.

Conclusion

Accepting federal funds to increase health coverage makes dollars and sense for Maine. It is paid for largely with federal dollars. It creates jobs, boosts Maine's economy, and improves Maine's business climate and worker productivity. It protects large employers from costly fines and slows the growth of health insurance costs. It delivers significant benefits to individuals and areas of the state that need it most. It is essential not only for those individuals who would finally have access to health care, but for Maine's continued economic development and ability to compete with other states. ■

27. Center for Medicare and Medicaid Services, *op. cit.*, question 25.

28. Sommers, *op. cit.*

Appendix A: Technical Notes and Methodology

Determining the economic impacts of accepting federal funds to expand health coverage for low-income Mainers is a multi-step process.

Step 1: Identify Number and Geographic Distribution of Eligible Individuals

Approximately 69,500 individuals would gain coverage if Maine accepted federal funding to cover people to 138 percent of the federal poverty level. The 69,500 figure is broken down as follows:

- 45,000 uninsured adults.
- 10,000 childless adults with income up to 100 percent of the federal poverty level on the 1115 Medicaid waiver program that is slated to expire on December 31, 2013. This waiver, originally approved by the federal government in 2002, allows Maine to use allocated but previously unspent disproportionate share hospital funds to expand Medicaid eligibility to childless adults.²⁹
- 14,500 parents between 100 and 138 percent of the federal poverty level will lose coverage due to cuts by the Maine Legislature passed in 2012. Loss of coverage will not occur until the U.S. Secretary of Health and Human Services certifies the exchange in Maine is operational (anticipated date is January 1, 2014).

Using Small Area Health Insurance Estimates from the U.S. Census Bureau, by County, uninsured and under 138 percent of poverty guidelines, and information available from Maine's Department of Health and Human Services, it is possible to estimate the geographic distribution of nonelderly uninsured adults with income less than 138 percent of the federal poverty line. An estimate of the geographic distribution of the approximate 10,000 childless adults currently on the 1115 waiver program and 14,500 parents who will lose coverage once the exchange is certified was developed using 2011 data provided by the Maine Department of Health and Human Services.

Step 2: Establish an Appropriate Take-Up Rate

Not everyone who is eligible for Medicaid will enroll in the program. Estimates of the percentage of people eligible to receive coverage through ACA Medicaid expansion who will enroll range from 57 percent to 95 percent.³⁰

Based on data from the Kaiser Commission on Medicaid and the Uninsured, Maine's take-up rate is predicted to be near 85 percent.³¹ This is because of the state's past record of successfully enrolling people in Medicaid and because many of the individuals who will be eligible on January 1, 2014 are already enrolled in the program but will lose their benefits at the end of 2013. One caveat is that Maine may not achieve the 85 percent threshold during the first year of the program. This analysis assumes that Maine will meet the threshold by 2016. Therefore, impacts are analyzed based on projected figures for 2016. Putting off a decision on whether or not to accept federal funds will delay take-up and likely diminish projected impacts.

Step 3: Determine Appropriate Average Cost Per Enrollee

Like private insurance, the cost of insuring different populations of people through Medicaid varies widely. Based on data from the Maine Department of Health and Human Services contained in Maine's September 2012 application for federal funding to support efforts to reduce MaineCare costs, improve quality of care provided, and support greater patient engagement, individuals with disabilities cost an average of \$23,651 per year to cover through MaineCare in 2011. By contrast, children enrolled in MaineCare cost \$3,897 on average. The primary group that will participate in the federally funded expansion through the ACA are childless adults. Their total average annual cost is \$5,785. This figure serves as the baseline cost per person and is adjusted for inflation at a rate of 3.8 percent to obtain figures for 2016.

Step 4: Determine Appropriate Federal Match Rates

Not everyone who is covered under the federal Medicaid expansion is eligible for 100 percent federal match. Based on guidance from the Center for Medicaid and Medicare Services (CMS) it appears that the following groups will be eligible for the 100 percent match in Maine:³²

- 45,000 uninsured
 - » 24,000 childless adults under 100 percent of the federal poverty level who are eligible for Maine's 1115 waiver program but are currently uninsured because they are on the wait list.

29. <http://www.kff.org/medicaid/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=14327>.

30. For more on the question of take-up rates see: Ben Sommers et al. *Understanding Participation Rates in Medicaid: Implications for the Affordable Care Act*, ASPE Issue Brief. Accessed on February 19, 2013 at <http://aspe.hhs.gov/health/reports/2012/medicaidtakeup/ib.pdf>.

31. Holahan et al., op cit.

32. Center for Medicare and Medicaid Services, op. cit., question number 32 and Q & A questions number 4 and 5 (February 2013) at <http://www.medicaid.gov/State-Resource-Center/Frequently-Asked-Questions/Downloads/ACA-FAQ-BHP.pdf>.

- » 21,000 remaining uninsured are likely to be childless adults between 100 and 138 percent of the federal poverty level.
- 10,000 childless adults on the 1115 waiver – if the state offered less than full Medicaid benefits, benchmark benefits, or benchmark-equivalent benefits, then this population is eligible for the 100 percent match.
 - » It is clear that the childless adult program receives less than full Medicaid benefits.
 - » Based on the benefits available as of December 1, 2009, we believe that the coverage is less than a benchmark or benchmark-equivalent plan.
 - » The state can ascertain for certain whether this population is eligible for 100 percent match by providing CMS with an analysis of the benefit package available to the childless adults as of December 1, 2009. CMS is requiring that, “States’ benchmark equivalence analyses must be certified by a qualified actuary and must include information on the data, assumptions, and methodology used to calculate actuarial values, in accordance with regulations implementing section 1937 of the Act, which are already in effect at 42 C.F.R. 440.330-340.”

The 14,500 parents are not eligible for the 100 percent federal funding. Maine will continue to receive approximately 63 percent of the cost of this group of individuals from the federal government and fund the remaining 37 percent at the state level.

For the purposes of this analysis, only new federal dollars were included in the final calculations. This includes 100 percent of the costs associated with covering 45,000 currently uninsured individuals and 37 percent of the costs associated with covering 10,000 childless adults on the 1115 waiver since the federal government currently pays 63 percent of the costs. These funds total \$256 million and are depicted in Table 2. In addition to these funds, Maine will receive approximately \$82 million in funds to cover the 10,000 childless adults on the 1115 waiver (the current 63 percent federal share) and 14,500 parents currently covered through MaineCare. It is important to note, however, that but for Maine’s participation in the federal expansion of Medicaid through the ACA these funds would be lost and have a negative economic impact on the state.

Step 5: Establish Baseline for Allocating Costs by Major Areas of Spending

Not all spending is created equally in terms of its broader impact on the overall economy. Where health care is concerned, spending on prescription drugs has less economic impact for Maine’s economy than spending on direct care services. That’s because a greater share of a dollar spent on medicine leaves the state to pay the drug manufacturer as compared to paying wages for Maine workers who then spend their money in the local economy creating a greater ripple effect. For this reason, it is important to quantify how dollars are spent to cover the cost of MaineCare patients, particularly childless adults. Data contained in the Maine Department of Health and Human Services September 2012 application for federal funding indicate the following distribution of spending by major category for childless adults:

- Hospitals (includes inpatient and outpatient) – 57.9%
- Professional Services including Office Visits – 17.1%
- Prescription Drugs and Other Medical – 16.9%
- Labs, X-rays, and Ambulatory Services – 7.9%
- Home Health – 0.2%

While these proportions will likely change under the new coverage plan since it will provide different benefits, they are the best proxy for how dollars are spent to cover the population that will benefit from expansion. In addition, the Maine Center for Economic Policy analyzed economic impacts using different ratios based on National Health Expenditure data. The results differ based on different ripple or “multiplier” effects, but they are not dramatically different than those presented here.

Step 6: Quantify Economic Impacts Using IMPLAN Data Tool

IMPLAN is a data tool that allows users to quantify the economic impacts of different transactions within a particular geographic area. IMPLAN generates output tables based on user input that economic developers and researchers commonly use to predict the economic impacts of a wide range of activities. For this analysis, a model was generated by allocating the total amount of new federal funding that Maine will receive to the major spending categories outlined in Step 4.³³

33. For more information on IMPLAN see www.implan.com. Other similar software is produced by Regional Economic Model, Inc. (REMI), see www.remi.com.

About the Authors

Sara Gagné-Holmes is Executive Director of Maine Equal Justice Partners where she represents individuals below 200 percent of poverty in the courts, before administrative agencies, and in the legislature. She is a graduate of Bowdoin College with a J.D. from the University of Maine School of Law.

Christine Hastedt is Public Policy Director and co-founder of Maine Equal Justice Partners. She has been a legal advocate for low-income people for over 35 years and has received numerous awards for her work, including the Kutak-Dodds Award from the National Legal Aid and Defenders Association and the Bernard Lown Humanitarian Award from the University of Maine at Orono. She has a B.A. from the University of Maine.

Garrett Martin is Executive Director of the Maine Center for Economic Policy where he conducts research and analysis on economic, tax, budget, and health policy issues with particular concern for their impacts on low- and moderate-income Maine people. He is a graduate of the University of North Carolina with a master's degree in public affairs from Princeton University.

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About Maine Equal Justice Partners

Maine Equal Justice Partners is a non-profit legal aid organization that works to find solutions to poverty. It is the leading organization in Maine for independent research and analysis of Maine's safety net programs, and a trusted source for nonpartisan information on TANF, MaineCare, General Assistance, and other aid programs.



About Maine Center for Economic Policy

Since 1994, the Maine Center for Economic Policy has conducted research and analysis and collaborated with people and organizations across the state to advance public policies based on facts and objective analysis that help all Maine people prosper in a strong, fair, and sustainable economy.

