

# Medicaid Expansion: A Benefit for Rural Pennsylvania

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[Pennsylvania Health Law Project](#) & [Pennsylvania Office of Rural Health](#)

Pennsylvania has an unprecedented opportunity. By expanding the state's Medicaid program, tens of thousands of uninsured Pennsylvanians living in rural areas can get health care coverage, improve their quality of life, and effectively manage their medical conditions. Without expansion, rural health providers may experience higher rates of providing uncompensated care to uninsured patients and may struggle to remain financially viable.

The U.S. Supreme Court made expanding Medicaid a state option. The Court's ruling has unleashed a policy and financial scramble about whether Pennsylvania should accept the 100 percent funding from the federal government to cover the costs of every newly eligible Pennsylvanian. It is important for Pennsylvania lawmakers to consider the value of this opportunity.

## **Rural Pennsylvania and Its Health Care Needs**

Pennsylvania is home to the third largest rural population in the country.<sup>1</sup> Approximately 3.4 million residents, or 27 percent of the state's population, live in rural areas.<sup>2</sup> Rural Pennsylvania expands across the Commonwealth. Forty-eight of the state's 67 counties are considered rural; only Delaware and Philadelphia counties have no rural populations.<sup>3</sup>

This large population confronts its own set of health care issues. For instance, rural Pennsylvanians are more likely than urban Pennsylvanians to have more serious health care needs. They have higher rates of chronic diseases such as hypertension, diabetes, heart disease, and arthritis and are less likely to have health insurance than those living in urban areas.<sup>4</sup> In 2011, an estimated 411,919 rural Pennsylvanians under the age of 65 did not have health insurance, or 12 percent of the rural population.<sup>5</sup> Rural residents also tend to be uninsured for longer periods of time than urban residents.<sup>6</sup>

## **Medicaid: Already an Important Source of Insurance Coverage in Rural Pennsylvania**

Medicaid, also known as Medical Assistance, is a crucial safety net program for rural Pennsylvanians and serves three critical roles.<sup>7</sup> First, Medicaid serves as a health insurance program for low-income households, especially children who typically do not have access to private insurance. Rural workers have less access to employer-sponsored insurance, which provides individuals insurance benefits at a lower rate, than urban workers. As a consequence,

rates of uninsurance have been historically higher in rural than in urban areas, especially in smaller, more remote rural areas.<sup>8</sup>

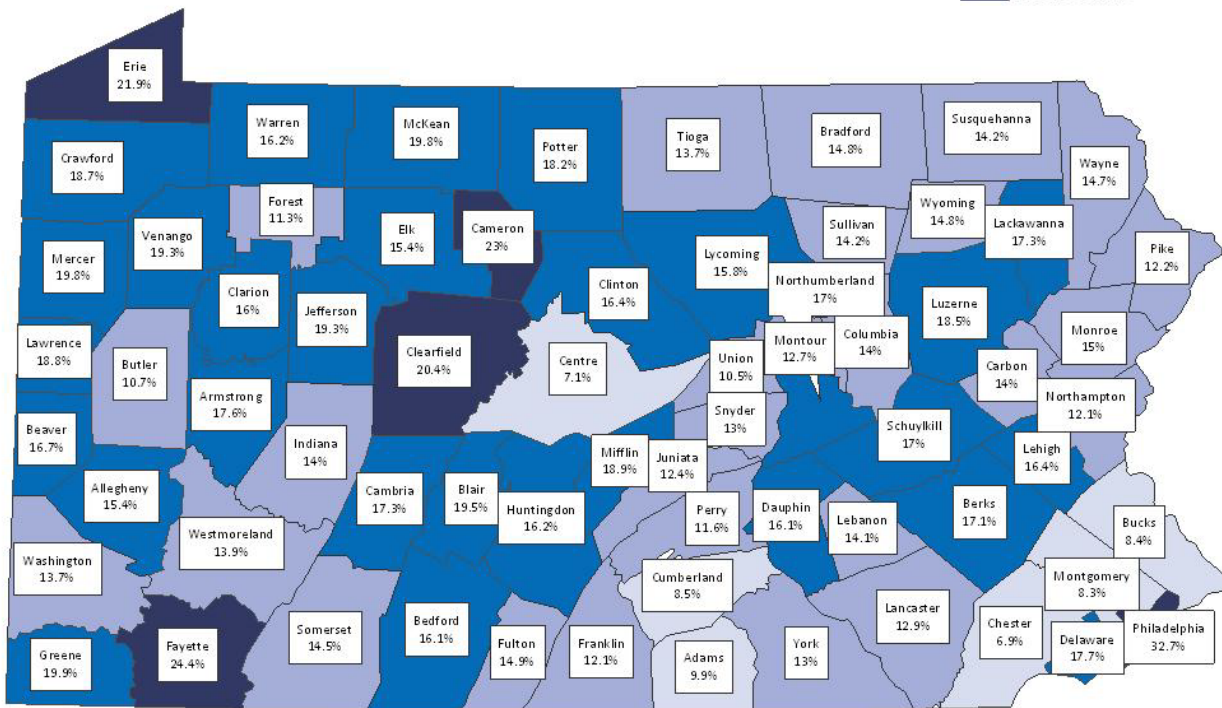
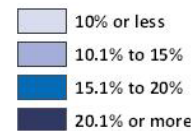
Second, Medicaid helps shrink the Medicare gap for low-income elderly and disabled people by providing health coverage to 1 in 6 Medicare recipients (commonly referred to as “dual eligibles”). This is especially significant to rural Pennsylvanians as disability rates are 80 percent higher in rural areas—nationally almost 8 percent of rural residents receive Social Security benefits compared to just over 4 percent of urban residents. As such, more rural residents depend on public rather than private insurance.<sup>9</sup> The ACA’s Medicaid expansion does not apply to individuals 65 or older or to those who are on Medicare. However, expanding Medicaid would help individuals getting Social Security Disability benefits who are in the two year waiting period before Medicare coverage is available, as well as younger seniors who are not yet 65 with Social Security Retirement income.

Finally, Medicaid is Pennsylvania’s major source of payment for long-term care. It covers 7 of 10 nursing home residents.<sup>10</sup> Furthermore, as the number of senior citizens in rural Pennsylvania grows, more individuals and families will depend on affordable long-term care.<sup>11</sup>

While each rural county varies in its population’s dependence on Medicaid, a significant percentage of every county in the Commonwealth already relies on Medicaid (See Figure 1). By expanding Medicaid, Pennsylvania will strengthen this important source of coverage.

### Pennsylvania Medicaid Recipients by County

*Medicaid Recipients as a % of Total County Population*



Source: Recipient data from the PA Department of Public Welfare, Report 568, unduplicated persons through June 30, 2012.

Figure 1

## **Expanding Medicaid Will Cover Thousands of Rural Parents**

Currently, Medicaid does not cover all low-income people equally. In Pennsylvania, the Medicaid eligibility level for most parents is *well below* the federal poverty level at 23 percent.<sup>12</sup> That is \$4,391 annually or \$366 a month for a family of three (\$2,569 a year for a single person). Medicaid expansion would cover uninsured parents with incomes up to 138 percent of the federal poverty level; nearly *six* times the current eligibility level. That is \$26,344 annually or \$2,116 a month for a family of three (\$15,415 a year for a single person). Expanding Medicaid to cover these low income uninsured populations means tens of thousands of rural parents would have access to much needed health care, which creates healthier individuals and families.<sup>13</sup> [See PHLP's analysis "Medicaid Expansion is Good for Families."](#)

## **Medicaid Expansion Will Provide Rural Pennsylvanians With Essential Health Services**

By expanding Medicaid, Pennsylvania would provide essential health care coverage to rural Pennsylvanians currently uninsured and who experience difficulties obtaining necessary health care. Essential health benefits are modeled after a typical employer health plan and include coverage for preventive care, prescription drugs, chronic disease management, and mental health benefits. If Pennsylvania chooses not to expand its Medicaid program, thousands of rural Pennsylvanians will remain unable to access these much-needed and cost-effective services.

## **Medicaid Expansion is Vital for PA Rural Health Providers**

### *Rural Physicians Are At Risk Without Expansion*

Medicaid provides essential financial support for rural health care providers who might otherwise be overwhelmed by the cost of providing medical care to uninsured individuals.<sup>14</sup> For instance, without Medicaid expansion many rural providers may serve communities where charity care patients outnumber insured individuals. This would create a financially dangerous situation that could force physicians to close private practices and as a result, further weaken the rural health care delivery system. To understand how important Medicaid is for rural providers, almost one-third of rural physicians derive 25 percent or more of their patient revenues from Medicaid, compared to only 19.9 percent in urban areas.<sup>15</sup>

### *Hospitals Are At Risk Without Expansion*

In 2009, 14 percent of rural hospitals' gross revenues came from Medicaid.<sup>16</sup> Furthermore, more than one quarter of Pennsylvania's 100 rural hospitals were deemed financially distressed by a Center for Rural Pennsylvania commissioned study, a legislative agency of the Pennsylvania General Assembly.<sup>17</sup>

If Pennsylvania chooses not to expand Medicaid, then many rural hospitals could face closure due to disproportionate share hospital (DSH) payments. Disproportionate share hospital payments refer to federal funding administered by state governments to help hospitals cover uncompensated medical costs for uninsured low-income patients. However, during the Affordable Care Act (ACA) debate, hospitals agreed to end these payments, because the ACA

aimed to provide insurance for everyone, which would eradicate the need for DSH payments. Over the course of 10 years, Pennsylvania's share of DSH payment will decrease by more than \$1.9 billion. This means that if Pennsylvania fails to expand Medicaid, and as such, fails to insure a significant portion of the population, hospitals will continue to provide care to many uninsured patients on a much tighter budget. As a result, many Pennsylvania hospitals, especially those in rural areas, may not survive.

Closing hospitals creates a domino effect that impacts all health care providers in the community. For instance, physicians rely on hospitals as a foundation for their practice. Therefore, if a hospital closes and with it providers lose their foundation, physicians and other primary care providers may also leave.<sup>18</sup> This leads to broader economic consequences. By one estimate, for every practicing physician a community sustains five jobs and gains \$500,000 in additional income.<sup>19</sup> Furthermore, health care delivery systems create 15 to 20 percent of rural jobs and are one of the top three employers in their communities.<sup>20</sup> Therefore, without Medicaid expansion to offset a hospital's loss of revenue from DSH payments, rural hospitals and jobs face serious risk.

### **Fiscal Impact on the Commonwealth**

For Pennsylvania to realize the full fiscal benefits of expanding Medicaid, lawmakers must act now. From 2014 to 2017, Pennsylvania will receive 100 percent funding from the federal government to cover newly eligible Medicaid recipients. After the first three years, Pennsylvania will receive 95 percent funding from the federal government to cover the cost of Medicaid expansion, which phases down to 90 percent in 2020 and remains at this level thereafter. In comparison, for those Medicaid currently insures Pennsylvania receives 55 percent of its Medicaid funding from the federal government. Therefore, Medicaid expansion offers a unique opportunity for Pennsylvania to better care for its residents with little financial cost. See PHLP's analysis "[Expanding Medicaid in PA: Consider the Savings.](#)"

### **Conclusion**

State government plays an essential role in the well-being of rural communities. By expanding Medicaid, Pennsylvania will provide access to health insurance to more uninsured rural residents that in turn, can improve an individual's and family's quality of life; help someone to manage their medical conditions; and for many, increase their potential to contribute to society. Providing health insurance creates a ripple effect that starts with healthier individuals and expands to healthier families and communities.



[Pennsylvania Health Law Project \(PHLP\)](#) is the state's oldest health care non-profit law firm exclusively devoted to health access for vulnerable populations. PHLP was founded to advance access to quality health care for vulnerable and disenfranchised communities. In addition to direct legal assistance, we work on policy and practice changes that maximize health coverage and access to care. We are a trusted resource with on-the-ground experience, knowledge of best practices, and an understanding of community perspectives.



[Pennsylvania Office of Rural Health \(PORH\)](#) works with local state and federal partners to achieve equity in, and access to, quality health care for Pennsylvania's rural residents. PORH's strategies include: compiling, analyzing, and disseminating information to policy makers, health providers, health educators, and health administrators; strengthening the existing network of rural providers, planners, and advocates by encouraging partnerships and identifying opportunities for collaboration and cooperation; increasing interest in rural health needs, opportunities, and policy issues; and acting as a liaison between academia, state government, professional associations, and the general public.

## END NOTES

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<sup>1</sup> The Center for Rural Pennsylvania, [Rural Pennsylvania and the 2010 Census](#), September 2011 (citing U.S. Census Bureau (2010)).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> Simon Stevens, [Modernizing Rural Health Care: Coverage, Quality and Innovation](#). UnitedHealth, July 2011, at 3. Additionally, self reporting indicates that 19.5 percent of rural residents believe they are only in “fair” or “poor” health compared with 15.6 percent of urban residents.

<sup>5</sup> Kaiser Family Foundation, [The Uninsured In Rural America](#), April 2003. *See* also Kaiser Family Foundation, [Health Insurance Coverage in Rural America](#), 2003.

<sup>6</sup> Jennifer D. Lenardson, Erika C. Ziller, Andrew F. Coburn & Nathaniel J. Anderson, [Profile of Rural Health Insurance Coverage](#), Rural Health Research and Policy, June 2009, at ii. More rural adult residents were uninsured for a full year (20% of uninsured adults), compared to residents of urban areas (13% of uninsured adults).

<sup>7</sup> Keith J. Mueller *et al.*, [The Current and Future Role and Impact of Medicaid in Rural Health](#), Rural Policy Research Institute, at 2, September 2012.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> The number of senior citizens is projected to increase by 58 percent from 2000 to 2030. The Center for Rural Pennsylvania, [Quick Facts About Rural Pennsylvania](#) January 2012 (citing Pennsylvania State Data Center and the U.S. Census Bureau).

<sup>12</sup> Pennsylvania limits parents’ eligibility for Medicaid to the very poor. Non-disabled parents caring for non-disabled children must earn less than half of poverty (23 percent)—the equivalent of Temporary Assistance to Needy Families (TANF)—to be eligible for Medicaid.

<sup>13</sup> John Holahan & Irene Headen, [Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133% FPL](#), Kaiser Commission on Medicaid and the Uninsured, May 2010. The report indicates Pennsylvania will see around 482,366 people enrolled into the new Medicaid expansion by 2019.

<sup>14</sup> Keith J. Mueller *et al.*, [The Current and Future Role and Impact of Medicaid in Rural Health](#), Rural Policy Research Institute, September 2012, *see* generally.

<sup>15</sup> *Id.* at 3. *Note on Method*: Calculations based on the 2008 Health Tracking Physician Survey from the Center for Studying Health Systems Change.

<sup>16</sup> *Id.*

<sup>17</sup> John M. Trussel & Patricia A. Patrick, [Rural Hospital Conditions: Evaluating Financial Distress in Rural Pennsylvania Hospitals](#), The Center for Rural Pennsylvania, March 2010, *see* generally. Exacerbating this financial strain are historically lower reimbursements for rural hospitals, an aging population, as well as limited capital resources.

<sup>18</sup> Joe Blankenau, Jon M. Bailey & Julia Hudson, [The Causes and Consequences of the Rural Uninsured and Underinsured](#), Center for Rural Affairs, April 2009, at 6; Rural counties in Pennsylvania have significantly fewer primary care physicians per 100,000 residents than urban counties, suggesting that physician shortages could impact primary care access for rural Pennsylvania residents, *see* Jami DelliFraine, Lisa Davis, Harry Holt & Larry Baronner, [An Analysis of Rural Hospital Financial Conditions](#), The Center for Rural Pennsylvania, March 2010, at 48.

<sup>19</sup> [Committee on the Consequences of Uninsurance, “A Shared Destiny: Community Effects of Uninsurance,” Board on Health Care Services](#), Institute of Medicine 2003, at 132.

<sup>20</sup> [Health Insurance Access in Rural America](#), National Rural Health Assoc. March 2004.