



April 20, 2010

## **No Need to Wait Until 2014: States Can Cover Low-Income Adults in Medicaid Now**

The new health reform law (the Patient Protection and Affordable Care Act or PPACA) includes a new minimum Medicaid eligibility standard that will allow millions of uninsured low-income adults to qualify for Medicaid. The new standard, which takes effect in January 2014, provides coverage for all otherwise eligible individuals with incomes below 133 percent of the poverty line —currently \$29,400 for a family of four. This expansion of Medicaid will have a profound impact on adults, particularly those who do not live with dependent children, because at present, they generally do not qualify for Medicaid. Many low-income parents and people with disabilities will also qualify for Medicaid for the first time in 2014.

While states do not have to expand Medicaid until 2014, a new coverage option included in PPACA allows states to cover low-income adults now. Adopting this option could provide needed federal funds to states that currently fund their own coverage programs for low-income adults who are not eligible for Medicaid. It also provides a new pathway for states that want to expand coverage to adults without children before 2014. Up until now, states had to seek a Medicaid waiver to provide this coverage — a far more complex process — and they had to show that expanding coverage would not increase federal expenditures in the state.<sup>i</sup>

### **Who Can States Cover Now Under the New Option?**

PPACA establishes a new Medicaid coverage group defined as individuals with incomes below 133 percent of the poverty line who are under the age of 65, not pregnant, not enrolled in Medicare, and not eligible under any other mandatory Medicaid coverage group (such as the coverage groups for people receiving SSI benefits and very low-income parents). An individual's assets are not considered in determining eligibility for this coverage group. States can start covering some or all of the individuals in this new group as early as April 1, 2010, even though their coverage is not required until January 2014.

### **Could a State Set its Income Eligibility Level Below 133 Percent of the Poverty Line?**

Yes. As long as a state does not cover higher income people before covering lower income people, it does not have to expand to 133 percent of the poverty line if it decides to take up this option before 2014. So, for example, a state could decide to expand eligibility to 100 percent of the poverty line now and expand coverage to 133 percent of the poverty line in 2014.

### **What Benefits Will People Get Under the New Option?**

PPACA requires that states provide what is known as “benchmark” or “benchmark-equivalent” coverage to people in this group, although certain people with disabilities or other health conditions must receive the full Medicaid benefit package. The rules for benchmark coverage are complex, but in general, states have flexibility in designing benchmark coverage to cover most or all the benefits covered under traditional Medicaid or to provide a less comprehensive benefit package, such as a package comparable to certain



employer plans.

## **Can a State Set a Limit on the Number of People Who Can Enroll?**

No. As under regular Medicaid rules, states cannot cap enrollment. This is different from the rules for how some states currently provide Medicaid coverage to adults without children through Medicaid waivers. Most of these waivers allow states to set a cap on the number of enrollees.

## **What is the Federal Matching Rate for this New Group?**

The amount of federal funds states will receive for health care services provided to this new group before 2014 will be determined using the state's regular Medicaid matching rate. The enhanced matching rate states are now receiving under the American Recovery and Reinvestment Act (ARRA) does not apply to this group. However, in 2014 states will receive full federal funding for health care provided to this group, because they will be treated as "new eligibles." (State costs for covering newly eligible beneficiaries under Medicaid will be fully funded by the federal government in 2014, 2015, and 2016, and the federal matching rate will then phase down to 90 percent for 2020 and subsequent years.)

## **Can a State Start Covering People after April 2010?**

Yes. A state can start covering people under this new option at the beginning of any calendar year quarter between now and January 2014. As long as a state plan amendment is submitted before the end of a quarter, the effective date can be on the first day of that quarter. So, if a state submits a state plan amendment by June 30, 2010, the effective date of the option can be as early as April 1.

## **Has Any State Taken Up the New Option?**

On April 6, Connecticut became the first state to submit a state plan option electing to cover certain very low-income adults using the new option. Connecticut proposes to cover adults who are now eligible for state-funded coverage through the state's General Assistance medical program. These adults have incomes below about 68 percent of the poverty line. Connecticut will receive federal matching funds for medical assistance provided to these individuals at its usual matching rate of 50 percent until 2014 when the matching rate will increase to 100 percent.

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<sup>i</sup> The Centers for Medicare and Medicaid Services has issued guidance on the new coverage option, which is available at <http://www.cms.gov/smdl/downloads/SMD10005.PDF>.