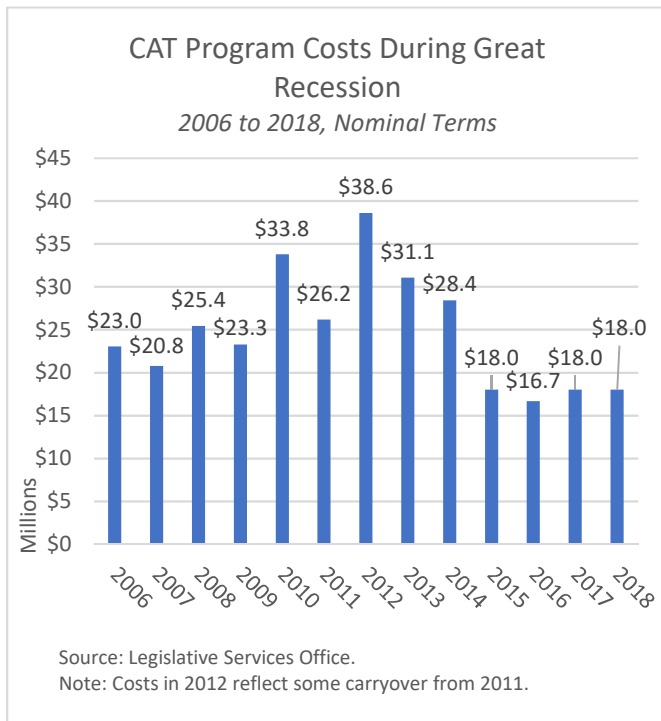




With the expansion of Medicaid in 2019, more Idahoans gained coverage for health services. The economic effects of COVID-19 – particularly unemployment – mean that Medicaid enrollment and spending will rise. Falling revenue in the next budget year, however, means policymakers are considering cuts to state programs including Medicaid. State Medicaid spending is used to draw down considerable federal dollars that impact patients and health providers in the state.

More People Are Covered in Current Downturn

The COVID-19 recession is producing high unemployment and is causing Idahoans to turn to Medicaid as they lose employer-based coverage. If Idaho experiences 15 percent unemployment, the state’s Medicaid program could enroll up to 55,000 people in addition to the 285,354 Idahoans who were enrolled in the program in January 2020 (an enrollment increase of 19 percent).¹



While greater Medicaid participation is likely to increase overall costs, the deferral of elective and other types of medical care since the beginning of the pandemic may reduce costs to the program in the short-term. Another important factor is whether the new enrollees are expansion enrollees for whom the federal government pays 90 percent of the cost.

During the current downturn, the state will likely avoid the sharp cost increases that the state Catastrophic Health Care Cost (CAT) Program experienced during the Great Recession. This program is fully state funded while Medicaid expansion, which is largely funded by the federal government, will provide health care coverage to Idahoans during this downturn who might otherwise turn to the CAT program for emergency care. During the

Great Recession, CAT program costs were elevated from 2010-2014 compared with previous years. In FY 2010, for example, CAT appropriations jumped by \$10.5 million - or 45 percent - to \$34 million.

State Cuts Trigger Federal Cuts to Patients and Providers

Medicaid costs are shared between states and the federal government. Idaho’s share of Medicaid costs, also known as its Federal Medical Assistance Percentage (or FMAP), is tied to the state’s per capita income. Before the pandemic, Idaho’s FMAP was 70.3 percent federally paid for traditional enrollees and 90 percent federally paid for expansion enrollees. The Families First

Coronavirus Response Act enacted in March included a temporary increase of 6.2 percent in the FMAP rate from January 1, 2020 through the end of the public health emergency. As a result, the federal government now covers 76.5 percent of Idaho’s non-expansion Medicaid costs, adding \$130 million in additional funding for 2020.² The increase does not apply to Medicaid expansion costs, which are still covered at 90 percent.

As part of the Families First Act, states may not make changes to their programs that make it more difficult for beneficiaries to enroll or access care, like eligibility restrictions or higher copayments. Cuts to Medicaid provider reimbursement rates – the payments that cover services in hospitals and payments to pediatricians, family physicians, mental health professionals and others who see Medicaid enrollees – are therefore looked to for state savings.

Because of Medicaid’s matching structure, if Idaho cuts payments to hospitals or doctors, the cut triggers an even larger loss of federal dollars to these providers. For every dollar in funding the state cuts in provider rates, Idaho health care providers would actually lose \$3.26.³ For example, a hospital service costing \$100 under Idaho’s current 76.5 percent FMAP rate for traditional enrollees is paid \$76.50 from the federal government and \$23.50 from the state. Should the state seek \$10 in state savings for this service, the hospital would lose a total of \$32.60 in federal and state cuts. For the expansion population, reimbursement rate reductions draw \$9 in cuts to federal payments for every dollar the state trims. Nationally, Medicaid reimbursement rates are already low compared with other types of payers. The financial impact on health care providers from reduced reimbursement rates could be significant as many providers are already under stress due to the effects of the pandemic.

Conclusion

Because of the state and federal matching structure of Medicaid, budgetary decisions about Idaho’s program have a large and meaningful fiscal impact on the state’s wider health care system. For Idaho, the temporary increase in the Medicaid matching rate means budget pressures are minimized and a requirement that states maintain current eligibility and service levels means that more Idahoans are covered during the public health emergency. Managing state costs under growing caseloads will likely require another increase in the FMAP rate from federal policymakers.

¹ Robert Wood Johnson Foundation and Urban Institute, “How the COVID-19 Recession Could Affect Health Insurance Coverage,” May 2020. Accessed at: <file:///C:/Users/admin/Downloads/rwjf461095.pdf> For Idaho’s January Medicaid enrollment see: Centers for Medicaid and Medicare Services, “January 2020 Medicaid & CHIP Enrollment Data Highlights.” Accessed at: <https://www.medicaid.gov/medicaid/program-information/medicaid-and-chip-enrollment-data/report-highlights/index.html>.

² Center on Budget and Policy Priorities, “Medicaid Funding Boost for States Can’t Wait, March 12, 2020. Accessed at: <https://www.cbpp.org/blog/medicaid-funding-boost-for-states-cant-wait>

³ Georgetown University Health Policy Institute, “State Budget Cuts to Medicaid Means Reduced Federal Funding, Larger Total Cuts,” May 7, 2020. Accessed at: <https://ccf.georgetown.edu/2020/05/07/state-budget-cuts-to-medicaid-means-reduced-federal-funding-larger-total-cuts/> The \$3.26 is based on the assumption that the FMAP bump will remain in place through early 2022, as the CBO assumes in recent analysis, which was presented to the Senate Committee on the Budget. Congressional Budget Office, “Preliminary Estimate of the Effects of H.R. 748, the CARES Act, Public Law 116-136, Revised, With Corrections to the Revenue Effect of the Employee Retention Credit and to the Modification of a Limitation on Losses for Taxpayers Other Than Corporations”, April 27, 2020. Accessed at: <https://www.cbo.gov/system/files/2020-04/hr748.pdf>.