

Alabama Health Care Improvement Task Force

November 18, 2015

Governor Bentley,

On April 6th, 2015, in Executive Order Number 4, you noted that the current state of health care in Alabama features high rates of infant mortality and chronic disease, inadequate access to care because of physician and dentist shortages and hospital closures, and inadequate access to affordable health insurance. To this end, you created the Alabama Health Care Improvement Task Force and charged it to bring recommendations that would “improve the health of Alabamians” and make health care “more accessible and more affordable.”

After thorough study and deliberation, we find that the most serious obstacle to achieving your stated goals is the coverage gap that makes health insurance inaccessible to hundreds of thousands of Alabamians and places our entire health care infrastructure in financial jeopardy. We further find that the coverage gap compounds all other health challenges in the state. Therefore, as the attached document explains in detail, the Alabama Health Care Improvement Task Force recommends that the Governor and the Legislature move forward at the earliest opportunity to close Alabama’s health coverage gap with an Alabama-driven solution.

Sincerely,

Ronald D. Franks, M.D.
Chair, Task Force

Rep. April Weaver
Chair, Infrastructure Committee

Jim Carnes
Medicaid Committee

Darlene Traffanstedt, M.D.
Chair, Quality Committee

John B. Waits, M.D.
Medicaid Committee
Chair, Personnel Committee

Joseph Marchant
Medicaid Committee

Closing the Coverage Gap: What Would Alabama Gain?

A statement from the Alabama Health Care Improvement Task Force

Hundreds of thousands of hardworking Alabamians are caught in the coverage gap. They're the folks who keep things going — the people who serve our food at restaurants, bag our groceries, patch our roofs and repair our cars. We depend on them every day, yet many of these Alabama workers have no health insurance because their employers don't offer it and they earn too much to qualify for Medicaid in our state and too little to afford private plans. As a result, they often struggle to work while dealing with health problems that sap their productivity, add stress to their households and get worse without timely care.

Alabama ranks at or near the bottom in the nation in health outcomes for premature births, infant mortality, diabetes, obesity, smoking, cancer, heart disease and stroke. All these dismal measures can be improved through better access to primary care. Thirty states and D.C. have accepted federal funding to close the coverage gap for low-income adults who earn up to 138 percent of the federal poverty level, or around \$16,000 a year for an individual and around \$33,000 for a family of four. Across the country, in every region and in some very conservative political environments, states are finding that local reform to Medicaid helps working families, local economies and state budgets. We have an opportunity to design a plan that reflects Alabama's values and meets Alabama's needs. What would closing the gap mean for our state?

Around 185,000 working Alabamians would get low-cost health insurance. Designing an Alabama plan for Medicaid to cover the uninsured would bring public health coverage to approximately 290,000 new consumers in all, according to a 2015 health policy brief by the UAB School of Public Health. Analysis of Census data reveals that more than half of Alabama's uninsured adults who fall within the proposed redesigned Medicaid income limits are working. The top occupations employing these workers are food service, construction, sales and cleaning/maintenance. Among those not working full-time, thousands of Alabamians who would be eligible for the new coverage are people with disabilities. Thousands more are caregivers at home, and many others are college students. While Alabama has led the nation in insuring children, our lowest-in-the-nation Medicaid income limit for parents — 18 percent of the federal poverty level, or \$3,616 a year for a family of three — means that many children suffer from their parents' lack of access to medical care. Covering low-income adults also would reduce the burden of medical debt, now the leading cause of personal bankruptcy. Closing the coverage gap is good for Alabama's families.

It's a win for the state budget. The federal government would pay 100 percent of new coverage costs until 2017. After that, Alabama would chip in a share that starts at five percent and rises to a maximum of 10 percent for 2020 and beyond. Closing the coverage gap has been a net gain for other states, where savings from elsewhere in the state budget, coupled with increased revenues, have far exceeded the state cost of this redesign. For example, a range of mental, behavioral and public health services and senior services Alabama now provides to low-income adults entirely with state dollars would shift largely to federal funding under this proposal. The Alabama Department of Corrections would see substantial savings as inmates became eligible for Medicaid coverage while hospitalized outside of correctional facilities. A homegrown coverage solution also means that some people, such as pregnant women, who now receive services through targeted Medicaid programs at Alabama's regular matching rate (with the state paying 30 percent of costs) would become full Medicaid beneficiaries, receiving those same services as part of their comprehensive coverage at the lower state share of 10 percent. For 50 years, the federal government has kept its Medicaid promise to states. In fact, during tough economic times, the federal government increases its share of Medicaid funding. As a safeguard against any future federal violation of the redesign funding agreement, CMS has expressly guaranteed states the right to opt out at any time.

The impact of redesigning health coverage on the state economy is far-reaching. The 2015 UAB health policy brief estimates that Medicaid redesign to cover the uninsured would bring an additional \$1.7 billion per year in new revenue for state health care providers. These expenditures would generate an additional \$1.2 billion in new income per year in the rest of the state's economy, the research shows. Associated tax revenues could offset most or all of the eventual state share, even at the maximum 10 percent that starts in 2020.

Better access to care would improve chronic disease management and save lives. Uninsured Alabamians rely on hospital ERs and health clinics for primary care. They often delay seeking care until their problems are more serious — and more expensive to treat. Health coverage means access to a primary care “health home,” with preventive checkups and screenings, early detection and treatment of health problems, less dependence on costly emergency care, and regular OB/GYN visits without referral. Research has shown that having health coverage improves both physical and mental health and reduces mortality rates. A 2014 study published by Health Affairs estimates that an Alabama-driven redesign of Medicaid to cover its citizens who are currently uninsured would help nearly 13,000 people a year get the diabetes medication they need, lower the number of positive screenings for depression by more than 21,000, and prevent between 215 and 562 deaths annually. The early diagnosis and treatment that coverage allows will improve health outcomes, increase workforce productivity and reduce state costs for chronic disease management and other expensive medical care.

Reducing the number of uninsured patients will keep hospitals open. Since 2011, five rural Alabama hospitals have closed. Forty-five percent of those remaining are operating in the red. Serving a high proportion of low-income and uninsured patients, they provide millions of dollars in “uncompensated care” every year. Yet the direct federal support (the Disproportionate Share subsidies) they depend on to offset these expenses are slated for deep cuts because, as the Feds see it, redesigned Medicaid coverage is available for their uninsured patients. Because of this and other funding shifts, Alabama hospitals stand to lose \$700 million in 2016 alone as a direct consequence of the state’s decision not to redesign Medicaid, according to a study by the Robert Wood Johnson Foundation. Rejecting or delaying redesigned coverage puts Alabama hospitals — and the patients who depend on them — in a squeeze.

Reducing the number of uninsured patients will keep doctors practicing in areas of greatest need. Many primary care doctors across Alabama struggle to keep their employees paid and their offices open in areas of high uninsured population. An Alabama-driven solution will improve the bottom line for doctors serving the uninsured and underinsured population. Thus, closing the coverage gap will strengthen the health care network on which we *all* depend.

Thousands of uninsured Alabama veterans could gain health coverage if Alabama closed the health coverage gap. Respect for veterans is a point of pride in Alabama, yet an estimated 18,000 uninsured Alabama veterans and their spouses are being denied the Medicaid coverage they could receive in other states. The U.S. military provides health coverage for active-duty service members and their families, active-duty Guard and Reserves members, and some retirees, but many veterans don’t qualify for long-term health benefits. Returning to civilian life can be challenging enough without the added burden of being uninsured. These Alabamians and their families sacrificed for their country but don’t have an option for affordable health care unless we close the coverage gap.

Accepting federal dollars to cover low-income adults could strengthen Medicaid reform. Alabama’s new Medicaid regional care organizations (RCOs) are moving forward to improve patient care, improve state health outcomes and reduce costs. As currently structured, the RCOs will serve mainly children, pregnant women and aged, blind and disabled individuals at the traditional federal matching rate. Bringing newly eligible low-income adults into the new system at the higher matching rate would support health care services and infrastructure enhancements that benefit not only other Medicaid enrollees but all Alabamians.

Closing the coverage gap is a wise investment in Alabama’s future. Thousands of hardworking people who can’t afford insurance will gain the peace of mind that coverage brings. Our businesses stand to gain a more reliable workforce. Our economy stands to gain an infusion of federal dollars, more tax revenues and thousands of new health care jobs. Other states are finding creative solutions to the challenge: Iowa is taking a wellness approach; Arkansas used new federal funding to purchase private insurance. With strong leadership and collaboration, we can create an “Alabama solution.” Redesigning coverage for our neighbors without insurance, for less than a dime on the dollar, is a bargain Alabama can’t afford to pass up.