



State Fiscal Incentives for Medicaid Expansion Continue After the End of Public Health Emergency

by Adam Searing and Edwin Park

Key Finding

The Biden Administration has announced that it intends to end the federal declaration of a COVID-19 public health emergency on May 11th.¹ In addition, Congress recently established a date certain (April 1, 2023) to begin the process to end Medicaid continuous coverage pandemic protection. The end of the continuous coverage requirement will exacerbate and highlight the coverage gap in the 11 states still refusing the federal Medicaid expansion. Importantly, generous federal fiscal incentives available to states that newly expand Medicaid, which were enacted in 2020, will not end and remain available on a permanent basis to those 11 states.



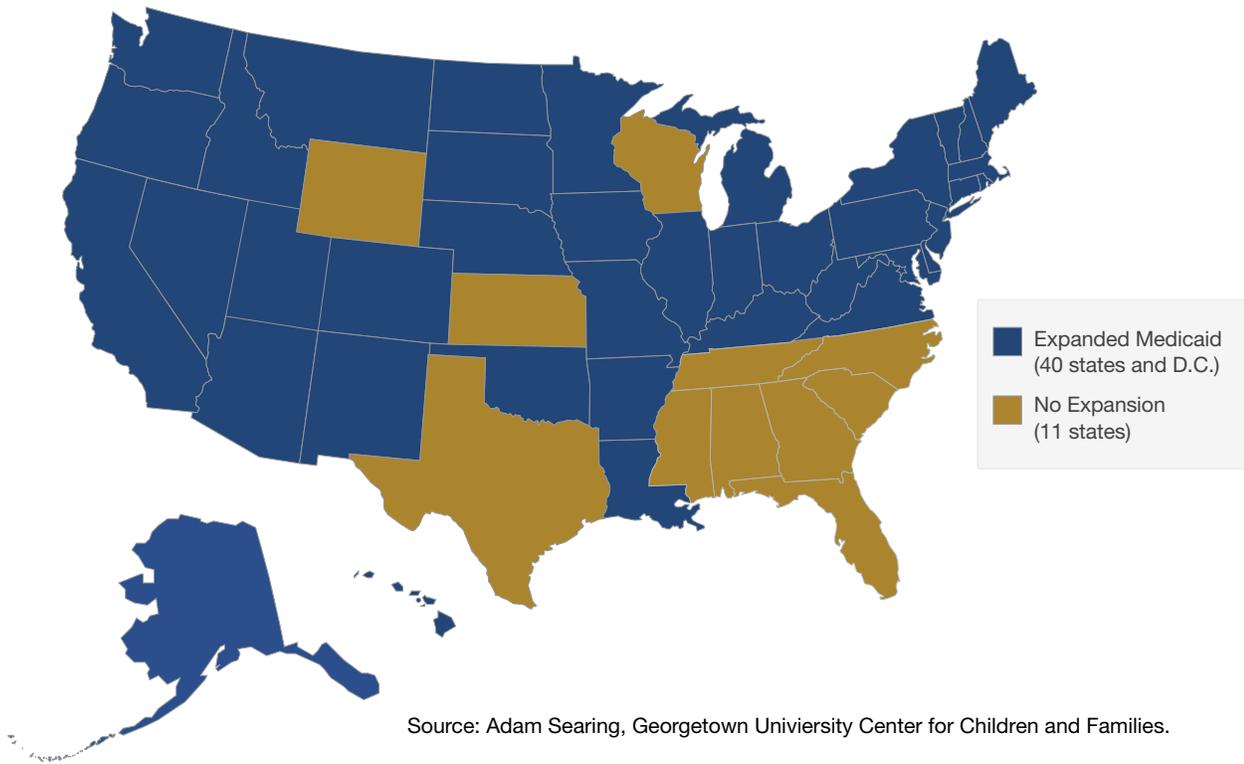
Eleven states are still refusing the federal Medicaid expansion under the Affordable Care Act. While health care coverage options remain more limited in these states than in the 39 states and the District of Columbia that have adopted expansion, federal relief funding during the COVID-19 pandemic has allowed some residents to remain enrolled in Medicaid since January 2020 who will fall into a coverage gap—primarily parents with rising incomes.² Under the Families First Coronavirus Response Act, the federal government provided extra federal funding to states coupled with the requirement that residents enrolled in Medicaid not lose their coverage throughout the public health emergency.³ This policy was applied to all states regardless of Medicaid expansion status. However, the recently enacted Consolidated Appropriations Act ended the continuous coverage requirement, effective after March 31, 2023, although states will continue to receive phased-down federal matching rate increases through the end of the calendar year.⁴ As COVID-19 related federal funding winds down in many areas it is important to distinguish which federal funding remains available including generous incentives enacted in 2021 for states that have not yet expanded Medicaid to parents and other adults below 138 percent of the federal poverty line.



States now face a complex process of “unwinding” or identifying individuals enrolled in Medicaid who no longer qualify under current state rules absent the federal emergency declaration.⁵ While the Consolidated Appropriations Act sets requirements on states for unwinding and also allows the Secretary to pause disenrollment if state processes do not comply with federal standards, the federal government estimates as many as 15 million people will lose coverage during this process.⁶ Many state residents losing their current Medicaid coverage may qualify for federal assistance in purchasing marketplace plans or other private health coverage. However, in the 11 states still refusing

Medicaid expansion, the coverage gap will mean significantly more state residents lose their current Medicaid health coverage and are likely to become uninsured, including those who are now ineligible as well as those who remain eligible but lose their Medicaid due to red tape and other procedural hurdles.⁷ The federal government has said Medicaid expansion is a “key tool” to mitigate these estimated coverage losses of over 350,000 residents in non-expansion states who fall into the coverage gap, whose income is too high for Medicaid but too low to receive federal tax credits to purchase private coverage.⁸

Figure 1. Medicaid Expansion Status, 2023



Source: Adam Searing, Georgetown University Center for Children and Families.



Generous federal incentive payments for states that newly expand Medicaid will continue after the end of the continuous coverage requirement.

As part of the federal American Rescue Plan Act of 2021 (ARPA), the federal government provided large financial incentives, on a permanent basis, for states for the first two years that they choose to newly expand Medicaid. By enacting and implementing Medicaid expansions after ARPA’s passage, Missouri and Oklahoma have benefited from these extremely generous incentives. And while federal incentives are only one factor, state budgets in both Missouri and Oklahoma currently show billions of dollars in surpluses.⁹ South Dakota voters passed Medicaid expansion in November 2022 and the state will also now benefit from similar federal financial incentives after expected implementation of Medicaid expansion in July 2023.

For the 11 states that have not yet enacted Medicaid expansion, federal incentives for expansion remain in effect regardless of the end of the continuous coverage requirement. Three separate organizations (Kaiser Family Foundation, the Center on Budget and Policy Priorities and Manatt) have analyzed the federal incentives for expansion and provided estimates of the amount of extra federal funding each remaining non-expansion state could expect should it expand Medicaid. The extra federal funding for expansion follows the number of residents who would benefit from expansion and these estimates depend on several different assumptions over the two years the federal funding is provided through an increase in the federal government’s regular “match rate” or federal share of each state’s Medicaid spending. Overall, estimates of additional federal incentive funding range from approximately \$70 million more for Wyoming to \$5 billion more for Texas.

Table 1. Estimates of Additional Federal Funding

Incentives (in millions of dollars) non-expansion states could receive in the first two years of expansion under the American Rescue Plan Act of 2021

Non-Expansion State	Kaiser Family Foundation Estimate 2021 ^a	Center on Budget and Policy Priorities Estimate 2023 ^b	Manatt Estimate 2021 ^c
Alabama	\$740	\$634	\$772
Florida	\$3,080	\$2,834	\$3,942
Georgia	\$1,360	\$1,205	\$1,468
Kansas	\$450	\$408	\$468
Mississippi	\$690	\$563	\$739
North Carolina	\$1,700	\$1,667	\$2,075
South Carolina	\$790	\$665	\$838
Tennessee	\$1,260	\$1,128	\$1,385
Texas	\$5,020	\$4,449	\$5,672
Wisconsin	\$1,140	\$844	\$1,227
Wyoming	\$70	\$60	\$81

Sources:

^a Rudowitz, R., Corallo, B., and Garfield, R., “New Incentive for States to Adopt the ACA Medicaid Expansion: Implications for State Spending (Kaiser Family Foundation brief, March 17, 2021), available at <https://www.kff.org/coronavirus-covid-19/issue-brief/new-incentive-for-states-to-adopt-the-aca-medicaid-expansion-implications-for-state-spending/>.

^b Guerra-Cardus, L. and Lukens, G., “Last 11 States Should Expand Medicaid to Maximize Coverage and Protect Against Funding Drop as Continuous Coverage Ends” (Center on Budget and Policy Priorities brief, January 24, 2023), available at <https://www.cbpp.org/research/health/last-11-states-should-expand-medicaid-to-maximize-coverage-and-protect-against-funding-drop-as-continuous-coverage-ends>; Straw, T., Lueck, S., Katch, H., Solomon, J., Broaddus, M., and Lukens, G., “Health Provisions in American Rescue Plan Act Improve Access to Health Coverage During COVID Crisis” (Update from Center on Budget and Policy Priorities brief, March 11, 2021), available at <https://www.cbpp.org/research/health/health-provisions-in-american-rescue-plan-act-improve-access-to-health-coverage>. Note: The Center on Budget and Policy Priorities uses a different two-year period than Kaiser Family Foundation or Manatt.

^c Striar, A., Boozang, P., and Mann, C., “Assessing the Fiscal Impact of Medicaid Expansion Following the Enactment of the American Rescue Plan Act of 2021” (Manatt Health, April 2021), available at <https://www.manatt.com/Manatt/media/Documents/Articles/ARP-Medicaid-Expansion.pdf>.



Endnotes

¹ Miller, Z. and Seitz, A., “President Biden to end COVID-19 emergencies on May 11” (*AP News*, January 2023), available at <https://apnews.com/article/biden-united-states-government-district-of-columbia-covid-public-health-2a80b547f6d55706a6986debc343b9fe>.

² Assistant Secretary for Planning and Evaluation Office of Health Policy, “Unwinding the Medicaid Continuous Enrollment Provision: Projected Enrollment Effects and Policy Approaches” (August, 19 2022), available at https://aspe.hhs.gov/sites/default/files/documents/404a7572048090ec1259d216f3fd617e/aspe-end-mcaid-continuous-coverage_IB.pdf.

³ Brooks, T. and Schneider, A., “Families First Coronavirus Response Act Medicaid and CHIP Provisions Explained” (Georgetown University Center for Children and Families, March 2020), available at <https://ccf.georgetown.edu/2020/03/22/families-first-coronavirus-response-act-medicaid-and-chip-provisions-explained/>.

⁴ Park, E. et al., “Consolidated Appropriations Act 2023: Medicaid and CHIP Provisions Explained” (Georgetown University Center for Children and Families, January 2023), available at <https://ccf.georgetown.edu/2023/01/05/consolidated-appropriations-act-2023-medicaid-and-chip-provisions-explained/>.

⁵ Center for Medicare and Medicaid Services, “COVID-19 Public Health Emergency Unwinding Frequently Asked Questions for State Medicaid and CHIP Agencies” (October 17, 2022), available at <https://www.medicaid.gov/federal-policy-guidance/downloads/covid-19-unwinding-faqs-oct-2022.pdf>.

⁶ Assistant Secretary for Planning and Evaluation Office of Health Policy, “Unwinding the Medicaid Continuous Enrollment Provision: Projected Enrollment Effects and Policy Approaches” (August, 19 2022), available at https://aspe.hhs.gov/sites/default/files/documents/404a7572048090ec1259d216f3fd617e/aspe-end-mcaid-continuous-coverage_IB.pdf.

⁷ Assistant Secretary for Planning and Evaluation Office of Health Policy, “Unwinding the Medicaid Continuous Enrollment Provision: Projected Enrollment Effects and Policy Approaches” (August, 19 2022), available at https://aspe.hhs.gov/sites/default/files/documents/404a7572048090ec1259d216f3fd617e/aspe-end-mcaid-continuous-coverage_IB.pdf.

⁸ Ibid.

⁹ Keller, R., “Missouri state budget is bulging with \$6 billion in surplus cash” (*Missouri Independent*, November 2022), available at <https://missouriindependent.com/2022/11/28/missouri-state-budget-is-bulging-with-6-billion-in-surplus-cash/>; and Forman, C., “With record \$2.8 billion in Oklahoma’s saving accounts, state leaders resist calls to spend” (*The Oklahoman*, August 2022), available at <https://www.oklahoman.com/story/news/politics/2022/08/29/oklahoma-leaders-gov-kevin-stitt-reject-calls-spend-record-savings-account/65413516007/>.

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