



RESEARCH. EDUCATE.

# What are their options?

17% of South Dakota Adults (age 18-64) were uninsured in 2013 <sup>iii</sup>

Beginning in 2014, some of these 80,881 uninsured South Dakotans had an option through the federal healthcare exchange to access subsidized coverage—some did not.

## Some eligible for subsidies on the exchange

About 50,000 (61% of uninsured) would likely have been eligible for federal exchange premium subsidies because their household income fell between 100% and 400% of the federal poverty level (FPL). Subsidies for these individuals would cap their insurance premiums at between 2% and 9.5% of household income (see Graph 1). Approximately 13,000 South Dakotans have purchased health insurance on the exchange in 2014. On Nov 15, 2014 the open enrollment period for 2015 begins.

## Some incomes too high for subsidies

About 8,000 (10% of uninsured) are ineligible for subsidies because their household income is TOO HIGH—over 400% FPL. These individuals could still buy insurance on the exchange where they are guaranteed coverage at standardized rates regardless of their health condition, but they would have to pay the full premium.

## Some incomes too low for subsidies

About 24,000 (29% of the uninsured) are ineligible for subsidies because their household income is TOO LOW—less than 100% of the federal poverty level. Ironically, the Affordable Care Act (ACA) excludes the poorest of the uninsured from access to the subsidies that are available to their higher-income neighbors in households with incomes between 100-400% of the poverty threshold, leaving them NO OPTIONS.

Why is this the case? The original ACA legislation required all states to expand Medicaid to cover this population. The Supreme Court overturned this requirement allowing states like South Dakota, to choose NOT to expand Medicaid. Twenty-one states are currently not moving forward with Medicaid Expansion, twenty- seven and the Districts of Columbia have expanded Medicaid and the issue is in open debate in two states.

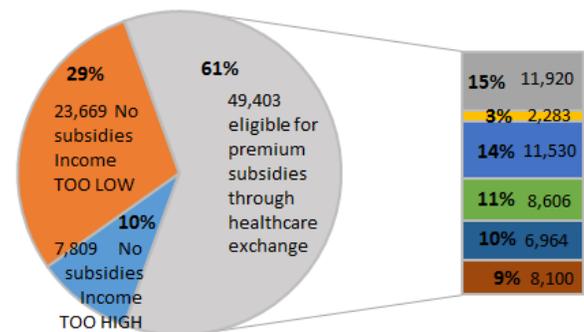
## Caught in a “Coverage Gap”

These 24,000 South Dakotas with family incomes below the poverty threshold who are ineligible for exchange subsidies and also currently ineligible for Medicaid coverage in South Dakota.

		Number of people in your household			
		1	2	3	4
Private Marketplace health plans	You may qualify for <b>lower premiums on a Marketplace insurance plan</b> if your yearly income is between...	\$11,670 - \$46,680	\$15,730 - \$62,920	\$19,790 - \$79,160	\$23,850 - \$95,400
	<i>See next row if your income is at the lower end of this range.</i>				
Private Marketplace health plans	You may qualify for <b>lower premiums AND lower out-of-pocket costs for Marketplace insurance</b> if your yearly income is between...	\$11,670 - \$29,175	\$15,730 - \$39,325	\$19,790 - \$49,475	\$23,850 - \$59,625
Medicaid coverage	If your state is expanding Medicaid: You may qualify for <b>Medicaid coverage</b> if your yearly income is below...	\$16,105	\$21,707	\$27,310	\$32,913
	If your state isn't expanding Medicaid: You may not qualify for <b>any Marketplace savings programs</b> if your yearly income is below...	\$11,670	\$15,730	\$19,790	\$23,850

17% (80,881) of all SD non-elderly adults uninsured

### WHAT ARE THEIR OPTIONS?



- Income above 400% Federal poverty level (FPL) - no coverage assistance
- below 100% FPL - no coverage assistance without Medicaid expansion
- 100-137% FPL - eligible for exchange subsidies (premium cap @ 2% of income) or would be Medicaid eligible if state expanded
- 138-150% FPL - eligible for exchange subsidies (premium cap at 3% of income)
- 150-200% FPL - eligible for exchange subsidies (premium cap at 4% of income)
- 200-250% FPL - eligible for exchange subsidies (premium cap at 6.3% of income)
- 250-300% FPL - eligible for exchange subsidies (premium cap at 8.05% of income)
- 300-400% FPL - eligible for exchange subsidies (premium cap at 9.5% of income)

Data Source: US Census 2011-2013 ACS 3 Year Estimates Table 27016  
Analyses and Graphic: SD Budget & Policy Institute



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# What are their Options?

## Caught in a coverage gap, continued:

Childless adults are not Medicaid eligible, even if their household income is zero. Parents with dependent children must have household incomes below 54% of the federal poverty level for a family of three (\$10,528)<sup>[ii]</sup> to be Medicaid eligible.

Examining the characteristics of South Dakotans who fall into the health insurance “coverage gap” helps give a face to those most affected by the state’s decision regarding Medicaid Expansion.

Recent analysis of 2013 American Community Survey data by Kaiser Family Foundation<sup>[iii]</sup> confirms that they are poor, living in working families, disproportionately people of color (63% white non-Hispanic vs 86% white non-Hispanic in general population) and about 1 in 5 is a parent caring for a dependent child.

A February 2014 report <sup>[iv]</sup> from AMHCA drills down into state-specific data. Findings: 13,000 uninsured South Dakotans with serious mental health and substance use conditions would be eligible for coverage under Medicaid expansion.

### Cost of Medicaid Expansion

Whether South Dakota expands Medicaid or not, our residents will pay federal taxes and fees to help cover the federal share of cost in states that do expand Medicaid (39% of the cost for the ACA is for Medicaid expansion). All states that do expand Medicaid receive federal dollars to cover 100% of the cost of care for their eligible residents from 2014 through 2016. Beginning in 2017 states will begin paying a share of costs for their residents directly out of their state budgets (5% in 2017; 6% in 2018, 7% in 2019, 10% in 2020 and thereafter.)

If South Dakota decides during the 2015 legislative session to expand Medicaid for state fiscal year 16, the Department of Social Services <sup>[vi]</sup> estimates state costs at \$2.1 million dollars (0.6%) and federal costs at \$321.9 million (99.4%).

In 2020, SD's maximum cost share of 10% (\$38.6 million) represents a 5% increase over what SD's

Medicaid expenses would be without Medicaid expansion. Should South Dakota expand Medicaid, it can choose to “un-expand” or “re-expand” in the future - the decision is always open to revision by each state.

An economic impact study <sup>[vii]</sup>, conducted by U of NE PhDs Jenkins & Konecny, asked “Is Medicaid Expansion Good for South Dakota’s Business Community, Economy, and People? Their findings:

“the state will see an increase in Medicaid spending of approximately \$102 million over a seven-year period. However, the increase in economic activity associated with Medicaid expansion, i.e. the reduction in bankruptcies, the reduction in uncompensated care etc., will increase local and state tax receipts by \$49.5 million. The \$49.5 million does not include the potential impact of the federal injection that will accompany expansion. Including the stimulus of the federal injection over seven-years creates an additional \$116.7 million in state and local taxes. The benefits to the wider South Dakota economy clearly outweigh the cost. Direct benefits, not including the federal injection, for the economy over the ten-year period following expansion are estimated at \$1.5 billion.”

<sup>[i]</sup> 2011 - 2013 American Community Survey Statistics Annual Demographic, Socio-Economic and Housing Characteristics for Smaller Areas ,<http://census.gov/newsroom/press-releases/2014/cb14-tps80.html>

<sup>[ii]</sup> Kaiser Family Foundation, Medicaid Eligibility for Adults as of 1-14 <http://kaiserfamilyfoundation.files.wordpress.com/2013/10/8497-medicaid-eligibility-for-adults-as-of-january-1-2014.pdf>

<sup>[iii]</sup> <http://kaiserfamilyfoundation.files.wordpress.com/2013/12/8528-characteristics-of-poor-uninsured-adults-who-fall-into-the-coverage-gap.pdf>

<sup>[iv]</sup>[http://www.amhca.org/assets/content/AMHCA\\_DashedHopes\\_Report\\_2\\_21\\_14\\_final.pdf](http://www.amhca.org/assets/content/AMHCA_DashedHopes_Report_2_21_14_final.pdf)

<sup>[v]</sup> SD Medicaid Expansion Taskforce Report, Page 26

<sup>[vi]</sup> Allan Jenkins, Ph.D., Prof Economics, U of N at Kearney, Ron Konecny, Ph.D. Prof Management U of N at Kearney. *Is Medicaid Expansion Good for South Dakota’s Business Community, Economy, and People?* 12-15-13

Post updated 11.6.14 with 2015 eligibility criteria from healthcare.gov

How South Dakotans collect and spend money for the common good reflects our shared values — our consensus on what public services we believe we need in our state and are willing to pay for together. Thank-you for your interest in learning more about fiscal policy options and engaging in dialogue with your fellow citizens and state decision-makers. SD Budget & Policy Institute [joys@SDBPI.org](mailto:joys@SDBPI.org)