Utah may substitute full Medicaid expansion with private insurance

Health reform » Lawmakers now considering using public dollars to buy private insurance for Utahns eligible for Medicaid.

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By Kirsten Stewart

A Legislative Health Reform Task Force on Thursday revisited, tweaked and approved three expansion scenarios for recommendation to the full Legislature.

Still on the table: Doing nothing, and keeping Medicaid eligibility rules as they are now. But in a surprise twist, lawmakers ditched previously favored partial expansion strategies in favor of giving low-income Utahns public dollars to buy private insurance.

Two plans are being pitched. Both would allow the state to cover the same number of Utahns who would have been eligible for Medicaid under a full expansion — 111,000 adults earning up to 138 percent of the poverty level, or $32,000 for a family of four — without growing the government program.

They also would strengthen the private insurance market and eliminate the risk of "crowd-out," or privately insured low-wage workers migrating to Medicaid, said the task force chairman, Rep. Jim Dunnigan, R-Taylorsville.

• One option would be to use public dollars to buy private insurance for residents with incomes under the federal poverty level. Those earning at least the poverty level or up to 138 percent of that amount would shop with federal subsidies on the federal health exchange, www.healthcare.gov.

• Another would be to use public dollars to buy private insurance for the full expansion population, those earning up to 138 percent of poverty.

This latest policy menu drew little debate and only one no vote, from Democratic Rep. Rebecca Chavez-Houck of Salt Lake City, who fears it will delay coverage by months and maybe a year.

Utah Republican Gov. Gary Herbert isn’t expected to make a decision about expanding Medicaid until January, a call that must be approved by the Legislature. Any bill passed by
lawmakers likely wouldn’t take effect until May, and then there’s the matter of securing federal approval.

Dunnigan, however, came away Thursday from an early morning conference call with the Obama administration confident that the second option would not only win favor with the feds — they’d fully fund it.

In states that opt for full expansion, the federal government has agreed to pay 100 percent of those costs through 2017, and thereafter declining amounts but no less than 90 percent.

The U.S. Centers for Medicare and Medicaid (CMS) had previously said anything short of a full expansion would be funded at Utah’s current 70/30 split, with the feds picking up 70 percent of the costs.

This risked Utah losing hundreds of millions in federal funding.

But CMS has subsequently backed off, approving privatized Medicaid plans first pitched by Arkansas, and more recently, Iowa.

There are many unanswered questions, such as whether commercial health plans now available on the exchange have different coverage or cost-sharing requirements than Medicaid. Additionally Utah wants to also allow low-income residents to put subsidies toward the purchase of employer-based coverage, which hasn’t been proposed by any other state.

But understanding it’s a complicated process, low-income advocates cheered Thursday’s development.

"This is momentum," said Matt Slonaker, executive director of the Utah Health Policy Project. "We support any momentum moving forward that will provide coverage to Utah’s most disadvantaged residents."

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