

# US states' opt-out of Medicaid expansion could deny coverage to six million

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Last month's US Supreme Court ruling on the Affordable Care Act (ACA) could result in 6 million fewer Americans obtaining health care coverage under an expansion of Medicaid. According to estimates released Tuesday by the Congressional Budget Office (CBO), 7 million uninsured will be covered by the expansion, down from the CBO's previous estimate of 13 million.

In its June 28 ruling upholding major provisions of the Obama administration-backed health care bill, including the "individual mandate" that requires all but the poorest Americans to obtain insurance or pay a penalty, the high court ruled that the expansion of Medicaid was constitutional. However, the court struck down the mechanism for the federal government to enforce the expansion.

Presently Medicaid, the health care program for the poor jointly administered by the states and federal government, is only available in most states for individuals who meet financial eligibility criteria and belong to one of the following groups: children, parents, pregnant women, the disabled and some seniors. Most adults without children are disqualified from coverage.

As the health care bill was originally written, beginning in 2014 if a state did not expand Medicaid to cover all individuals under the age of 65 with incomes at or below 133 percent of the federal poverty level (\$14,856 in 2012), the federal government could withhold all its funding for Medicaid to that state. Rejecting this mechanism, the Supreme Court likened it to the federal government holding a "gun to the head" of the states.

Seizing on the Supreme Court ruling, governors of five of the 50 US states—Texas, Florida, Louisiana, South Carolina and Mississippi—all Republicans, have

indicated that they definitely plan to opt out of the Medicaid expansion. The governors of another 26 states say they are leaning toward not participating.

Some of the states planning to opt out already have some of the highest proportions of uninsured residents. One quarter of Texans are presently uninsured; in Florida, a fifth of the population lacks health insurance.

Those states that do not participate will turn down billions of dollars in federal money for Medicaid that could provide coverage to an estimated 6 million people, according to the CBO. Of these 6 million, adults with incomes between 100 and 133 percent of the federal poverty level (FPL)—an estimated 2 million people—would be eligible for government subsidies to purchase private insurance on the "exchanges" set up under the ACA. (This assumes that they would be able to afford to purchase this insurance with the aid of the subsidies.)

However, in a cruel twist, the legislation was designed so that those with incomes below 100 percent of FPL would not be eligible for subsidies on the exchanges. As originally conceived, it was assumed that these individuals would be eligible for Medicaid.

Adults at or below 133 percent FPL presently have an extremely high uninsured rate—44 percent lacked coverage in 2010, and this number has grown significantly since 2007 as a result of the recession. As of 2010, 41.2 million adults in the US were uninsured, and over half of these individuals had incomes at or below 133 percent FPL. More than 16 million uninsured adults had incomes below 100 percent FPL.

According to the health care legislation, the federal government would pick up 100 percent of the costs of the Medicaid expansion beginning in 2014, with this contribution gradually reduced to 90 percent beginning in 2020. White House officials are predicting that states

will find it too hard to pass up these funds.

However, state governments that are already struggling with record budget deficits may be willing to forego the money if it means they will not have to underwrite 10 percent of costs in the future. The poor—and the extremely poor—will pay the price, finding themselves either ineligible for Medicaid or unable to pay the cost of obtaining private insurance on the exchanges.

The Supreme Court's ruling on the Medicaid expansion—and the move by states to opt out of it—has brought into focus the reactionary nature of its overall ruling on the health care legislation. The court has upheld a bill that has nothing in common with providing universal health care, but is aimed at reducing costs for corporations and government.

By striking down the specific enforcement provision on the expansion of Medicaid, the high court has made even this limited provision for expanding health coverage for the poor essentially optional. With its decision, the Supreme Court has sent a message that it will not endorse any federally mandated expansion of eligibility for Medicaid, let alone any other social programs.

As the dust begins to settle, it is becoming clearer that the health care overhaul that the Obama administration claimed would provide a vast expansion of coverage will leave millions uninsured, including the very poor. The private insurers, however, stand to profit handsomely as tens of millions of cash-paying customers are funneled to them through the insurance exchanges. The Supreme Court ruling upheld this aspect of the ACA.

The CBO also predicts that the government stands to save some money as a result of states opting out of the Medicaid expansion. The estimated net cost of the expansion between 2012 and 2022 would be reduced from \$1.3 trillion to \$1.2 trillion—\$100 billion that will not go towards insuring the poor.



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