Twenty-eight states (including Washington, DC) have freed up revenue for important services like public education and provided access to affordable health care for nearly all their residents by closing their health coverage gaps. This move is saving them critical funds at the state and county levels. The same could be true in Idaho, with potential savings of $173 million over the next ten years.

For the third time since 2012, the Governor’s Medicaid Redesign Workgroup recommended that Idaho approve a Medicaid redesign that would provide affordable health care coverage to all Idahoans in the form of the “Healthy Idaho Plan.” Rather than expand the current Medicaid program, the Workgroup recommended that Idaho redesign the state’s Medicaid system and integrate it with the state’s Your Health Idaho insurance exchange, where people buy private policies.

Under this public/private or “hybrid” option, Idahoans earning 100-138 percent of the Federal Poverty Level (for example a family of four that earns up to $32,913 per year) would be able to access private insurance in the state health exchange. Those below 100 percent of the Federal Poverty Level (for example, a family of four making $23,850 per year) -- could access coverage through state-run managed care contracts. The vast majority of these costs would be covered by tapping federal funds and would ultimately save Idahoans millions of dollars.

It is now up to our legislature to close the gap during the 2015 legislative session. Until they do, Idaho taxpayers will continue to pay for the health care costs of those without insurance through county indigent funds and the state’s catastrophic health insurance fund. Independent estimates solicited by the Workgroup show $173 million in savings over the next ten years if the legislature implements the Workgroup recommendation.

This brief looks at how four states—Arkansas, Kentucky, Michigan and New Mexico—are saving millions of dollars as a result of closing the coverage gap. The same would be true for Idaho if state lawmakers implement the recommendation of the Governor’s Workgroup, which has been dubbed the Healthy Idaho Plan.

Other States Are Already Saving

While the majority of states have taken advantage of the cost savings and health benefits of redesigning Medicaid, they have done so in a variety of ways. The Center for Medicaid and Medicare Services (CMS) has given states considerable flexibility in designing plans to close their coverage gaps.

States such as Kentucky and New Mexico took a direct approach by extending Medicaid eligibility to more people. Others such as Michigan and Arkansas have designed alternatives that include combinations of private and public approaches. However, the one thing all four states have in common is they are now seeing significant budget savings as a direct result of redesigning Medicaid.
**Idaho**

The Governor's Workgroup on Medicaid Redesign recommended a private/public plan to serve the unique needs of Idahoans and support Idaho's new health care exchange.

The Healthy Idaho Plan will have other benefits, including $700 million in new economic activity annually and nearly 15,000 new jobs, not only in health care but throughout the local economies, by the first year. While Idaho weathered the Great Recession in many respects, the state has still not returned investments in public education, public employees or higher education to pre-recession levels. The cost savings available to Idaho from closing the coverage gap could help strengthen Idaho's economy and provide new revenue for investments in areas like public education. Local economies would benefit greatly from being able to eliminate county funds that cover care for the indigent, and those savings could be invested in local priorities.

During the 2015 Legislature, Idaho lawmakers have the opportunity to extend quality, affordable coverage to 78,000 Idahoans for a total savings in the first year of $65 million. Over 10 years, the total direct savings from the elimination of the counties’ indigent funds, the catastrophic fund, and other health programs will be $173 million. The state will likely reap additional savings that are difficult to estimate, including reduced costs for corrections, law enforcement, and the courts. The economic boost will also generate new tax revenues above and beyond the calculated savings.

Lessons from Four States that Have Closed the Coverage Gap

**Kentucky**

By enrolling 267,000 people who were previously ineligible for coverage, Kentucky has reduced state spending on a variety of health care programs by $80 million in the current budget year and $87 million in the next budget year. Kentucky has been able to use federal funds rather than state dollars for mental health, local health departments and other services.

**New Mexico**

New Mexico projects that enrollment among the newly eligible residents will top 163,000 this year. Last year, New Mexico saved $23 million by transferring 37,000 people who were getting state-funded insurance to the federally funded expansion category. New Mexico forecasts its savings to rise to $60 million in the current budget year, in addition to another $18 million in savings from state-funded mental health programs.

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Arkansas

Arkansas was the first state to take an alternative route to closing the coverage gap. Instead of using the state’s existing Medicaid program, Arkansas received permission from the Center on Medicaid and Medicare Services to purchase coverage for uninsured residents through the state’s health insurance marketplace. Some 205,000 people are now enrolled in Arkansas’ “private option.” Private coverage replaced $20 million in state-funded limited medical benefits for low-income Arkansans and $22 million in state-funded care for those without insurance last budget year. These savings are expected to grow to $89 million in the current budget year.

Michigan

Michigan began a new coverage program, through an alternative approach to closing the coverage gap, on April 1, 2014. It has enrolled 425,000 people who are newly eligible for coverage. Michigan lawmakers projected savings of $100 million for the state budget year that just ended. The savings come from replacing state funds for community mental health and prisoner-related medical care.

Key Sources for Savings in the First Year

If Idaho were to close the coverage gap during the 2015 legislative session, we would realize the following savings in state fiscal year 2016.

**Savings at the County Level**

<table>
<thead>
<tr>
<th>Category</th>
<th>Savings (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Indigent Care Costs</td>
<td>$24.7</td>
</tr>
<tr>
<td>Medical Indigent Care (Administrative)</td>
<td>$6.1</td>
</tr>
<tr>
<td>Net County Savings</td>
<td>$30.8</td>
</tr>
</tbody>
</table>

**Savings and Offsets at the State Level**

<table>
<thead>
<tr>
<th>Category</th>
<th>Savings (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Catastrophic Care Fund</td>
<td>$35.6</td>
</tr>
<tr>
<td>Behavioral Health (Dept. of Health and Welfare)</td>
<td>$9.7</td>
</tr>
<tr>
<td>Public Health (Dept. of Health and Welfare)</td>
<td>$0.8</td>
</tr>
<tr>
<td>Minus State Administrative Costs</td>
<td>($12.1)</td>
</tr>
<tr>
<td><strong>Net State Savings</strong></td>
<td><strong>$33.9 million</strong></td>
</tr>
</tbody>
</table>

Total Net State and County Savings in Year 1: $64.7 million

**Source:** Milliman, a private actuarial firm. Some sums may not appear exact due to rounding.

Closing the coverage gap has resulted in proven savings in other states, including the four states highlighted here. The longer Idaho waits, the more we miss out on these savings, while also sending our tax dollars out of Idaho to fund expanded health care coverage in other states. Closing the coverage gap will help working Idahoans, families, and veterans, and it will support our local and state economies. Idaho lawmakers should implement a common-sense approach to health care for Idaho by integrating Medicaid redesign with Idaho’s health insurance exchange and closing the coverage gap during the 2015 legislative session.

End Notes


Acknowledgement

Special thanks to The Commonwealth Institute for Fiscal Analysis (www.thecommonwealthinstitute.org) for their assistance with this report. While we acknowledge their support, the findings and conclusions presented in this report are those of the authors alone.