

Reasons for Private Health Insurers to Advocate for a Medicaid Expansion

Health insurers operating in your state can serve as important allies in the effort to expand Medicaid under the Affordable Care Act (ACA). Some insurers may be willing to take a public role. Others may prefer to work behind the scenes but could nevertheless be crucial to educating policymakers about the merits of the Medicaid expansion. Below are the key reasons health insurers should support a Medicaid expansion; for additional background and explanation please see the Center's memo, "[Why a State's Health Insurers Should Support Expanding Medicaid.](#)"

The Medicaid expansion will benefit health insurers in your state, whether they contract with the state's Medicaid program, offer coverage in the private insurance market, or both.

- **Expanding Medicaid creates a significant business opportunity for insurers operating Medicaid managed care plans.** Starting in 2014, billions of dollars in Medicaid revenues will be available nationwide for managed-care plans as a result of the ACA's Medicaid expansion. Insurers already contracting with state Medicaid programs will potentially have many more enrollees and others not currently offering a plan may want to expand their business into your state. Health insurers operating only in the commercial market could also benefit if they decide to branch into the Medicaid market. Many insurers hope to capitalize on the movement of enrollees back and forth between Medicaid and private coverage by offering both types of coverage in the same state.
- **Expanding Medicaid would result in lower coverage costs and a more stable private insurance market, which would benefit insurers who are only participating in the private market.** In a state that fails to expand Medicaid, some people who would have otherwise received Medicaid will instead be uninsured. Others will manage to purchase private coverage in an insurance exchange, despite their low incomes. Those who pay for private coverage are likely to do so because they expect to need medical care or have high-cost illnesses. In addition, previously uninsured people typically have higher costs once they become insured because they have put off care that they could not afford. The result: higher private insurance premiums (inside and outside the exchange) in states that fail to expand Medicaid. A Medicaid expansion, on the other hand, would mean far fewer gaps in coverage, lower premiums for insurance in the individual market, and greater predictability for commercial insurers in the state. The ACA's risk adjustment system would also be more accurate and effective at compensating insurers that take on higher-risk populations because costs will be more predictable and there will be less adverse selection.
- **The Medicaid expansion would allow insurers to better manage care effectively and efficiently.** Greater continuity of coverage means greater continuity of care. People in a state that expands Medicaid will be more likely to be able to maintain consistent access to their health care providers and treatments, even if their coverage source changes. (This is because people with incomes below the poverty level and above current state Medicaid eligibility levels will not face a coverage gap, as they would if a state doesn't expand.) Insurers' efforts to manage care and cut costs associated with chronic disease would thus be more effective, and their administrative costs would be lower.