2014

A Racial Impact Analysis of SB 30: Medicaid Expansion

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A project of the Minority Political Leadership Institute Class of 2014

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Project Description

Virginia is the second worst state in providing Medicaid to its citizens. The focus of this report is to provide a racial equity impact analysis of Senate Bill (SB) 30, the Senate legislative vehicle for the appropriations of the budget submitted by the Governor of Virginia for fiscal years 2015 and 2016. SB 30 included a provision called "Marketplace Virginia" as an alternative to traditional Medicaid expansion in Virginia. This compromise bill would have covered an estimated 430,000 Virginians who fall in the Medicaid coverage gap by assisting them in purchasing private insurance. This report provides a racial equity impact analysis of the failure of the Virginia General Assembly to pass SB 30. The racial and ethnic impact of this proposed, but failed, legislation is important because minorities in Virginia disproportionately face disparities in health care access and quality. This racial impact analysis captures and reports the potential impact of this legislation by race in the Commonwealth of Virginia. The primary recommendation includes raising eligibility requirements to a minimum of 100 percent of the federal poverty level. Virginia's current eligibility requirements are so strict that although it is ranked **7th in per capita personal income**, Virginia ranked 43rd in Medicaid enrollment as a proportion of the state's population and **47th** in per capita Medicaid spending.

Legislative Overview

SB 30 is the Senate legislative vehicle for the appropriations of the budget submitted by the Governor of Virginia for fiscal years 2015 and 2016. This bill was introduced by State Senator Walter Stosch, the Republican co-chair of the Senate Finance Committee. Included in SB 30 is a provision called "Marketplace Virginia" which would serve as a vehicle to expand Medicaid in Virginia.

At the heart of a major campaign promise of incoming Governor Terry McAuliffe was expanding Medicaid coverage in Virginia. After the Supreme Court ruling on the Affordable Care Act (ACA), states were left with the decision to expand Medicaid coverage to nonelderly adults with incomes below 138 percent of the federal poverty level (FPL). Currently, Medicaid in Virginia typically covers: pregnant women with household incomes up to 133 percent of the Federal Poverty Level (FPL), children (up to age 18) up to 133 percent of FPL, older adults up to 80 percent of FPL, some people with disabilities up to 80 percent of FPL, and parents up to 24 percent of FPL. Additionally, 133 percent of FPL translates to $14,856 per year for individuals or $30,657 per year for families of four.

Many states, including Virginia, are considering and have considered whether or not to implement the ACA option of expanding Medicaid to adults with incomes up to 138 percent of FPL. "If a state does not implement the Medicaid expansion, some adults could instead receive federal tax credits and other subsidies when purchasing coverage through the newly created exchanges, but these credits and subsidies would not be available for citizens with incomes below 100 percent of FPL" (Kenney, 2012). As a result, those with incomes below 100 percent

of FPL would not receive any additional help obtaining health insurance coverage under the ACA if their state does not expand its Medicaid program.

The concept of Marketplace Virginia was written by State Senator John C. Watkins. The plan would assist approximately 430,000 Virginians who fall in the Medicaid coverage loophole by assisting them in purchasing private insurance. With the approval from the Obama Administration, the state would "draw down an estimated $1.7 billion each year in federal funds generated by taxes paid by Virginians and businesses under the ACA."

"Under Marketplace Virginia, the money would be held in the Virginia Taxpayer Recovery Fund, which would pay insurers for coverage of newly eligible people. However, state oversight of the funds would be provided by the Department of Medical Assistance Services, the state Medicaid agency, which already administers a separate, non-Medicaid program for children and adolescents. The Senate plan would rely on private insurance companies that already provide managed care — at their risk — to more than 700,000 people in the state Medicaid program, mostly children, pregnant women and extremely low-income parents" (Martz, 2014).

Opponents of Medicaid expansion in Virginia, as with many other states, express budgetary concerns and skepticism that the federal government will not fulfill its obligation of 100 percent federal support through 2016 and 90 percent thereafter. Outspoken critics of expanding Medicaid coverage include Delegates Scott Lingamfelter and Tim Hugo, though House and Senate Republicans are pretty united in their opposition. The outliers include Senators Watkins, Stosch and Hanger, moderate Senate Republicans who support expanding Medicaid. Proponents of expanding Medicaid in Virginia include a diverse group of organizations, including (but not limited to): AARP Virginia, Virginia Association of Free Clinics, Virginia Rural Health Association, Virginia March of Dimes, the Virginia Hospital and Healthcare Association and the Virginia Chamber of Commerce (supports the Marketplace Virginia proposal). With the exception of three moderate Senate Republicans, support for expanding Medicaid in Virginia has been based on political affiliation, with Democrats in the General Assembly in support of expansion and Republicans opposing expansion.

There are four main reasons supporters would like to expand Medicaid in Virginia (as listed in the table below). First, supporters of Medicaid expansion believe it will provide insurance coverage for more Virginians. Beginning January 1, 2014, as many as 430,000 Virginians could gain Medicaid coverage (Fairfax, 2013). Secondly, the cost to the Commonwealth of Virginia would be minimal in the first few years and manageable in the longer term (Fairfax, 2013). Currently, Virginia is losing $5 million per day in Federal funds and $370K in lose savings per day in reductions in state expenditures. Thirdly, providing health insurance coverage to uninsured Virginians could lower health care costs for all Virginians. Uninsured Virginians would likely receive more preventative and primary care, reducing more expensive emergency care and treatments for sicker individuals (Fairfax, 2013). Lastly, opting out of Medicaid expansion would create a coverage gap, increasing the burden on social safety net providers. If Virginia does not participate in the expansion, individuals who earn at least 100 percent of FPL may be eligible for subsidized insurance through the health exchange; however, individuals earning

below 100 percent FPL are ineligible for such subsidized insurance as they were envisioned by the federal law to be covered by Medicaid (Fairfax, 2013).

Table 1: Arguments for and against Medicaid Expansion	
Proponents of Medicaid Expansion	**Opponents of Medicaid Expansion**
- Insurance coverage for more Virginians	- Cost of expansion
- Minimal cost to Virginia	- Other underestimated costs
- Lower health care costs for all Virginians	
- Avoid coverage gap	

The 2014 General Assembly session consisted of intense discussion regarding Medicaid expansion. As a result of partisan division on the issue, the General Assembly adjourned without passing a budget. Shortly thereafter, the General Assembly members returned for a special session to pass a budget for the next biennium; however, at the heart of the budget battle is the issue of expanding Medicaid. A major shift in the battle over expansion occurred when Democratic State Senator Phil Puckett promptly resigned triggering a shift in the composition of the State Senate. As a result, Republicans regained control of the Senate, 20-19. With their new majority, Senate Republicans quickly called back the General Assembly members to consider a state budget without Medicaid expansion. With Senators Watkins, Stosch, and Hanger switching their support for expansion, the Senate and House was able to pass a budget without Medicaid expansion. Governor Terry McAullife signed the budget into law a few days prior to the end of the fiscal year, averting a State government shutdown. See table 2 below for a full timeline of major events.

Table 2: Timeline of major actions concerning the Medicaid Expansion debate	
Date	**Major Action**
December 13, 2013	SB 30 (budget bill) introduced including the Marketplace Virginia proposal for expanding Medicaid
March 8, 2014	2014 General Assembly adjourns without passing budget – state of expanding Medicaid in limbo
March 24, 2014	2014 Special Session begins to finish budget discussion – major disagreements over expanding Medicaid
March 24, 2014	Governor McAuliffe introduces budget that includes a 2-year pilot program to close the coverage gap and expand Medicaid
June 9, 2014	Sen. Phil Puckett announces his resignation from the State Senate, changing the make-up of the Senate to 20-19 in favor of Republicans
June 12, 2014	The General Assembly passes the state budget, excluding Medicaid expansion and including sufficient barriers to Medicaid expansion
June 20, 2014	Governor McAuliffe vetoes portion of the state budget that would have blocked the Medicaid Innovation and Reform Commission (MIRC) as a vehicle for closing the coverage gap
July 1, 2014	New budget becomes law
September 17, 2014	The General Assembly returns to Richmond to consider additional Medicaid expansion proposals

As the issue of expanding Medicaid in Virginia was being considered by the General Assembly, intense debate ensued in the media from both proponents and opponents. In an op-ed written by Delegate Jennifer McClellan for the *Richmond Times Dispatch*, she shares the story of how her son was severely burned and the cost to treat him. She reminds readers that "the question is what we will do to help the working poor receive medical treatment based on what they need, not what they can afford" (McClellan, 2014). On February 9, 2014, Virginia Organizing, a statewide nonpartisan organization, hosted several media conferences around the Commonwealth in support of expanding Medicaid in Virginia. This was a common occurrence throughout the General Assembly session, as organizations sought to shed light on the importance of expanding Medicaid.

A recent poll shows that Virginians are deeply divided on the issue of Medicaid expansion. "The latest Roanoke College poll reports 41 percent of Virginians want to expand Medicaid but 46 percent want to leave it as it is. Twelve percent say they are unsure. The five percentage point gap between those who would expand and those who would not is just outside the poll's 4.2 percentage point margin of error" (Ress, 2014).

Racial Impact Analysis

Analysis of the research revealed that there are existing inequities for minorities in access to health care, the result of which is significant in human costs. Further analysis on the data related to the economic arguments used by the majority of the General Assembly to justify not expanding access to health care, were not only inaccurate, but instead impose huge economic costs on Virginia.

The Institute of Medicine's (IOM) landmark 2002 report, *Unequal Treatment: Confronting Racial and Ethnic Disparities in Health Care,* identifies the lack of insurance as a significant driver of healthcare disparities (Unequal, 2002). Lack of insurance, more than any other demographic or economic barrier, negatively affects the quality of health care received by minority populations. Racial and ethnic minorities are significantly less likely than the rest of the population to have health insurance (Flaskerud, 2014).

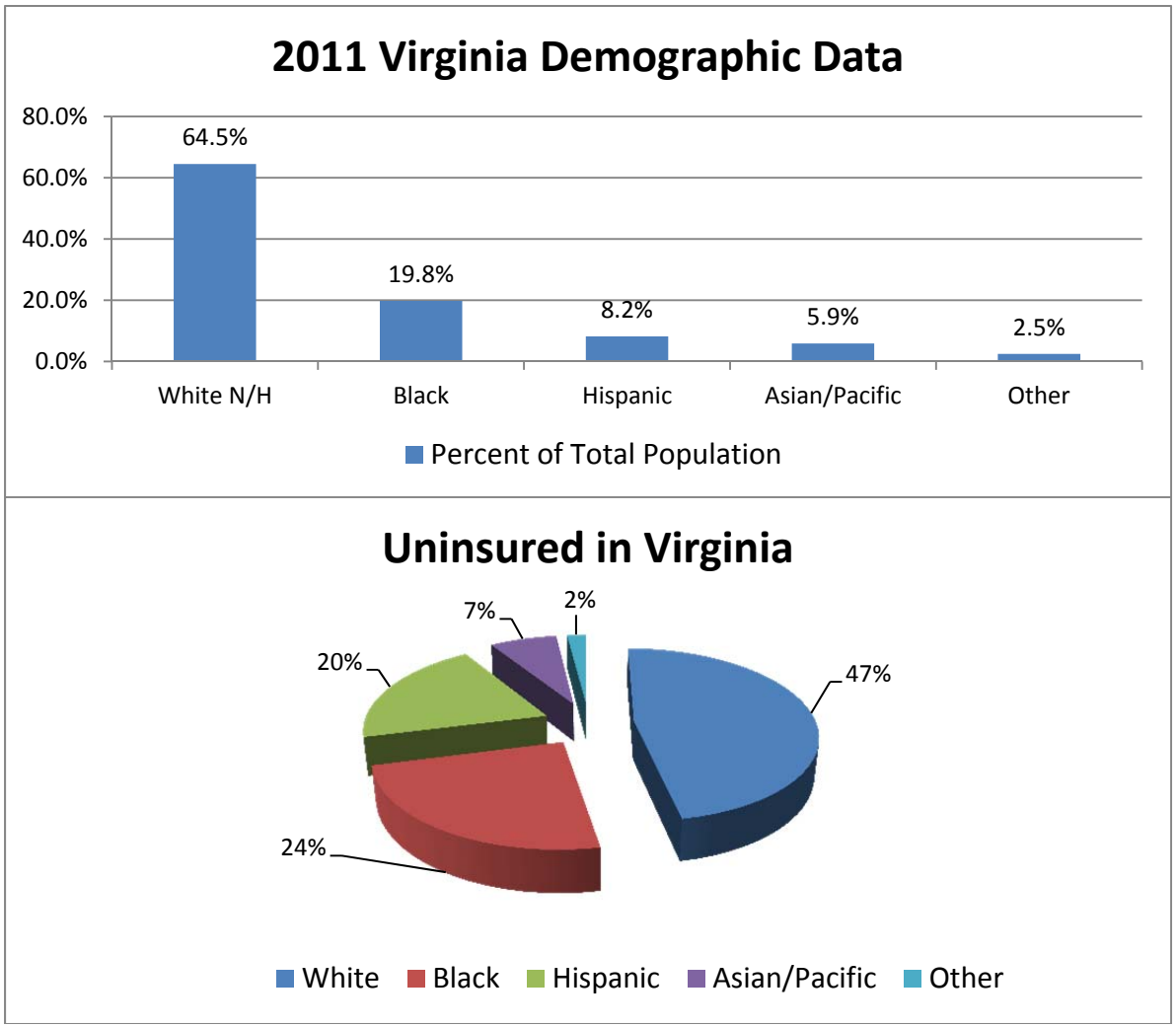
The cost of health disparities on Virginia is not insignificant. According to the 2012 Virginia Health Equity Report, the annual total costs of health disparities/inequities for five health risk categories associated with **race, rural residence, poverty and low education reach $917 million, $692 million, $2.36 billion and $4.69 billion, respectively** as indicated in the chart below (VDH, 2012).

Table 3: Estimated Yearly Total Costs for Four Factors Associated with Health Outcome Disparities/Inequities, Virginia 2006-2008					
Health Risk	**Cost Type**	**Race (non White)**	**Rural / Urban**	**Income (<10,000)**	**Education (< high school)**
Stroke	Direct Cost	$44,783,000	$18,957,000	$41,542,000	$39,702,000
	Morbidity Cost	$8,110,000	$19,160,000	$17,773,000	$16,986,000
	Mortality Cost	$60,634,000	$1,515,000	$187,062,000	$181,783,000
	Total	$113,528,000	$39,631,000	$246,376,000	$238,472,000
Heart Disease	Direct Cost	$67,318,000	$30,854,000	$195,492,000	$230,778,000
	Morbidity Cost	$33,511,000	$15,359,000	$97,317,000	$114,883,000
	Mortality Cost	$197,278,000	$162,125,000	$835,543,000	$2,078,195,000
	Total	$298,107,00	$208,338,000	$1,128,352,000	$2,423,856,000
Cancer	Direct Cost	$28,586,000	$6,231,000	$29,336,000	$0
	Morbidity Cost	$52,041,000	$11,334,000	$53,406,000	$0
	Mortality Cost	$153,279,000	$131,729,000	$287,659,000	$676,983,000
	Total	$233,906,000	$149,304,000	$370,402,000	$676,983,000
Injury	Direct Cost	$3,227,125	$57,022,000	$21,829,000	$69,323,000
	Morbidity Cost	$1,064,906	$13,987,000	$6,967,000	$20,004,000
	Mortality Cost	$4,028,236	$224,166,000	$98,153,000	$1,098,672,000
	Total	$8,320,000	$295,176,000	$126,951,000	**$1,187,998,000**
Low Birth Weight	Direct Cost	$16,422,000	$0	$0	$16,054,000
	Morbidity Cost	$115,983,000	$0	$0	$113,389,000
	Mortality Cost	$131,056,000	$0	$490,226,000	$41,105,000
	Total	$263,460,824	$0	$490,226,000	$170,548,000
The Total of Five Health Risk	Direct Cost	$160,336,000	$113,634,000	$288,199,000	$355,858,000
	Morbidity Cost	$210,711,000	$59,849,000	$175,465,239	$265,261,610
	Mortality Cost	$546,275,000	$519,535,000	$1,898,642,000	$4,076,738,000
	TOTAL COST	**$917,322,000**	**$692,448,000**	**$2,362,306,000**	**$4,697,858,000**

What does this really mean for the people of color in Virginia? It means that, in data posted by the U.S. Department of Health & Human Services, racial and ethnic minorities face disparities in quality of care and access to health care (AHRQ, 2010). It means of the 430,000 estimated by the Medicaid Innovation Reform Commission that would be served by Marketplace Virginia (Smith, 2013), 53 percent, or 227,900 are people of color based on the demographic information provided by Virginia Consumer Voices for Healthcare as indicated in the charts below (VCV, 2013).

As Figure 1 depicts, it is significant particularly for Hispanics, that while they comprise only 8.2 percent of the population in Virginia they represent 20 percent of those who are uninsured---nearly three times their population. For blacks, there is also a significant disparity (19.8 percent of the population vs. 24 percent of those who are uninsured).

Figure 1: Overview of Virginia Demographics and the Uninsured



For these 227,900 people of color in Virginia it also means that according to a report by Harvard-based researchers, uninsured, working-age Americans have a 40 percent higher risk of death than their privately insured counterparts, up from a 25 percent excess death rate found in 1993 (Wilper, 2009). The lead author says, "Doctors have many new ways to prevent deaths from hypertension, diabetes and heart disease — but only if patients can get into our offices and afford their medications."

Another study is more specific and is translated to a broader population: For every 830 people who got coverage, one premature death was prevented (Sommers, 2014). The failure of the General Assembly to pass expansion of Medicaid clearly continues what is a disparate impact on minorities. Passage of the expansion would have provided better quality health care and better access to health care for all minorities in Virginia.

More clearly stated, failure to close the gap and provide coverage according to these studies will result in 518 premature deaths. Considering that 53 percent of the uninsured are people of color, applying ONLY that, it results in 275 premature deaths for minorities. As a result of minorities already facing more severe and disparate health issues, the percentage of premature deaths for whites vs. minorities is almost certainly even more skewed.

As startling as those statistics are, the impact reaches beyond the health and mortality of uninsured minorities. In fact, Michael O. Royster, then Director of the Virginia Office of Minority Health and Health Equity, states in the report introduction for the Virginia Health Equity Report that,

> It is notable that health status inequities begin before birth and continue throughout life Health inequities lead to unnecessary health care, social, and economic costs, as well as reductions to lifespan and quality of life. Because of limited opportunities to be healthy, many children grow up experiencing inequities in health. This impedes their development into productive members of society and denies the Commonwealth the full potential of its citizenry. Thus, health inequity is an issue that truly affects all Virginians and requires all of us to work together (VDH, 2012).

Analyzing the cost argument made by opponents of health insurance expansion based on the data above seems to negate any concerns regarding cost. Further, if analyzed from a purely dollars and cents perspective and the impact to the budget, there remains no logical reason to not provide health insurance to Virginia's impoverished. Consider that in a report from the Virginia Senate Finance Committee (Senate, 2014) costs to the Commonwealth were identified as:

- The Commonwealth will likely continue to subsidize the cost of providing indigent care at VCU and UVA Health Systems by more than $100 million GF each year.
- The reduction of disproportionate share hospital (DSH) payments will put pressure on the General Assembly to backfill the loss of federal funding.
- State funds will pay 100 percent of the cost of caring for 22,000 low income Virginians with behavioral health needs through CSBs.

- Employers will face upward pressure in premiums as costs are shifted to the insured.
- Federal funds earmarked for the expansion of health care coverage to low income Virginians will be shifted to other states or go unspent.

Opponents of expansion also argue that the current health care system does not have enough health care workers to care for the number of people that would suddenly be covered by insurance. However, in a report by Chmura Economics and Analytics it states, "The total annual statewide economic impact (direct and ripple) of increased healthcare revenue from the Medicaid expansion is estimated to average $3.5 billion from 2014 to 2019, which can support 26,395 Virginia jobs" (Chmura, 2012). Direct revenue from the Medicaid expansion flowing into Virginia's healthcare industry is estimated to average $1.9 billion per year, which can support 15,762 annual healthcare jobs. The indirect impact is estimated to be $588.8 million and 3,709 jobs, benefiting other businesses in Virginia that support the state's healthcare industry. The induced impact is estimated to be $1.0 billion and 6,923 jobs in the state, mostly benefiting consumer-related businesses such as retail shops, restaurants, and other services.

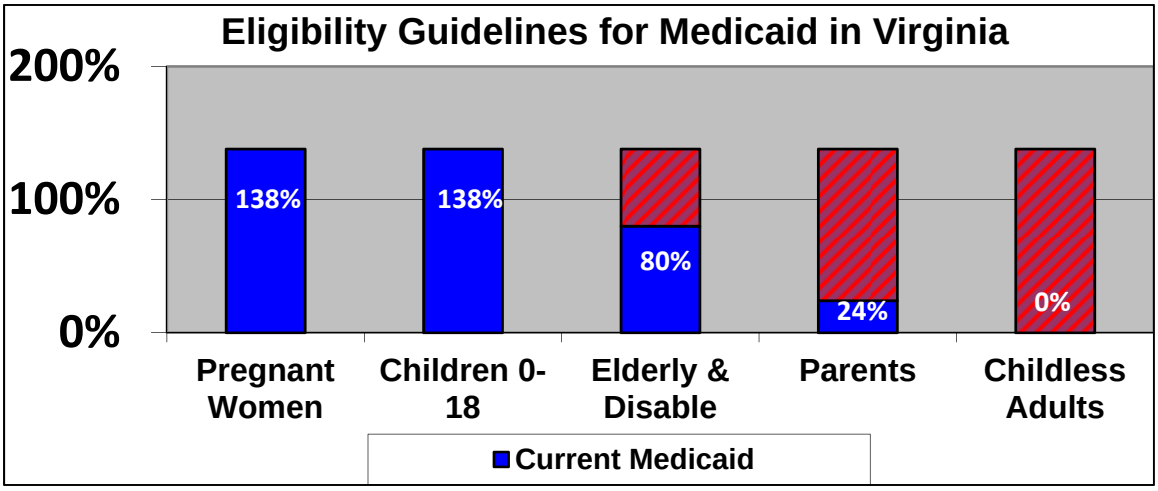
Analysis clearly shows that the expanding health care as proposed by SB 30 would help to eliminate the inequity of health care to minorities, save lives, improve quality of life and increase economic success to minority populations. The fact that all of this can be accomplished while saving Virginia taxpayers billions of dollars and creating tens of thousands of jobs which add billions more to the state economy makes the decision not to do so even more incredulous.

Recommendations

Based on the racial impact analysis, we recommend the following:

1. At a minimum, the eligibility requirements for Medicaid for all population groups (i.e. elderly/disabled, working parents, children, childless adults, and pregnant women) should be at 100 percent of the Federal Poverty Level (FPL), with the caveat that those groups already at or over 100 percent should not be lowered, and then continue to systematically increase eligibility to no less than 138 percent of the FPL over the next three budget years. Anything less than this prevents access to resources and care for those identified in the coverage gap.

Chart 2: Eligibility Guidelines for Medicaid in Virginia



2. Provide the General Assembly with easy to understand talking points that they are able to share with their constituents. As stated in the Racial Impact Analysis, the economic arguments used by the majority of the General Assembly have been misleading and inaccurate, as well as biased. Although this is a highly, politically-charged issue, it is essential that everyone truly understands the complexities on both sides. The education efforts must include not only the cost benefits to Virginia each year, with or without the contributions promised by the federal government, but also the cost in human terms.

3. Reframe the discussion from lack of health care workers to a job creation platform, showing job growth increasing incrementally along with the increased eligibility. As mentioned in the Racial Impact Analysis, the economic analysis showed that expanding health care increases economic success to minority populations and would do while saving Virginians billions of dollars and creating jobs that would add billions to the economy.

4. Raise awareness of the disproportionate impact this legislation has on minorities. As mentioned in the Racial Impact Analysis, minorities face more severe and disparate health issues and statistics show that the impact reaches beyond the health and mortality of uninsured minorities. They "begin before birth and continue throughout life," leading to unnecessary care and costs. This is the kind of information we found in many studies, but not captured in the public discussion.

Conclusion

Senate Bill (SB) 30 was created in an effort to provide health care insurance, through a private Virginia Marketplace plan to those who fall below 138 percent of the federal poverty level (FPL) in hopes of leveling the playing field by making health care more accessible to all populations within Virginia. Our research and analysis clearly points to the disparity in total percent population of minority groups within Virginia being relatively small, yet those same minority groups having the greatest percent of being uninsured. Long term health care issues continue to grow within these minority populations, and the annual cost to the commonwealth reaches nearly $1 Billion per year to provide the needed health care. Expanding health care accessibility to individuals early on in life has proven to help minimize extended care needs, more expensive medical treatments, and more severe health care conditions for the same individuals later on in life. The failure of the General Assembly to include the proposed Marketplace Virginia in the state budget will result in the continuation of the uninsured gap within the Commonwealth, which has a clear disparate impact on minorities, and the economic well-being of the Commonwealth. It continues to perpetuate the health care separation that is associated with the socioeconomic status of an individual within this country, and the true problems never get addressed. Those aware of the need for effective health care must increase efforts to share this information with members of the Virginia General Assembly and develop a plan for consumer education. Failure to address this critical humanitarian issue will not only result in individual impacts for minorities, it will impact the Commonwealth of Virginia in ways not readily apparent.

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Racial Equity Analysis of SB30

(A vehicle to expand Medicaid in Virginia)

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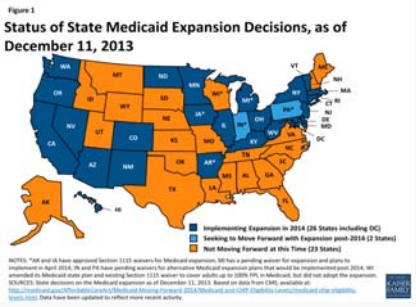
Introduction & Overview



Introduction & Overview

- Virginia is the 2nd worst state in providing Medicaid
- Project focus:
  - Provides a racial equity impact analysis of SB 30
  - Provides a racial equity impact analysis of the failure of the Virginia General Assembly to pass SB 30
  - Provides recommendation for Virginia to move forward in some capacity with Medicaid expansion

Legislative Overview

- SB 30 is the Senate legislative vehicle for the appropriations of the budget submitted by the Governor of Virginia for fiscal years 2015 and 2016.
- Included in SB 30 is a provision called "Marketplace Virginia" which would serve as a vehicle to expand Medicaid in Virginia.
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Lower health care costs for all Virginians	
Avoid coverage gap	

Legislative Timeline

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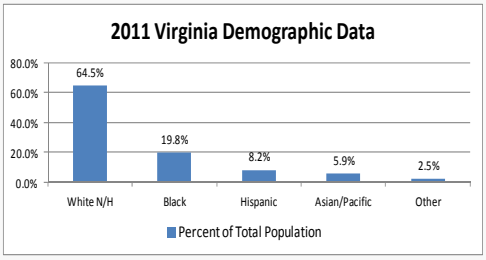
The percentage of minority uninsured is larger than their percentage of the Virginia population.



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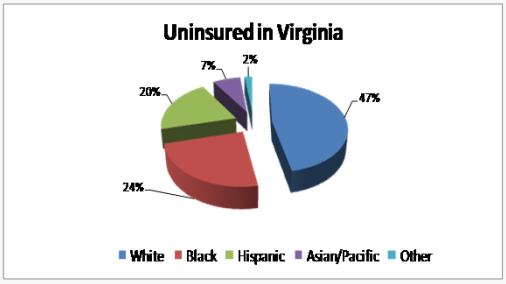

Estimated Yearly Total Costs for Factors Associated with Health Outcome

Disparities/Inequities, Virginia 2006-2008		
Health Risk	Cost Type	Race
Stroke	Direct Cost	$44,783,000
	Morbidity Cost	$8,110,000
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	Total	$113,528,000
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	Mortality Cost	$197,278,000
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	Morbidity Cost	$1,064,906
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	Total	$8,320,000
Low Birth Weight	Direct Cost	$16,422,000
	Morbidity Cost	$115,983,000
	Mortality Cost	$131,056,000
	Total	$263,460,824
Total of Five Health Risks	Direct Cost	$160,336,000
	Morbidity Cost	$210,711,000
	Mortality Cost	$546,275,000
	TOTAL COST	$ 917,322,000

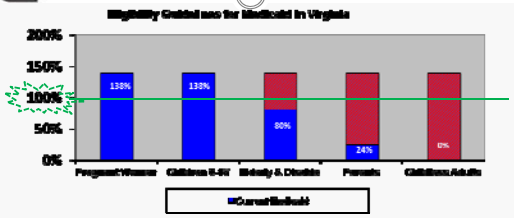
Potential benefits to the economy from improving the health outcome of groups suffering from significant disparities/inequities.

Almost $1 Billion per/year

Racial Impact Analysis - Findings

- Analysis Summary Points
  - Demographic disparity as a percent of the population
  - Impact on Health and the resulting cost on the economy
- Final Point
  - Arguments against health care expansion focusing solely on economic expenses fail to consider the economic revenues and benefits.

Recommendations



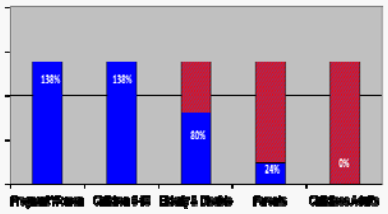
Recommendation #1: Increase eligibility requirements systematically over the next 3 budget yrs.

Recommendations

- **Recommendation #2:** Provide the General Assembly with talking points to share with their constituents.
- **Recommendation #3:** Turn the discussion from lack of health care workers, to a job creation platform.
- **Recommendation #4:** Raise awareness of the impact on minorities.

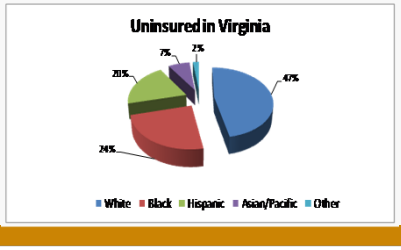
Conclusions

- SB 30 was created in an effort to provide health care insurance, through a private Virginia Marketplace.



Conclusions

- Uninsured gap within the Commonwealth has a clear disparate impact on minorities and the economic well being of the Commonwealth.



Conclusions

- Failure to address this critical humanitarian issue will not only result in individual impacts for minorities, it will impact the Commonwealth of Virginia in ways not readily apparent. (~$917,322,000)
- Must increase efforts to share this information with members of the Virginia General Assembly and develop a plan for consumer education.

Any Questions?

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