



February 28, 2013

Senator Kathy Campbell  
Chair, Health and Human Services Committee  
Room 1402, State Capitol  
Lincoln, NE 68509

***Re: Testimony in support of LB 577***

Dear Senator Campbell and Members of the Health and Human Services Committee,

Nebraska Appleseed is submitting this testimony in support of LB 577. We would like to thank Senator Campbell and the co-sponsors for introducing this very important bill and for all the work this Committee and others have done to ensure that the implementation of the Affordable Care Act in Nebraska is smart, deliberate and productive for all Nebraskans.

The Medicaid option under the Affordable Care Act presents us with a great opportunity to provide health care access to thousands of Nebraskans, keeping our families strong and secure and ensuring that Nebraskans have affordable health care options. We support LB 577, which would implement this new option, because it is a good deal for our state, it will grow the economy, it utilizes our current health care resources in a more efficient and productive way, and it is the right thing to do.

When considering this option it is helpful to review the parameters of our current Medicaid program. Medicaid is a federal and state partnership that provides health care to certain groups of people who meet the eligibility requirements. The federal government pays for a majority of the costs of services. Currently, for Nebraska, the federal government pays 55.76% of the costs, and Nebraska pays for the rest.<sup>1</sup>

Eligibility is based largely on the federal poverty level (FPL) and family size.<sup>2</sup> But, only certain groups of people who meet the income requirements are eligible for Medicaid. Not every low wage earner is eligible for Medicaid, which makes the program under LB 577 all the more important. Currently, eligibility for full Medicaid is limited to persons who are

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<sup>1</sup> Some children are covered by the Children's Health Insurance Program and the federal reimbursement for that program is 70%.

<sup>2</sup> There are also limitations on the amount of assets that an individual or family can have and still be eligible. Finally, only those who are citizens or are lawfully present of the United States are eligible for Medicaid.

aged, blind, or disabled, children, and some very poor parents.<sup>3</sup> For example, using a household size of three, a blind or disabled person must make less than \$19,530 to qualify, children must have a family income of less than \$39,060, and parents of Medicaid-eligible children must make less than \$10,546.

The new Medicaid program under LB 577 would make coverage available to Nebraskans in minimum and low wage jobs who are not currently eligible for Medicaid and who cannot afford private insurance. Specifically, Medicaid would be available to all Nebraskans earning less than 138% of the federal poverty level or \$15,856 a year for an individual and \$26,951 for a family of three.<sup>4</sup>

As a result, tens of thousands of Nebraskans will finally have an avenue for accessing affordable coverage. This new program will benefit adults earning low wages who do not have dependent children and have not previously been eligible for Medicaid. It will benefit working parents who can now earn more and still qualify for coverage. Similarly, it will benefit persons with disabilities who would also be able to earn more without fear of losing critical health care access.

And it will benefit Nebraska. First, this is a good deal for our state. From 2014-2016 the federal government will pay 100% of the cost of services for those who are eligible under this new program. Funding will scale down to 95% in 2017, 94% in 2018, 93% in 2019, and 90% in 2020 and subsequent years. This means that at least \$2.3 billion will be returned to Nebraska's economy through this program.<sup>5</sup>

It is important to note, however, that the 100% federal funding for services is statutorily tied in the Affordable Care Act to those calendar years, 2014-2016. Therefore, to receive the full benefit of these federal dollars we must implement this program now.

Second, it will grow the economy. It is anticipated that implementing this new Medicaid program would generate \$700 million in new economic activity.<sup>6</sup> In addition, a 10% expansion of Medicaid has been shown to reduce bankruptcies by eight percent.<sup>7</sup> In Nebraska, this means 1,200 bankruptcies could be prevented each year.

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<sup>3</sup> There are some additional sub-programs in Medicaid that cover, for example, pregnant women for prenatal services only.

<sup>4</sup> Those calculations use the federal poverty guideline for 2013.

<sup>5</sup> The estimates for dollars returned to Nebraska range from \$2.3 billion at the low end to \$3.5 billion at the high end. Jim P. Stimpson, "Medicaid Expansion in Nebraska under the Affordable Care Act," Center for Health Policy, UNMC, page 1-2, exhibit 1, August 2012, estimates the range to be \$2.9 to \$3.5 billion. The Henry J. Kaiser Family Foundation Report prepared by John Holahan and Irene Headen of the Urban Institute, "Kaiser Commission on Medicaid and the Uninsured: Medicaid Coverage and Spending in Health Reform: National State-by-State Results for Adults at or Below 133% FPL," dated May 2010, in tables 2 and 3, estimated the return at \$2.3 - \$2.7 billion. An estimate of 2.7 billion can also be obtained by from the Milliman letter enclosure 1 page 2 (Letter from Robert M. Bamler of Milliman to Ms. Vivianne Chaumont dated November 10, 2010) by applying the federal share as outlined in the ACA - 100% in 2014-2016, 95% in 2017, 94% in 2018, and 93% in 2019.

<sup>6</sup> Stimpson, "Medicaid Expansion in Nebraska under the Affordable Care Act," Center for Health Policy, UNMC, August 2012, page 4-5, exhibit 5.

<sup>7</sup> Tal Gross and Matthew J. Notowidigdo, "Health insurance and the consumer bankruptcy decision Evidence from expansions of Medicaid," in *The Journal of Public Economics*, published September 2009.


Third, it is the right thing to do. This program would provide health care access to at least 54,000 uninsured Nebraskans. That means healthier Nebraskans. A study in the *New England Journal of Medicine* showed that access to Medicaid saves lives.<sup>8</sup> Based on that research, this new program could prevent 500 deaths per year in Nebraska.

However, if the state does not pursue this option, we will not only miss out on these benefits, we will create a huge gap in health care access. Without the new Medicaid program, tens of thousands of Nebraskans will have no access to health care coverage. Medicaid was intended to be the foundation of coverage for low income adults under the ACA because it costs less to cover people under Medicaid than to provide tax credits to subsidize their private insurance. As a result, the tax credits in the exchange are only available to those earning incomes above the poverty line. Those below the poverty level were to be covered under Medicaid. But after the Supreme Court ruling, the Medicaid coverage for these new populations is not automatic. This creates a huge gap in our system for those Nebraskans who do not qualify for Medicaid now and who won't receive tax credits in the exchange. Those in the gap will have no means of accessing coverage.

Leaving a gap in coverage and tens of thousands of Nebraskans uninsured means families will continue to lack preventative and primary care and the costs within the system will continue to rise. If we want to make sure every Nebraskan has affordable health care options and move our health care system to one that focuses on preventative, efficient, and coordinated care, we have to first ensure that people have the coverage they need to access that care. The Medicaid option under the ACA moves us closer to that goal.

LB 577 is our opportunity to make a smart investment in our state's economy and workforce, to make our state's health care system stronger and more cost-effective, and to ensure that hard working Nebraskans will be healthier.

Sincerely,  
NEBRASKA APPLESEED



Jennifer A. Carter  
Director of Public Policy

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<sup>8</sup> Sommers BD, Baicker K, Epstein AM. "Mortality and Access to Care Among Adults After State Medicaid Expansion," *New England Journal of Medicine*, July 25, 2012.