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Beyond the Reduction in Uncompensated Care: Medicaid Expansion Is Having a Positive Impact on Safety Net Hospitals and Clinics

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Key Points

- Compared to non-expansion states, states that have expanded Medicaid have seen major reductions in uncompensated care delivered by safety net institutions, significant drops in the number of uninsured residents, and budget savings for hospitals and community health clinics.
- Executives at safety net providers in Medicaid expansion states report opening new clinics, buying new equipment, and hiring new staff—all of which allow them to begin filling gaps in the current health system. By contrast, health executives in non-expansion states say they continue to face substantial financial pressures.
- Health executives in Medicaid expansion states report working actively to integrate and improve the care they deliver while those in non-expansion states are more likely to report "status quo" in their systems.
- Improvement of access to specialty care was identified as a priority by executives in both expansion and non-expansion states. However, those in Medicaid expansion states noted new programs and efforts aimed at improving specialty access.

More than two years after the onset of expanded Medicaid coverage, significant differences are emerging between states that opted to expand Medicaid and those that did not. Under the Patient Protection and Affordable Care Act (ACA), states may choose to expand Medicaid to uninsured residents with incomes below 138 percent of the federal poverty level at any time. To date, 31 states and the District of Columbia have chosen to do so. Medicaid expansion became a state option after the decision by the United States Supreme Court in NFIB v. Sebelius.[1] Nineteen states continue to decline federal funding available under the Affordable Care Act to expand Medicaid to their lowest income residents.[2]

Efforts to integrate and improve care are more likely to be reported in Medicaid expansion states.

Recent Research on the Impact of Medicaid Expansions

Documented differences in uninsured rates between these states separated by their Medicaid expansion decisions are extensive. Overall, the latest national Gallup poll on health coverage finds that seven out of 10 states experiencing the largest reductions in their uninsured rates nationwide after implementation of the Affordable Care

Act have expanded Medicaid.[3] As of 2015, 41 percent of uninsured people under 65 were eligible for Medicaid in expansion states compared to 13 percent in non-expansion states.[4] Furthermore, county-level uninsured rates across the nation in 2015 show that the share of people who are uninsured is far higher in Medicaid non-expansion states than in expansion states.[5] Children living in Medicaid expansion states had nearly double the rate of improvement in their uninsured rates than children in non-expansion states.[6] Previous research has found that children's uninsured rates decline when their parents are offered coverage.[7]

Similarly, there is evidence of gains in access to and affordability of health care. In expansion states, adults were more likely to have a usual source of health care in March 2015 compared to September 2013. They were also less likely to report problems in getting access to care or to have an unmet need due to the cost of care or to have problems paying family medical bills.[8]

Although opponents of Medicaid expansion warned of new state costs, others anticipated that the substantial commitment of federal funds would allow states to save. Data from a recent study of 11 states bears out the promise of significant budget benefits from expansion.[9] Expansion had significant fiscal effects on state budgets with savings ranging from $25 million in Kentucky to over $100 million in Washington State.[10] Hospitals have experienced positive fiscal effects from state Medicaid expansions.[11] A study of a single nonprofit Catholic multi-state hospital system with 131 acute care hospitals in 23 states and the District of Columbia compared performance between states. In Medicaid expansion states charity care costs decreased 40.1 percent compared to only 6.2 percent decrease in non-expansion states.[12] Research across states for all hospitals shows similar changes. In expansion states the rate of uninsured patient stays in hospitals typically declined by nearly 36.9 percent while the rate in non-expansion states of decline was slight: 2.9 percent.[13] Other research reporting on major hospital systems in multiple states shows comparable declines in admissions of uninsured patients. For example, Hospital Corporation of America (HCA) members in expansion states had a 48 percent decline in uninsured admissions from 2013-14 as compared to HCA hospitals in non-expansion states where there was only a 2 percent decline in uninsured admissions.[14] Research in specific states like Kentucky mirrors these studies, showing large drops in uncompensated care for hospitals compared to neighboring states that did not expand.[15]

Available research on community health centers mirrors the hospital data showing a wide gulf between experiences in Medicaid expansion and non-expansion states. Initial research indicated a decrease of as much as 40 percent in uninsured clinic visits to community health centers.[16] Additional research estimates that from 2013-14 in expansion states the share of community health center patients with Medicaid coverage increased by 20 percent and the share of uninsured patients dropped 29 percent. In contrast, community health centers in non-expansion states saw an increase in Medicaid coverage of 3 percent and a decrease in uninsured patients of 8 percent.[17]

Our Approach to Looking at the Impact on Safety Net Providers

These broad state-level comparisons lead to the question of how health care changes are experienced on the ground in expansion versus non-expansion states. Dramatic changes in financing of health care have often led to major system changes in the past, and there is no reason to expect this change to be different. For example, adoption of the Medicare prospective payment system in 1983 resulted in fast initial changes in hospital admission rates and practices across the country.[18] In this study, we turned to

leaders of safety net provider organizations in several states for their impressions of how the dramatic financing changes are affecting their health care institutions.

From December 2015 to March 2016 we conducted telephone interviews with eleven leaders of hospital systems and federally qualified health centers (FQHCs) in seven states. Three of the states where we conducted interviews had not expanded Medicaid (Missouri, Tennessee, and Utah) while the other four states had expanded Medicaid effective in 2014 (Arkansas, Colorado, Kentucky, and Nevada). We picked expansion and non-expansion states with common borders in order to better compare state experiences. We conducted interviews that lasted for 30 to 45 minutes and used the same set of questions for each discussion. Our questions covered the basic financial situation of their institution and then asked the leaders to talk about various aspects of health system operation. To ensure frankness, we promised anonymity to our respondents.

Findings

Several major themes emerged from our interviews, all pointing to growing and sometimes dramatic differences between Medicaid expansion and non-expansion states that amplify results from the published studies cited above. Drops in uncompensated care and decreasing uninsured rates are having a positive ripple effect throughout the health system in expansion states while institutions in non-expansion states present a more mixed picture.

Providers in Expansion States See Fewer Uninsured Patients.

Leaders in expansion states consistently emphasized that their patient mix was shifting to include fewer uninsured patients. By contrast, leaders in non-expansion states saw little or no change. Some of the latter even saw more patients without insurance. These observations are consistent with the broader national patterns for insurance status. The CEO at an FQHC in an expansion state reported that the center had seen the share of uninsured patients drop from 51 percent to 17 percent with a corresponding increase in those with Medicaid. Another center director reported a drop in uninsured patients from 50 percent to 35 percent. Their counterpart in a non-expansion state said they had seen an 11 percent rise in the number of uninsured patients and that the increase would have been 15 to 16 percent without their ability to get marketplace coverage for some patients. Another FQHC CEO said their share of Medicaid patients was "status quo" in the absence of expansion.

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The story was similar in hospitals. The CEO of a hospital system with hospitals in both expansion and non-expansion states reported that the uninsured rate had fallen to below 10 percent in the former state, but "this is not so" in the non-expansion state. Another CEO with a similar situation reported a 33 percent reduction in uninsured patients in her expansion

state and "much less of a reduction" in her non-expansion state. Another hospital director noted an increase of about 5 percent in children with Medicaid coverage after expansion even though the new rules did not directly affect children.

Medicaid Expansion Helps the Financial Bottom Line for Safety Net Providers.

The financial impact of expansion has been dramatic on the overall bottom lines of institutions we spoke with in expansion states. For example, one FQHC went from a $2.5 million end-of-year loss prior to expansion to a $2.5 million surplus the year after: "We had a $5 million reversal in one year." A large hospital system in an expansion state reported a shift from a 0.1 percent margin to a 4 percent margin on their billion dollars in operating costs in the year after expansion. "Having a margin allows thinking about taking care of long-term needs." Another hospital executive said, "We have by far had the two best financial years in our history, and this has been driven entirely by Medicaid expansion."

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– Nonprofit Health Center Director

These safety net institutions in expansion states report using this increase in reimbursement to hire new clinical staff, open new health centers and clinics, buy new equipment, and improve existing facilities. One health center executive referred to the impact of Medicaid expansion as a complete reversal of financial fortunes. "We were at risk of laying off staff and closing health centers. The ACA has put us back in a growth position and has allowed us to build back up our reserves, give staff raises, and add staff to keep up with the volume of patient visits."

Non-expansion state health executives were much more likely to say there had been little reduction in uncompensated care amounts delivered and no measurable change in their institution's situation. According to one FQHC executive: "One way I would look at [no Medicaid expansion] is that the two billion dollars we are forgoing could be used to fill the gaps in the present system." According to another, "Our population has grown dramatically, but so has our poverty level. It is harder to balance the mission because of our growth. There is an unmet need and it is growing."

In talking to both FQHCs and hospitals, the importance of increased grant funding through the Affordable Care Act for FQHCs became clear. As a result of these funds, FQHCs did not have the same worries as hospitals about looming cuts in disproportionate share hospital (DSH) funding. This somewhat eased the financial stress on FQHCs in non-expansion states although FQHC executives could still point to a clear positive impact of Medicaid expansion.

The Economic Impact of Medicaid Expansion Goes Beyond Health Care Providers into the Community.

Some non-expansion state executives noted the lack of expansion was leading to layoffs and closures. A hospital executive in one state reported that the system had to lay off "several hundred" positions in the last year and attributed these layoffs directly to lack of Medicaid expansion. Another referred to a "brain drain going on in [my state]. Folks say all things being equal I'd rather work somewhere else." Media reports in some non-expansion states reinforce this story, with a hospital association executive in Missouri reporting 2,000 layoffs as a result of the state not expanding Medicaid.[19] By contrast, leaders in expansion states reported on opening new facilities and expanding services in existing facilities. As a result most of those we interviewed told us they have hired new staff. One hospital executive in a non-expansion state said his hospital is doing reasonably well financially and has recently opened two

new clinics. But he said they would be able to invest more in teaching and facilities if the state expanded Medicaid.

Non-expansion states face other stress on their health systems. One institution in a non-expansion state reported the increasing use of the hospital's charity care policy – a result the executive attributed to more notice about such policies required under the Affordable Care Act. Without expansion, having more patients qualify for charity care, who might have been eligible for Medicaid had the state elected to expand, has proven an additional financial hurdle for this hospital.

An FQHC director put the impact on the community in a broader context. "One of the concerns is [whether] new business and employers want to come to a state that does not have an expanded Medicaid system . . . We are an unhealthy state so you are going to be hiring a lot of unhealthy people."

Providers in Expansion States are Moving to Integrate Care and Take Other Steps to Improve Delivery.

In expansion states, hospitals and health centers are generally more able to move toward integrating care through new systems and relationships. One FQHC director pointed to dramatically increased communication with other health providers that allows the clinic to improve care coordination across the community. Increased integration has been especially valuable for the delivery of behavioral health and primary care—a long-standing need in Medicaid. One health system executive reported that they can now provide and bill a behavioral health visit and a primary care medical visit on the same day, which enables better integration of care for people with both types of conditions. Another highlighted adding psychologists and nurses to the staff so that they can integrate care for populations such as those who are homeless. Expanded services were not limited to behavioral health. One FQHC has expanded dental services as well as improved access to prescription medications. One hospital executive referred to purchases of new radiology equipment in his facility in an expansion state, while "we would not dream of that in our hospital [in a neighboring non-expansion state]."

The health leaders we spoke to often cited expansion-driven financial security and increasing margins as major reasons that these health integration efforts were initiated or that existing efforts were improved. As one executive in an expansion state commented, "Medicaid expansion has had a profound impact on our ability to deliver care—it is like night and day in our ability to provide care. I talk to my colleagues in other states that have not expanded and they simply cannot deliver care like we can." In addition some executives report a new focus on population health now that the vast majority of people they serve have health coverage.

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Access to Specialty Care Is Better in Expansion States, But Problems Remain.

Executives in both expansion and non-expansion states identified access to specialists as a particular problem for the low-income Medicaid populations they serve. However, executives in expansion states noted that they were addressing this issue with new collaborative programs, new hiring, and new initiatives directed at increasing access to specialists for people on Medicaid. Even when these programs and initiatives had started before expansion, executives explained that their efforts were bolstered by the expansion coverage. As one Kentucky executive commented, "Medicaid expansion has opened the door to specialists being willing to see our Medicaid patients."

Conclusion

National data shows clear differences between Medicaid expansion states and non-expansion states on several dimensions. Expansion states have fewer people without insurance, and residents with lower incomes have better access to care. Expansion has been shown to have a positive effect on the financial bottom lines for both health care providers and state budgets. But the impact of Medicaid expansion has had an even more concrete impact on individual health care providers, such as the safety net clinics and hospitals whose executives were interviewed for this project. Executives with facilities in expansion states told us about dramatic declines in the number of their patients who have no insurance. The improved financial picture that has resulted has allowed these providers to expand the services they offer as well as to improve the quality of care through measures such as better integration of medical and behavioral health services. It has generally not been possible to make the same improvements in non-expansion states, where financial pressures remain a barrier. Medicaid expansion has not solved all problems for these providers, as they continue to have difficulty in finding specialists who will accept Medicaid.

Overall, our interviews suggest that Medicaid expansion has had a substantially positive impact on safety net health care providers located in expansion states. Furthermore, the positive impact has been felt beyond the walls of these health care facilities through better integration of care throughout the communities they serve and through the economic impact of increased hiring.

Further Research

Our interviews suggest several avenues for further research.

1. How are efforts to integrate care playing out in Medicaid expansion states? From our discussions it is clear that better financial security for providers leads to more collaboration and innovation around care coordination for Medicaid and other populations. As a large change for local health systems, this trend is worth exploring to document approaches being tried and any effect on health care outcomes.
2. How are providers in Medicaid expansion states that serve previously uninsured patients expanding services in areas like dental care and optometry that may not be covered for adults by state Medicaid programs? Does Medicaid expansion increase access to these services?
3. How are Medicaid expansion states addressing access to specialty care for Medicaid patients? Have new resources and reduced numbers of uninsured patients led to new approaches to specialist care?

Endnotes

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