

Repealing the Medicaid Expansion Would Reverse Health Coverage Gains & Deepen New Jersey's Financial Crisis

*Proposal would shift costs to New Jersey's uninsured,
hospitals and taxpayers*

By Raymond Castro
Senior Policy Analyst
castro@njpp.org

President-elect Donald Trump's proposal to repeal the Medicaid expansion as part of rolling back most of the Affordable Care Act (ACA) would harm New Jersey far more than most other states, causing over a half million low-income residents to lose health coverage and costing the state about \$3 billion a year in federal funds. This would reverse the progress New Jersey has made in reducing the number of residents without insurance while deepening the state's severe financial and budget crisis. New Jerseyans across the state, as well as hospitals and other health care providers, would be harmed.

The option for states to expand Medicaid took effect January 1, 2014 and allows them to raise eligibility to a higher, uniform national level and, for the first time, include adults without children at a much higher federal matching rate to make it easier for states to cover more Americans.

Replace the ACA With What?

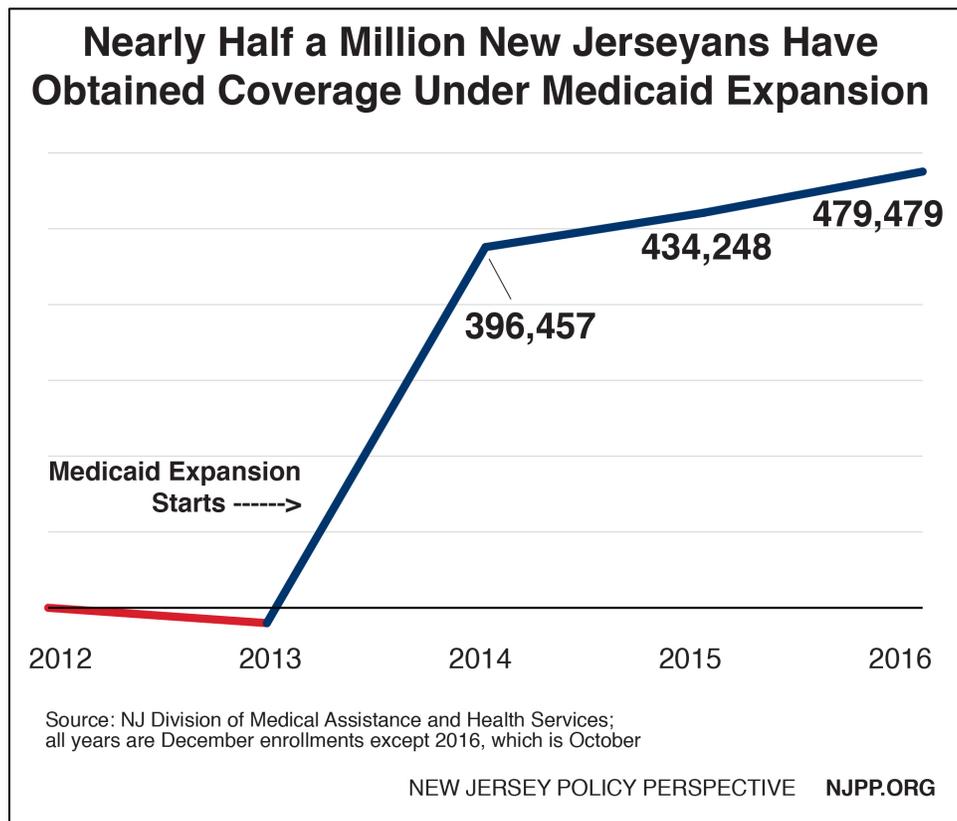
While President-Elect Trump and Congress have said they will replace the Affordable Care Act with something better, this analysis does not take that into account because such a replacement has not yet been developed. In fact, Congress has indicated that they want to pass a law now repealing the ACA to take effect two years later to give them time to come up with a replacement. If that occurs, it is likely that an adequate replacement may never be found, which would be a catastrophe for many struggling New Jerseyans. Furthermore, some of the possible solutions that have been discussed, such as block granting the entire Medicaid program, raise more questions and could harm many more people including the elderly, people with disabilities and children.

This is the first of a series of reports analyzing the major impact that repealing the ACA would have on New Jersey. While this report focuses on the Medicaid expansion, repeal of the ACA also threatens the existing health insurance Marketplace that allows 250,000 New Jerseyans to obtain health coverage at more affordable rates, many of the consumer protections that millions of residents receive in their employer-based insurance, and even the greater coverage that seniors rely on for vital prescription drugs in Medicare.

Given the threat the Trump proposal poses to New Jersey, the state's Congressional delegation must strongly oppose any repeal of the Affordable Care Act, including the Medicaid expansion; Gov. Christie should use his influence to ensure that the expansion stays in place; the legislature should hold hearings and urge Congress to keep the expansion intact; and the state should stay the course and help more uncovered people enroll.

About 10 Percent of New Jersey Adults Would Lose Health Coverage

Repealing the Medicaid expansion would cause about 528,000 adult New Jerseyans – or 10 percent of all non-elderly adults in the state – to lose their health coverage. This is because so many New Jerseyans have benefitted from the Medicaid expansion – far more than originally anticipated. In fact, New Jersey has the eighth highest number of new participants. Prior to the Affordable Care Act, Medicaid enrollment was decreasing but when the expansion became available, an additional 480,000 New Jerseyans signed up – increasing total enrollment by 37 percent over just three years.

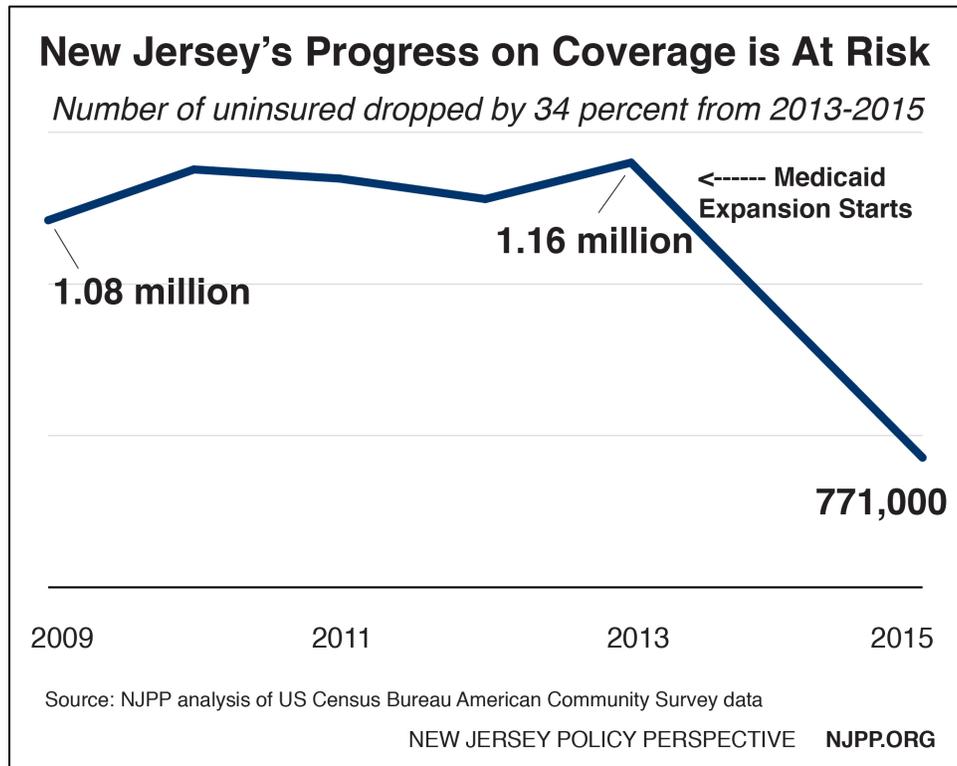


But it's not just most of these new enrollees who are at risk of losing coverage. Many adults who had coverage in NJ FamilyCare *before* the Medicaid expansion, are also at risk because waivers that were granted by the federal government to assist them have since expired. In other words,

the state could end up with fewer New Jerseyans in Medicaid than it had *prior* to the Medicaid expansion if it is repealed.

If all of these New Jerseyans lose their health coverage, it would reverse the historic gains the state has made in reducing the number of residents without health insurance. The Medicaid expansion and other parts of the ACA have caused the state's uninsurance rate to drop by 34 percent in just two years, falling to an unprecedented 8.7 percent in 2015 from 13.2 percent in 2013. Now just 771,000 residents lack insurance, compared to 1,160,000 in 2013.¹

The Medicaid expansion has helped drive this unprecedented progress in health coverage for New Jerseyans, much more so than the federal health insurance marketplace. More than twice as many New Jerseyans are in the Medicaid expansion than the marketplace; far fewer of them had health insurance prior to the ACA; they have lower incomes and therefore fewer insurance alternatives; and, as mentioned above, an entirely new group of New Jerseyans would become uninsured.



Many At-Risk New Jerseyans Are Low-Paid Workers Trying to Get By in High-Cost New Jersey

Nearly two-thirds of the adults who are at risk of losing coverage under the repeal of the Medicaid expansion are working, or living in households where someone works.² These workers are paid very low wages and cannot afford even minimal medical care without assistance.

The Medicaid expansion extended health coverage to individuals up to 138 percent of the federal poverty level, or an approximate annual income of \$15,800 for an individual and \$23,800 for a single parent with two children. Adults earning this little in New Jersey – the equivalent to between \$8.50 and \$15 for full-time, year-round work – are struggling every day just to pay for food and housing in a state with one of the highest costs of living in the nation.³

These New Jersey residents work in jobs we see every day: they are the servers at our local diner, the teachers at our child care center, the cashiers at the grocery, the salespeople at our favorite department store, our kid's school bus drivers. In fact, the New Jerseyans in the Medicaid expansion work in nearly 300 different industries. Much of the comprehensive health care they are now able to receive is essential for them to continue to work, such as treatment, which was enhanced in the Medicaid expansion for the growing problems of substance abuse and mental illness.

Workers At Risk of Losing Coverage Work in a Wide Variety of Industries
Here are the 15 industries with the most adult workers enrolled in the Medicaid expansion

Industry	Workers At Risk of Losing Coverage	Industry	Workers At Risk of Losing Coverage
Restaurants/food services	24,353	Grocery stores	5,751
Elementary/secondary schools	10,566	Social assistance centers	5,628
Construction	10,259	Public transportation	5,045
Home health care services	9,293	Nursing care facilities	4,631
Department stores	7,622	Employment referral agencies	4,555
Building services (janitors, cleaning, etc.)	7,576	Physicians' offices	4,279
Child day care services	7,484	Gambling/entertainment/recreation	7,622
Clothing stores	5,904		

Source: US Census Bureau, American Community Survey, 2015 data. This includes adults ages 19 through 64 who have worked within the past year.

NEW JERSEY POLICY PERSPECTIVE | NJPP.ORG

The dangers posed by repealing the Medicaid expansion should be considered a bipartisan issue because the lack of health care harms Americans regardless of their political party affiliation. Although more New Jerseyans at risk of losing health coverage live in Democratic districts, 145,000 of them live in Republican districts.⁴

While the damage from repealing the Medicaid expansion would be felt in all parts of the state, it would be felt most keenly in many of New Jersey's major cities.

A total of 163,000 adults – or about a third of the statewide total – are at risk of losing coverage in ten cities alone. In these cities, between one in three and one in seven adults are at risk. Newark has the most at-risk adults total (36,751), while Camden has the greatest share of at-risk adults (about one in three).

Repealing the Medicaid Expansion Would Harm Districts Represented by Both Political Parties

District & Representative	Adults Who'd Lose Coverage	Annual Federal Funding Lost
1: Donald Norcross (D)	52,370	\$297.6M
2: Frank LoBiondo (R)	51,337	\$291.7M
3: Tom MacArthur (R)	37,371	\$212.3M
4: Chris Smith (R)	34,587	\$196.5M
5: Josh Gottheimer* (D)	25,448	\$144.6M
6: Frank Pallone (D)	39,251	\$223.0M
7: Leonard Lance (R)	21,867	\$124.2M
8: Albio Sires (D)	65,092	\$369.8M
9: Bill Pascrell (D)	64,852	\$368.5M
10: Donald Payne (D)	76,901	\$436.9M
11: Rodney Frelinghuysen (R)	21,482	\$122.1M
12: Bonnie Watson Coleman (D)	37,441	\$212.7M
Republican Districts	145,163	\$824.8M
Democratic Districts	382,837	\$2.175B

Source: NJPP analysis of US Census Bureau and NJ Department of Human Services data

* The 5th district is counted here as Democratic since we are looking at actions that may be taken by the next Congress, not the current Congress

NEW JERSEY POLICY PERSPECTIVE NJPP.ORG

Ten New Jersey Cities With the Most Adults At Risk of Losing Coverage

City	Adults At Risk of Losing Coverage	Share of Adults At Risk	City	Adults At Risk of Losing Coverage	Share of Adults At Risk
Newark	36,751	21%	Lakewood	11,686	28%
Jersey City	26,302	14%	Passaic	11,659	27%
Paterson	23,401	26%	Trenton	11,073	21%
Camden	13,824	32%	East Orange	8,387	20%
Elizabeth	12,171	15%	Union	7,500	16%

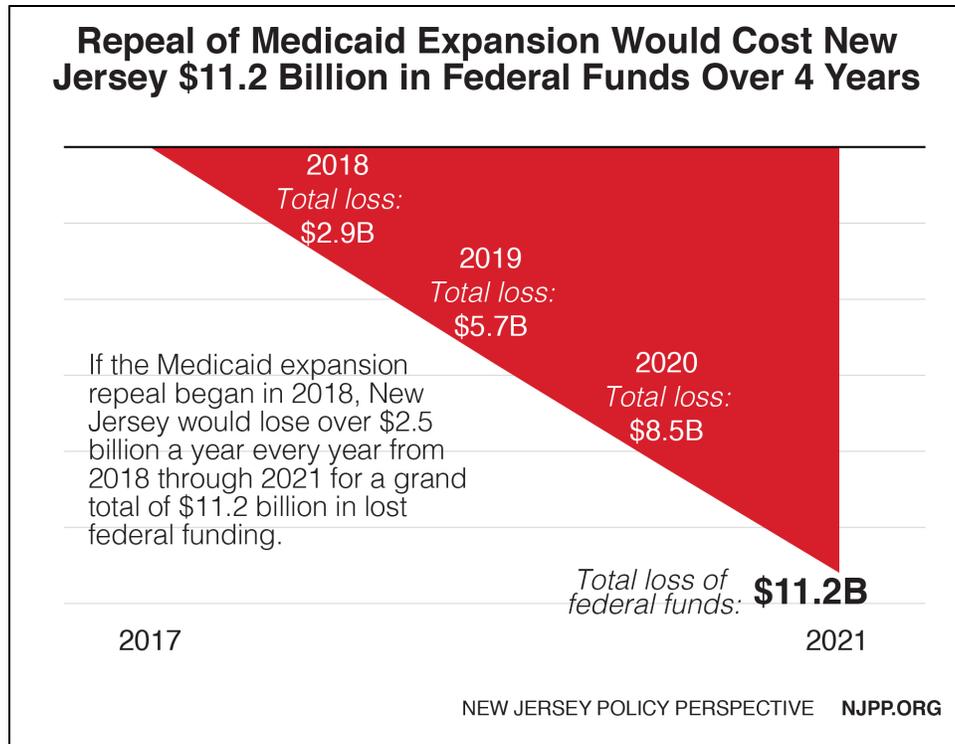
Source: US Census Bureau, American Community Survey, 2015

NEW JERSEY POLICY PERSPECTIVE NJPP.ORG

New Jersey Would Suffer its Greatest Loss in Federal Funds Ever, Deepening its Financial Crisis

Repealing the Medicaid expansion would cause New Jersey to lose about \$3 billion in federal funds each year starting in 2018 assuming the cuts take effect that year. This loss would total \$11 billion over just four years. Such a large loss in federal funds would have what economists call a “multiplier effect,” resulting in a first-year loss of \$4.1 billion in economic activity and many jobs, particularly in the health care sector.⁵ Since the Medicaid expansion and the marketplace

started in 2014, 24,000 health jobs have been added in New Jersey, many of which would be eliminated if the Medicaid expansion is repealed.



This loss in federal funding would directly blow a big hole in New Jersey's budget.

While there have been modest state costs due to the Medicaid expansion, on the whole the expansion has saved the state money. New Jersey has already saved \$1 billion in the last three years thanks to the expansion, which has been used to balance the chronically unbalanced and underfunded state budget. New Jersey is also projected to save nearly half a billion dollars annually in the future – but that would not happen if the Medicaid expansion is repealed.

Nearly Half a Billion Dollars in State Budget Savings Would Disappear Under Repeal of the Medicaid Expansion

State savings	
Reduction in charity care payments	\$174M
Higher federal match: NJ FamilyCare parents	\$152M
New federal match: General Assistance recipients	\$150M
Increase in HMO 2% assessment revenue	\$41.7M
Higher federal match: General medical education payments	\$32.0M
Reduction in payments to community health centers	\$20.1M
Parents transferred to Marketplace	\$12.3M
Higher federal match: community health centers wrap-around	\$11.1M
TOTAL STATE SAVINGS	\$593.1M
State costs	
Matching payments for newly eligible recipients	\$74.9M
Presumptive eligibility	\$43.8M
TOTAL STATE COSTS	\$118.7M
NET STATE SAVINGS FROM MEDICAID EXPANSION:	\$474.4M

Source: NJPP analysis of NJ Department of Human Services estimates presented to the Office of Legislative Services

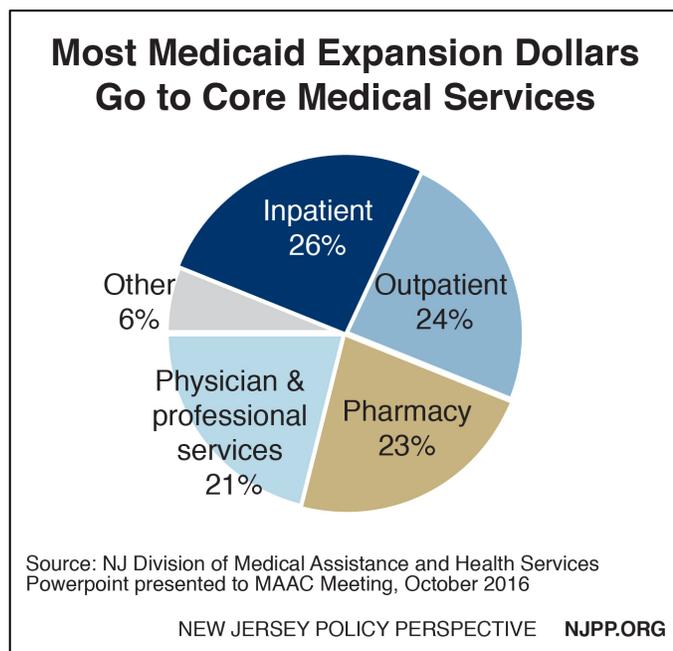
NEW JERSEY POLICY PERSPECTIVE NJPP.ORG

The reason for this windfall is that New Jersey was using state funds to help cover 167,000 childless adults and parents prior to the Affordable Care Act; the Medicaid expansion replaced those state funds entirely with federal funds. Prior to the ACA, New Jersey had paid for all the costs for childless adults receiving General Assistance. In addition, under a waiver, the state was responsible for a 35 percent match to obtain 65 percent matching federal funds for parents in NJ FamilyCare, which has since expired.

New Jersey's finances are already at rock bottom, with the state unable to meet promised obligations, invest in the assets that can grow the state's economy or ensure a strong safety net. Repeal of the Medicaid expansion would dig this very deep hole even deeper.

Hospitals and Health Care Providers Would Be Significantly Harmed

Most of the medical services low-income New Jerseyans have received under the Medicaid expansion prevent more expensive hospitalizations. About three-quarters of the funding that is spent for the medical care they receive is for pharmacy, primary care, outpatient and other services that prevent more costly medical conditions and reduce the incidence of hospitalization. With repeal, thousands of primary doctors, specialists and pharmacists would be put in the very tough position of having to tell their patients they no longer can assist them, no matter how serious their condition, or continue to care for them without getting paid.



Hospitals would have their own set of major challenges. Under New Jersey law, residents cannot be charged for any emergency and other care in a hospital if their income is below 200 percent of the federal poverty level (residents between 200 to 300 percent of the federal poverty level also get some help but pay a sliding-scale fee). To help ensure that hospitals were able to provide this care, the state has historically had a line item in the budget for “charity care,” which is half paid for with state funds and half federal, and is distributed to all acute-care hospitals in the state.

But in the past few years, New Jersey has cut this charity care funding by more than half (to \$302 million by the 2017 budget from \$650 million in the 2015 budget). The Christie administration's rationale was that hospitals would need less funding for charity care since more

New Jerseyans had coverage through the Medicaid expansion (this was a bit misleading since the state never fully compensated the hospitals for their charity care in the first place).

If the Medicaid expansion is repealed, many of the newly uninsured would return to the hospital emergency rooms for their care even though charity care funds to serve them would no longer be sufficient. State policymakers would have to either replace these funds – at the very same time budget pressures would increase due to the reduction in federal Medicaid funds – or put the financial solvency of many of these hospitals in jeopardy. New Jersey's hospitals employed 118,000 people and paid out \$8 billion in salaries in 2014, and are often the largest employer in the towns in which they are located.⁶ Undermining hospital finances would also harm local economies with immediate and consequentially negative ripple effects.

New Jersey's Leaders Must Act to Preserve Coverage

1. New Jersey's Congressional delegation must strongly oppose the repeal of the Affordable Care Act, including the Medicaid expansion.

Every Senator and member of the House that represents New Jersey should fight to preserve the Medicaid expansion for the sake of the tens of thousands of constituents in every Congressional district whose coverage is at stake. It will be particularly important that New Jersey's House Republicans take the lead on this, since they are in the majority party in Congress.

At the very least, the Congressional delegation needs to oppose repeal until a suitable replacement is identified. Congressional leaders and President-elect Trump have said that they intend to repeal the Affordable Care Act *first* and worry about how to replace it *later*, before the repeal becomes effective (possibly in two years). The problem is these opponents of the ACA have yet to come up with a clear and adequate replacement. All of their suggestions so far, such as Health Savings Accounts, high-risk insurance pools and tax credits for premiums, would only benefit higher-income Americans and would be of virtually no help for the poorest Americans who benefit from the Medicaid expansion.

2. Gov. Christie should use his influence to ensure that the expansion stays in place.

While its unclear exactly *how much* influence Gov. Christie has with the President-elect, the governor was one of Trump's close advisors during the campaign and a big supporter. This, and his embrace of the Medicaid expansion despite overall opposition to the ACA, makes Gov. Christie well-suited to highlight the special significance of the Medicaid expansion and help convince both the Trump administration and Congress to not repeal it.

3. The New Jersey legislature should hold hearings and urge Congress to maintain the Medicaid expansion.

The legislature should provide an opportunity for the Christie administration to explain how the state could respond to the possible repeal of the Medicaid expansion and/or how they will fight it in Congress. Since the governor has advocated for the repeal of the ACA, it is important that his

administration provide an alternative that the state can implement to avoid the loss of health coverage to a half-million New Jerseyans. It will also be critical to understand how New Jersey can respond to the elimination of budget savings resulting from the Medicaid expansion and how the state can replace the cutbacks in charity care to avoid the possible closing of some hospitals.

4. *The state should not start winding down the Medicaid expansion in anticipation of repeal.*

New Jersey officials should stay the course on the Medicaid expansion and continue enrolling residents who need coverage, even with the threat of repeal on the horizon. It would be irresponsible for the state to prevent low-income residents from obtaining coverage – if even for a short time – or to turn down billions of dollars in federal funds while they are still available.

Appendix

Impact of Repealing Medicaid Expansion by County

County	Parents Losing Medicaid	Childless adults losing Medicaid	Total adults losing Medicaid	Average annual federal funding loss
Atlantic	8,100	15,500	23,600	\$ 123,054,004
Bergen	12,800	26,800	39,600	\$ 206,480,447
Burlington	6,300	13,200	19,500	\$ 101,675,978
Camden	14,600	30,000	44,600	\$ 232,551,210
Cape May	2,200	4,200	6,400	\$ 33,370,577
Cumberland	4,700	8,300	13,000	\$ 67,783,985
Essex	24,400	43,000	67,400	\$ 351,433,892
Gloucester	5,800	10,600	16,400	\$ 85,512,104
Hudson	23,900	36,000	59,900	\$ 312,327,747
Hunterdon	800	2,300	3,100	\$ 16,163,873
Mercer	6,500	12,400	18,900	\$ 98,547,486
Middlesex	14,900	26,900	41,800	\$ 217,951,583
Monmouth	8,000	18,000	26,000	\$ 135,567,970
Morris	3,900	9,700	13,600	\$ 70,912,477
Ocean	18,900	18,500	37,400	\$ 195,009,311
Passaic	19,400	27,800	47,200	\$ 246,108,007
Salem	1,500	2,600	4,100	\$ 21,378,026
Somerset	3,200	6,600	9,800	\$ 51,098,696
Sussex	1,600	3,800	5,400	\$ 28,156,425
Union	13,000	21,000	34,000	\$ 177,281,192
Warren	1,900	3,500	5,400	\$ 28,156,425

SOURCE: NJ Division of Medical Assistance and Health Services NJ FamilyCare enrollment website, October 2016

Endnotes

¹ NJPP analysis of US Census Bureau, American Community Survey, 2015.

² The Henry J. Kaiser Family Foundation, *The Coverage Gap: Uninsured Poor Adults in States that Do Not Expand Medicaid*, October 2016. <http://kff.org/uninsured/issue-brief/the-coverage-gap-uninsured-poor-adults-in-states-that-do-not-expand-medicaid/>

³ Missouri Economic Research and Information Center, *Composite Cost of Living, Third Quarter 2016*. https://www.missourieconomy.org/indicators/cost_of_living/index.stm

⁴ We count the fifth Congressional district – where a Democrat defeated a Republican on election day – as Democratic here, since we are looking at a proposal that could be taken up by the next Congress, not the current Congress.

⁵ The methodology for converting federal funds received to economic activity and jobs was based on a report published by Families USA, *New Jersey's Economy Will Benefit from Expanding Medicaid*, which contracted with the Regional Economic Model, Inc. (REMI) to estimate the impact of expanding Medicaid in New Jersey. REMI used its 51-Region PI+ Model, which includes 70 industry sectors for the Families USA report. The same ratio of federal funds to economic activity and jobs that was used in the above report was also used in this report.

⁶ New Jersey Hospital Association, *2015 Economic Impact Report*. <http://www.njha.com/media/388460/NJHA2015EconomicEngineReport.pdf>