

FROM THE HEALTH POLICY CENTER:

**SUPREME COURT DECISION ON THE AFFORDABLE CARE ACT:
WHAT IT MEANS FOR MEDICAID**

WASHINGTON, D.C., June 29, 2012 -- The Supreme Court yesterday issued its ruling on the Affordable Care Act. The justices upheld the individual mandate and the attendant health insurance reforms, consumer protections, and new health insurance tax credits and subsidies. These provisions mean that millions of Americans will have access to adequate, affordable coverage regardless of their health status and that the small and nongroup markets for health insurance coverage will be restructured to enhance competition based on price and quality.

However, the justices made the expansion of Medicaid coverage to nonelderly adults with incomes below 138 percent of the federal poverty level optional for states. Before the ACA, few states covered nondisabled parents up to this income level, and even fewer states covered nondisabled adults without dependent children in Medicaid. With full implementation of the Medicaid expansion in all states, the CBO estimates that the enrollment increases in Medicaid would account for about half the total coverage increases projected under the ACA.

If a state does not implement the ACA's Medicaid expansion, some people who would have received Medicaid could instead receive federal tax credits and other subsidies, but cost-sharing requirements would be higher than they would have been under Medicaid. Federal tax credits and subsidies would not be available for most people with incomes below the federal poverty level, however. As a consequence, the uninsured above poverty could receive help, but those below poverty would not.

Under the ACA, the federal government will fully fund Medicaid coverage for these adults through 2016, cover 95 percent of the costs in 2017, and cover 90 percent in 2020 and beyond. This means that many states will face strong incentives to expand Medicaid coverage. In addition, the loss of federal disproportionate share hospital payments and potentially high uncompensated care costs borne by state and local governments on behalf of the uninsured will also motivate states to expand Medicaid under the ACA. On balance, states would experience net budget gains from implementing the Medicaid expansion. States that reject the ACA coverage expansion would turn down significant amounts of federal money, thus forgoing employment increases in the health sector and other industries.

In states that do not implement the Medicaid expansion, many poor people will remain uninsured. Currently, an estimated 27 million uninsured people have incomes below 138 percent of the federal poverty level, more than half the nation's uninsured. Whether or not states expand Medicaid will affect these people, their employers, and the providers who serve them.

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