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Overview of the ACA Medicaid Expansion

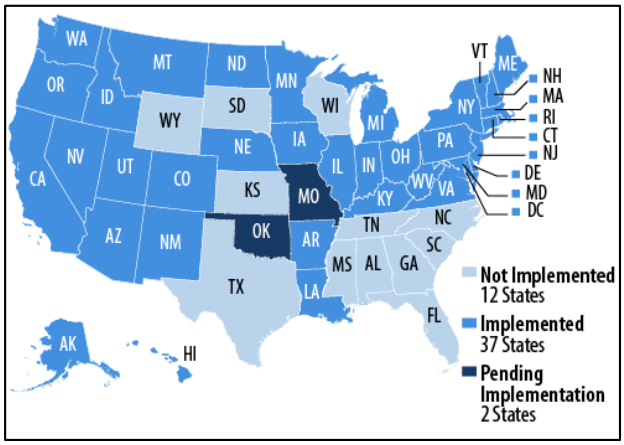
The primary goals of the Patient Protection and Affordable Care Act (ACA; P.L. 111-148, as amended) are to increase access to affordable health insurance for the uninsured and to make health insurance more affordable for those already covered. The ACA Medicaid expansion is one of the major insurance coverage provisions included in the law.

Supreme Court Decision

As enacted, the ACA Medicaid expansion was a mandatory expansion of Medicaid eligibility to non-elderly adults with incomes up to 133% of the federal poverty level (FPL). However, on June 28, 2012, in *National Federation of Independent Business v. Sebelius*, the U.S. Supreme Court found that the federal government could not withhold payment for a state's entire Medicaid program for failure to implement the ACA Medicaid expansion. Instead, the federal government could withhold only funding for the ACA Medicaid expansion if a state did not implement the expansion, which effectively made the expansion optional.

After the Supreme Court ruling, the Centers for Medicare & Medicaid Services (CMS) issued guidance specifying that states have no deadline for deciding when to implement the ACA Medicaid expansion. The guidance also stated that states opting to implement the ACA Medicaid expansion may end the expansion at any time. In addition, CMS issued guidance specifying that states were not able to receive the enhanced federal matching rates for the expansion with a partial Medicaid expansion (i.e., covering expansion adults up to an income level lower than 133% of FPL).

Figure 1. States Implementing the ACA Medicaid Expansion, May 2021



Source: Congressional Research Service.

Note: ACA = Patient Protection and Affordable Care Act.

States' Decisions

Since January 1, 2014, states have had the option to extend Medicaid coverage to most non-elderly adults with income up to 133% of FPL. Twenty-five states (including the District of Columbia) implemented the ACA Medicaid expansion at that time. Since then, the following 12 states have implemented the expansion: Michigan (April 1, 2014), New Hampshire (July 1, 2014), Pennsylvania (January 1, 2015), Indiana (February 1, 2015), Alaska (September 1, 2015), Montana (January 1, 2016), Louisiana (July 1, 2016), Virginia (January 1, 2019), Maine (January 10, 2019), Idaho (January 1, 2020), Utah (January 1, 2020), and Nebraska (October 1, 2020). (See **Figure 1**.)

Oklahoma and Missouri approved ballot initiatives in June 2020 and August 2020, respectively, to implement the expansion. Both states are supposed to begin coverage of the ACA Medicaid expansion on July 1, 2021. However, the Missouri implementation of the expansion is uncertain, because the General Assembly adopted an operating budget that does not include funding for the Medicaid expansion and the governor has withdrawn a state plan amendment to implement the Medicaid expansion. Litigation about the Medicaid expansion in Missouri is pending.

ACA Medicaid Expansion Coverage

Most states implementing the ACA Medicaid expansion have done so through an expansion of their existing Medicaid programs. However, individuals covered under the ACA Medicaid expansion are required to receive alternative benefit plan (ABP) coverage, which is a Medicaid benefit structure that has different requirements than the traditional Medicaid benefits. (See CRS Report R45412, *Medicaid Alternative Benefit Plan Coverage: Frequently Asked Questions*.)

Some states operate their expansions through Section 1115 waivers, under which the Secretary of Health and Human Services may authorize a state to conduct experimental, pilot, or demonstration projects that are likely to assist in promoting the objectives of Medicaid. The waivers for these states vary significantly. There are currently a few common provisions in several states, such as (1) premiums and/or monthly contributions on enrollees with income above 100% of FPL; (2) healthy behavior incentives; (3) waivers of the requirement to provide coverage of nonemergency medical transportation; and (4) disenrollment or lock-out provisions. Arkansas has a waiver providing premium assistance for Medicaid enrollees to purchase private health insurance through the health insurance exchanges.

Financing of the Expansion

The federal government's share of most Medicaid expenditures is determined according to the federal medical assistance percentage (FMAP) rate; exceptions to the regular FMAP rate have been made for certain states, situations, populations, providers, and services. There are two FMAP exceptions for the ACA Medicaid expansion:

(1) the *newly eligible* matching rate for individuals newly eligible for Medicaid through the expansion and (2) the *expansion state* matching rate for individuals in the expansion population who were eligible for Medicaid at the time the ACA was enacted.

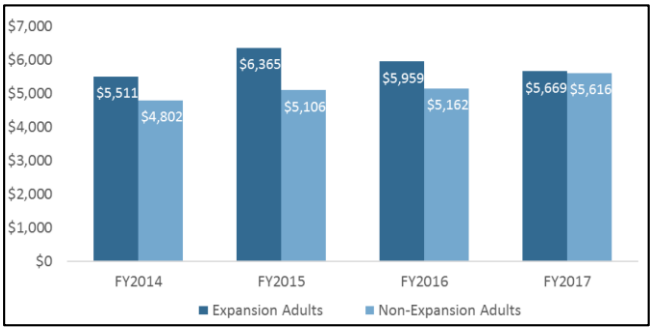
Initially, these matching rates varied, and the newly eligible matching rate was higher than the expansion state matching rate. Since 2019, the two matching rates have been the same (i.e., 93% in 2019 and 90% in 2020 and subsequent years). Under these matching rates, the federal government's share of Medicaid expenditures is significantly higher than under states' regular FMAP rates.

Enrollment and Expenditures

The ACA Medicaid expansion has significantly increased Medicaid enrollment and federal Medicaid expenditures. In FY2018, an estimated 12.2 million individuals were newly eligible for Medicaid through the ACA Medicaid expansion (i.e., *expansion adults*) and total Medicaid expenditures for the expansion adults were an estimated $74.2 billion.

Between FY2014 and FY2015, the average per enrollee costs for expansion adults is projected to have increased from $5,511 to $6,365 (see **Figure 2**). States originally included adjustments to expansion adult per enrollee costs to account for pent-up demand, adverse selection, and expected higher health care needs. Per enrollee costs are projected to have dropped to $5,959 in FY2016 and to $5,669 in FY2017, as the effects of pent-up demand were expected to end and evidence showed the actual average costs for expansion enrollees were lower than anticipated.

Figure 2. Projected ACA Medicaid Expansion and Non-expansion Adult Per Enrollee Costs



Source: Centers for Medicare & Medicaid Services (CMS), *2018 Actuarial Report on the Financial Outlook for Medicaid*, 2019.

Note: ACA = Patient Protection and Affordable Care Act.

Figure 2 shows the projected per enrollee costs for expansion adults initially were higher than the projected per enrollee costs for non-expansion adults. These costs were projected to have been almost the same in FY2017.

Non-expansion States

There is a gap in federally subsidized health care coverage in states that have not implemented the ACA Medicaid expansion (i.e., *non-expansion states*). Subsidized coverage under the exchanges begins at 100% of FPL because the ACA was structured with Medicaid coverage being provided for adults with the lowest incomes. However, with the Supreme Court decision making the Medicaid expansion effectively optional for states, not all low-income individuals are eligible for Medicaid in the non-expansion states.

In non-expansion states, Medicaid income eligibility for parents varies by state, ranging from up to 18% of FPL in Alabama to up to 100% of FPL in Wisconsin. In 11 of the 12 non-expansion states, adults without dependent children are not eligible for Medicaid. Wisconsin is the one non-expansion state that provides Medicaid coverage of adults without dependent children; this coverage is provided up to 100% of FPL.

The Kaiser Family Foundation estimates that 2.2 million uninsured individuals fell into the coverage gap in 2019 (see **Table 1**). The individuals in the coverage gap from Texas and Florida together accounted for more than half of all the individuals in the coverage gap in 2019.

Table 1. Uninsured Adults in Non-expansion States in the Coverage Gap in 2019

State	Number of Individuals	Percentage of Total Number of Individuals in the Coverage Gap
Texas	771,000	35.2%
Florida	415,000	19.0%
Georgia	269,000	12.3%
North Carolina	212,000	9.7%
Alabama	127,000	5.8%
Tennessee	118,000	5.4%
South Carolina	105,000	4.8%
Mississippi	102,000	4.7%
Kansas	45,000	2.1%
South Dakota	16,000	0.7%
Wyoming	7,000	0.3%
Wisconsin	0	0.0%

Source: Rachel Garfield, Kendal Orgera, and Anthony Damico, *The Coverage Gap: Uninsured Poor Adults in States That Do Not Expand Medicaid*, Kaiser Family Foundation, January 21, 2021.

Section 9814 of the American Rescue Plan Act (ARPA; P.L. 117-2) provides an incentive to non-expansion states to implement the ACA Medicaid expansion. The incentive is a five-percentage-point increase to the regular FMAP rate for states that implement the ACA Medicaid expansion after March 11, 2021, for eight fiscal quarters.

Recent discussions focus on federal policy options for closing the coverage gap. The President's FY2022 budget discusses extending federal "Medicaid-like" coverage for individuals in the coverage gap in non-expansion states.

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