KANSAS HEALTH INSTITUTE

KHI.ORG
Informing Policy. Improving Health.

ISSUE BRIEF

FEBRUARY 2024

2024 MEDICAID EXPANSION ESTIMATES: ENROLLMENT, COSTS AND CHARACTERISTICS OF THE EXPANSION POPULATION

Introduction

This issue brief provides an updated estimate of the impact that expanding Medicaid coverage would have on KanCare enrollment and expenditures using the latest available data on population, costs and savings. It also includes analysis of characteristics of the expansion population.

Gov. Laura Kelly announced her proposal for Medicaid expansion, which would expand KanCare effective Jan. 1, 2025, and include a work requirement with some exemptions. Expanding KanCare to all adults age 19-64 with family income at or below 138 percent of the federal poverty level (FPL), or $43,056 per year for a family of four in 2024, has been a perennial issue for the Kansas Legislature since the U.S. Supreme Court made Medicaid expansion optional for states in 2012. Currently, Kansas adults are eligible for Medicaid if they are age 65 or older, blind or have a disability and meet income and resource requirements, are pregnant and meet income limits, or if they are a parent or guardian with family income below 38 percent FPL ($11,856 per year for a family of four in 2024). Federal incentives that were introduced in 2020 have changed the financial equation for states, making it more cost effective for states that newly expand Medicaid coverage, but so far, the incentives have not changed the minds of Kansas lawmakers who oppose expansion.

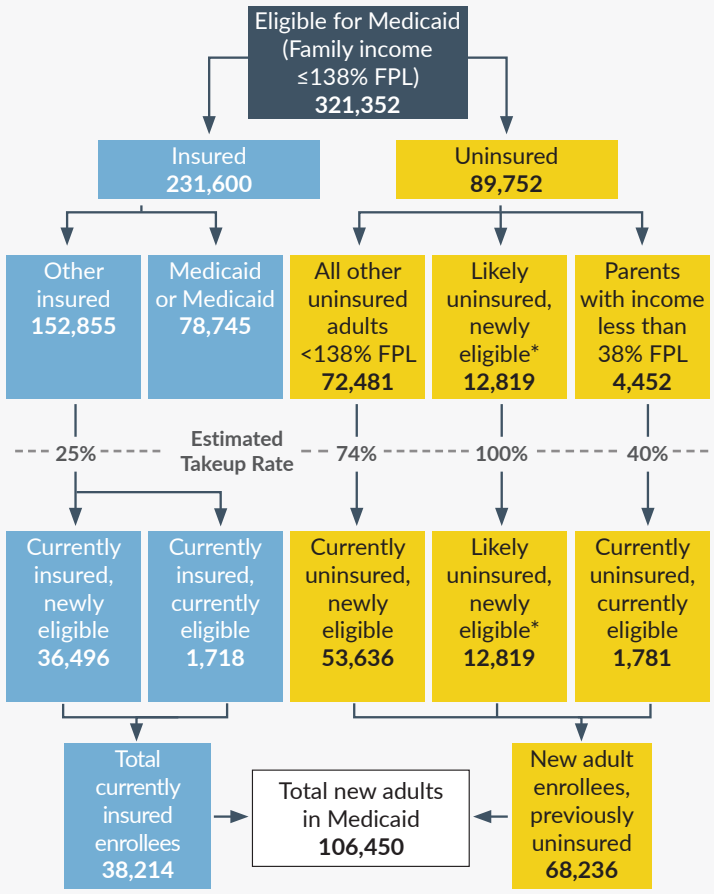
2024 Proposed Medicaid Expansion

To date, 40 states and Washington, D.C., have adopted Medicaid expansion, and 10 states, including Kansas, have not adopted it. Most states have expanded Medicaid simply by raising the eligibility level for adults age 19-64 to 138 percent FPL ($20,783 for an individual and $43,056 for a family of four in 2024) as envisioned under the Affordable Care Act (ACA). However, some states, including Arizona, Arkansas, Indiana, Iowa, Kentucky, Michigan, Minnesota and New Hampshire, have implemented Medicaid expansion under Section 1115 demonstration waivers. These states have proposed a variety of approaches, only some of which have been approved by the Centers for Medicare and Medicaid Services (CMS). Georgia is currently the only state with a work requirement in place, and its expansion extends coverage to those making up to 100 percent FPL ($15,060 for an individual and $31,200 for a family of four in 2024). Due to its more limited approach, the state is not receiving federal

KEY POINTS

- ✓ A total of 151,898 Kansans, including 106,450 adults and 45,448 children, are estimated to newly enroll in KanCare if Medicaid were to be expanded in January 2025.
- ✓ Gov. Kelly's proposal for Medicaid expansion includes a work requirement with some exemptions. About 7 in 10 (68.9 percent) likely eligible Kansas adults age 19-64 are working, while 31.1 percent are not employed. Some Kansans who are not employed and who would otherwise qualify for expanded Medicaid may meet exemptions noted in the proposal, such as being a current student (16.1 percent) or having a disability (19.1 percent).
- ✓ Estimated new enrollment represents an increase of approximately 36.6 percent from the average monthly KanCare enrollment pre-pandemic.
- ✓ The Federal incentives in the American Rescue Plan Act of 2021 would provide an estimated $509 million in savings to Kansas over two years if Medicaid were expanded to low-income adults under the terms of the Affordable Care Act (ACA) — offsetting the equivalent of approximately eight years worth of net expansion state costs.

Figure 1. **Projected Kansas Adults Age 19-64 in Medicaid Expansion Population Under 138 percent FPL**



Note: *=Individuals impacted due to unwinding. Take-up rate is the estimated probability of enrolling in Medicaid if expanded among Kansans potentially eligible for Medicaid if expanded.

Source: Kansas Health Institute analysis of IPUMS USA 2022 American Community Survey data and Kansas Department of Health and Environment 2023 Administrative Data. Estimates of poverty level use the State Health Access Data Assistance Center's (SHADAC's) Health Insurance Unit (HIU) definition of family.

incentives under the American Rescue Plan Act (ARPA) or the increased Federal Medical Assistance Percentage (FMAP) offered to states that decide to expand their programs under the terms of the ACA.

Before the 2024 session began, Gov. Laura Kelly announced her proposal for Medicaid expansion, which would expand KanCare effective Jan. 1, 2025. The 2024 proposal would cover the state's 10-percent share of the cost to expand Medicaid, in part, "from drug rebates, a hospital fee, savings from higher reimbursement rates for existing Medicaid recipients" and additional federal funding. The proposal also includes a work requirement for Medicaid enrollees in the expansion population with exemptions. It would allow people with household income between 100-138 percent of the federal poverty level to choose between enrolling in Medicaid or remaining on their employer-sponsored insurance, with premium assistance managed by the Kansas Department of Health and Environment (KDHE). For more information on the proposal, see the accompanying insert.

Enrollment Estimates

As in previous estimates from the Kansas Health Institute (KHI), the estimate in this brief represents all those who are expected to newly enroll if Medicaid is expanded. This assessment differs from other estimates of Medicaid expansion enrollment, including state fiscal notes, because it includes potential indirect effects of expansion, such as currently eligible children and adults who might newly enroll in an expanded Medicaid program.

The estimate of 151,898 additional enrollees includes 106,450 adults and 45,448 children. Of the 106,450 estimated new adult enrollees (*Figure 1*), 68,236 would be adults who are currently uninsured, of which all but 1,781 would be newly eligible, and 38,214 adults who might switch to KanCare from another insurance source.

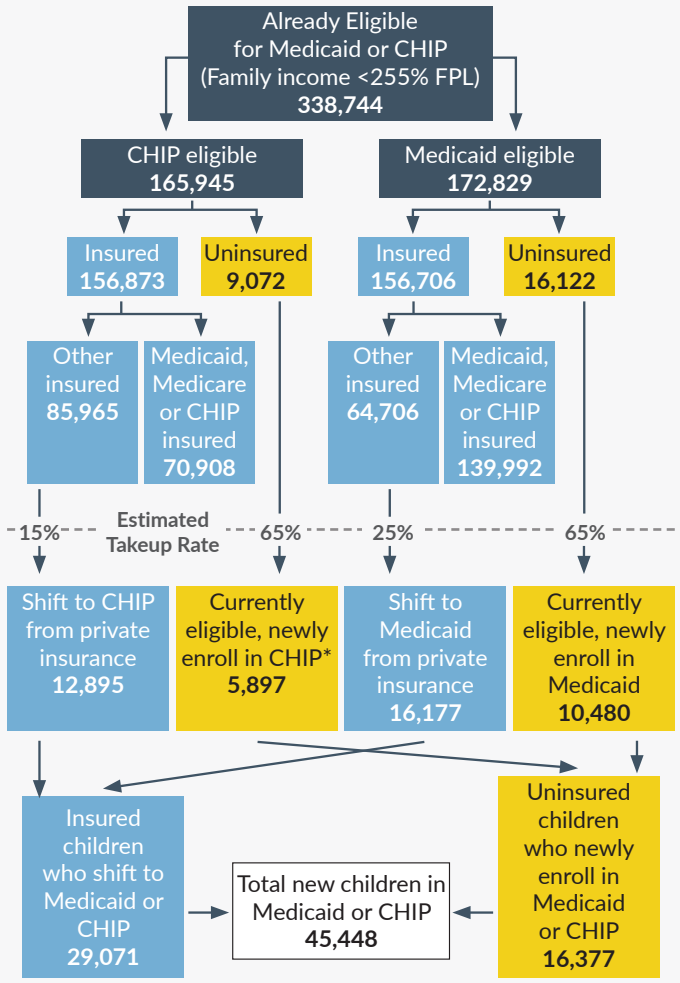
This brief also considers that some adults already enrolled in KanCare could shift to the expansion group, which is estimated to reduce state costs as discussed on page 4. Approximately 7,000 current KanCare members who might otherwise have enrolled in pre-expansion eligibility categories could instead become eligible in the new expansion group. That effect would increase the adult enrollment in the expansion group but not the total enrollment, so the group is not included among the estimated 106,450 "new" adult enrollees.

Expanding Medicaid would not change the eligibility levels for children, but it is assumed that more currently eligible children who are not enrolled would enroll in KanCare, as outreach efforts following expansion reached more people, particularly if their parents were to newly enroll. The estimate of 45,448 newly enrolled children (*Figure 2*, page 3) includes 16,377 currently uninsured children and 29,071 children who might switch to KanCare from other coverage.

Medicaid Unwinding's Impact on Enrollment Estimates

Medicaid enrollment rose across the country toward the end of state fiscal year (FY) 2020 through FY 2023. Federal legislation tied to the Public Health Emergency (PHE) incentivized states to maintain eligibility for Medicaid enrollees during the COVID-19 pandemic by increasing federal funding for Medicaid programs. In response,

Figure 2. **Projected Kansas Children Affected by Potential Medicaid Expansion for Adults**



Note: *=Individuals impacted due to unwinding. Take-up rate is the estimated probability of enrolling in Medicaid if expanded among Kansans potentially eligible for Medicaid if expanded.

Source: Kansas Health Institute analysis of IPUMS USA 2022 American Community Survey data and Kansas Department of Health and Environment 2023 Administrative Data. Estimates of poverty level use the State Health Access Data Assistance Center's (SHADAC's) Health Insurance Unit (HIU) definition of family.

Kansas, and all other states, delayed action on annual reviews, ensuring continuous Medicaid coverage during this time period. Continuous coverage significantly reduced disenrollment and "churn" (disruption in coverage) during the PHE. In April 2023, the continuous coverage provision for Medicaid ended, and states were given 12 months to redetermine eligibility for those on Medicaid. This process, often referred to as "unwinding," is underway through April 2024.

The updated expansion enrollment estimates account for the effect of unwinding on adults and children who may have lost eligibility at the end of the continuous coverage period. The estimate includes 12,819 adults disenrolled from Medicaid who would likely enroll under expansion, as well as 5,913 children who lost eligibility but would be more likely to re-enroll in KanCare if Medicaid were expanded.

A Closer Look at the Medicaid Expansion Population: Selected Characteristics

Gov. Kelly's proposed Medicaid expansion includes a work requirement with some exemptions for full-time students, full-time caregivers, veterans, individuals with disabilities, volunteers, individuals experiencing homelessness, former foster youth under age 22 and those experiencing hardship as determined by the Secretary of KDHE for adults in the expansion population.

The accompanying insert includes analysis for likely eligible Kansas adults age 19-64 as well as for Kansas adults age 19-64 in the expansion population who are not employed (31.1 percent), but who may meet some exemptions to the proposed work requirement.

Costs

This estimate assumes expansion would be implemented on Jan. 1, 2025. The estimated net cost to the state of $171 million over 10 years includes new revenues, savings from adults who would enroll in the new expansion group (with a federal match rate of 90 percent) rather than another eligibility group with a less-favorable match rate (regular match rate of around 60 percent), additional administrative costs from new enrollment, and a two-year 5-percentage point bump in the federal match rate for traditional Medicaid populations enacted in the American Rescue Plan Act (ARPA) in 2021 as an incentive to states to newly expand their programs. The ARPA incentive remains available to states that have not yet expanded Medicaid. For Kansas, the incentive would be worth an estimated $509 million over two full years.

The resulting estimated costs are presented in *Figure 3*, page 4. Over 10 years, estimated total costs including federal and state spending would increase. However, if Medicaid were expanded to low-income adults under the terms of the ACA, it would offset the equivalent of approximately eight years worth of net state expansion costs. Further, net state costs for new adult enrollees are estimated to be nearly revenue neutral over a 10-year period ($5 million).

Estimated new annual revenues associated with new KanCare enrollees include managed care privilege fees, increased drug rebates collected by the state, additional CHIP premiums collected and a hospital surchage ($233

per expansion enrollee in the aggregate) beginning in 2027, as outlined in Gov. Kelly's expansion proposal.

The estimated savings each year from expansion is associated primarily with enrollees who otherwise may have been in different eligibility groups, such as women who would become pregnant while already enrolled in the expansion group as well as those in the expansion group who would have qualified as Medically Needy, who would have enrolled in the entirely state-funded MediKan program or who may otherwise have been eligible through Supplemental Security Income. State savings also are estimated to account for inmates who could be eligible for Medicaid in the case of a hospital admission longer than one day.

The estimated state net costs do not include the projected effects on the workforce or the overall state economy. A February 2021 analysis by John Leatherman, a professor in the Department of Agricultural Economics at Kansas State University, suggested that expanding Medicaid would increase economic output, thus generating each year additional state tax revenue of between 3.1 percent and 3.9 percent and local tax revenue of between 2.3 percent and 2.9 percent of the federal cost of new enrollees. This cost estimate does not assume the state would reduce funding for other programs that currently provide services for uninsured Kansans, including safety net clinics and community mental health centers.

Figure 3. **Estimated Direct and Indirect Costs Related to Medicaid Expansion, 2025 to 2034, by Calendar Year (in Millions)**

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
Combined Federal and State Spending on New Enrollees	$1,020	$1,082	$1,153	$1,228	$1,308	$1,393	$1,484	$1,583	$1,689	$1,802	$13,742
State Gross Cost of New Enrollees	$145	$154	$170	$180	$191	$203	$216	$230	$245	$261	$1,996
New State Revenues, Offsetting Savings, Administrative Costs	$(79)	$(90)	$(118)	$(124)	$(131)	$(138)	$(146)	$(154)	$(163)	$(173)	$(1,316)
State Net Cost of New Enrollees under Expansion	$66	$64	$52	$56	$61	$65	$70	$76	$82	$88	$680
State Net Cost of New Adults	*$19*	*$14*	*$(7)*	*$(6)*	*$(5)*	*$(4)*	*$(3)*	*$(2)*	*$(0)*	*$ 1*	*$5*
State Net Cost of Current Adults	*$8*	*$9*	*$11*	*$11*	*$12*	*$13*	*$14*	*$15*	*$16*	*$17*	*$126*
State Net Cost of Current Children	*$39*	*$41*	*$49*	*$51*	*$54*	*$57*	*$59*	*$63*	*$67*	*$71*	*$549*
ARPA Incentive	$(248)	$(261)	$-	$-	$-	$-	$-	$-	$-	$-	$(509)
State Net Cost of Expansion After Applying 2-year ARPA Incentive	$(182)	$(197)	$52	$56	$61	$65	$70	$76	$82	$88	$171

Note: This analysis presents results by Calendar Year, assuming a Jan. 1, 2025, implementation. Numbers may not sum due to rounding. The total American Rescue Plan Act (ARPA) incentive only includes savings associated with the population currently eligible and enrolled. Costs for new enrollees who are currently eligible were accounted for separately in the two years that the ARPA incentive is applied. Detailed assumptions are available in a technical supplement available at https://www.khi.org/wp-content/uploads/2024/02/Technical-notes-regarding-the-KHI-Issue-Brief-2024-Medicaid-Expansion-Estimates-Enrollment-Costs-and-Characteristics-of-the-Expansion-Population.pdf.
"()" indicates net savings. New adults indicate adults newly eligible for Medicaid if expanded who would enroll. Current adults and current children indicate adults and children who are currently eligible for Medicaid but would newly enroll if Medicaid is expanded.

Source: Kansas Health Institute analysis of IPUMS USA 2022 American Community Survey data, Fiscal Year 2023 and 2024 Medical Assistance Reports from the Kansas Department of Health and Environment, and the Kansas Department of Corrections.

ABOUT THE ISSUE BRIEF

This brief is based on work done by Sheena L. Schmidt, M.P.P., Kaci Cink, M.P.H., Emma Uridge, C.H.E.S. and Shelby C. Rowell.
It is available online at khi.org/articles/2024-medicaid-expansion-estimates.

KANSAS HEALTH INSTITUTE

The Kansas Health Institute supports effective policymaking through nonpartisan research, education and engagement. KHI believes evidence-based information, objective analysis and civil dialogue enable policy leaders to be champions for a healthier Kansas. Established in 1995 with a multiyear grant from the Kansas Health Foundation, KHI is a nonprofit, nonpartisan educational organization based in Topeka.

212 SW 8th Avenue | Suite 300
Topeka, Kansas | 66603-3936
785.233.5443
khi.org
/KHIorg
@KHIorg
KHIorg