

## Nebraska Can Use Medicaid to Boost the Economy and Close the COVID-19 Coverage Gap

The COVID-19 crisis is sending Nebraska's economy into a downward spiral and causing thousands in the state to lose their jobs and job-based health insurance. In response, the state must take action to stimulate the economy and prevent additional coverage losses. It can do this by making relatively simple changes to its Medicaid program: 1) implementing the voter-approved Medicaid expansion to cover low-income adults now, and 2) implementing the new federal option to cover the uninsured for COVID-19 testing.

These actions would allow Nebraska to obtain additional special federal funding, boosting its economy and improving access to health care during the COVID-19 crisis. Making these changes to the Medicaid program could bring nearly a quarter billion dollars into the state's economy over the next four months and quickly cover nearly 100,000 people, most of whom are recently unemployed.

### 1. Expand Medicaid Immediately to Take Advantage of Enhanced Federal Reimbursement

Nebraska currently plans to expand its Medicaid program in October 2020, which will extend coverage to thousands of newly eligible beneficiaries. This Medicaid expansion is eligible for federal Medicaid reimbursement of 90%, which will bring millions of new federal dollars into the state and only nominally increase state costs.

But thousands of Nebraskans have already lost their job-based health coverage due to the current economic downturn. They need coverage now and cannot afford to wait until October for Medicaid expansion, and neither can the state. **If the state immediately expands Medicaid, as many as 94,000 people would gain coverage between June 2020 and October 2020, drawing down roughly \$245 million in federal funding.**

At a time when the state is facing major budget shortfalls and health care providers are going out of business, policymakers can choose to expand Medicaid immediately and bring in millions of dollars in new federal reimbursement now, before the economic crisis gets worse. Or they can leave that federal funding on the table as providers struggle to provide uncompensated care to the thousands of Nebraskans who have lost their health insurance.

See **Appendix 1** for additional analysis.

**Table 1. Impact of Immediate Medicaid Expansion on Medicaid Enrollment, State Cost, and Federal Funding (June 2020-October 2020)**

	Enrollment	State cost	Federal funding
No Medicaid Expansion: Coverage for new enrollees who lost job-based coverage due to COVID-19 (as of May 2020)*	25,900	\$8,832,936	\$10,674,685
Medicaid Expansion: Coverage for new enrollees who lost job-based coverage due to COVID-19 (as of May 2020) + Coverage for Newly Eligible Medicaid Enrollees**	94,395	\$32,496,672	\$244,790,750
<b>Difference</b>	<b>68,495</b>	<b>\$23,663,736</b>	<b>\$234,116,065</b>

Sources:

\*We calculated the state cost and federal funding by applying the non-expansion FY2020 FMAP (54.72%) to the average total monthly cost per enrollee for four months of enrollment. We calculated the average total monthly cost per enrollee based on Nebraska Medicaid Annual Report 2019.

*Nebraska Medicaid Annual Report for State Fiscal Year 2019* (Nebraska Department of Health and Human Services, Division of Medicaid & Long-Term Care, December 2019), [https://nebraskalegislature.gov/FloorDocs/106/PDF/Agencies/Health\\_and\\_Human\\_Services\\_Department\\_of/107\\_20191203-092430.pdf](https://nebraskalegislature.gov/FloorDocs/106/PDF/Agencies/Health_and_Human_Services_Department_of/107_20191203-092430.pdf).

\*\*We calculated the state cost and federal funding by applying Nebraska DHHS's projected state and federal cost per enrollee to projected enrollment post-pandemic.

*Analysis; Fiscal Impact of Initiative 427* (Nebraska Department of Health and Human Services, September, 2018), <http://dhhs.ne.gov/Documents/Analysis%20-%20Fiscal%20Impact%20of%20Initiative%20427.pdf>.

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## **2. Use Federal Medicaid Funding to Cover COVID-19 Testing for the Uninsured**

During the COVID-19 public health emergency, state Medicaid agencies have the option to temporarily expand Medicaid to cover COVID-19 testing for the uninsured with no cost to the state. States that provide this optional “COVID-19 Testing” receive 100% federal reimbursement for this group, meaning the state pays nothing to reimburse providers for these tests.<sup>1</sup> While full Medicaid expansion as described above would bring more federal funding into the state and provide more comprehensive coverage for the uninsured, covering the “COVID-19 Testing” eligibility group is the next best option and one that several states have already pursued.

Governor Pete Ricketts’ goal for his “TestNebraska” initiative is to provide 3,000 COVID-19 tests each day.<sup>2</sup> **If the state takes up the “COVID-19 Testing” option and meets the governor’s testing goal, it could result in more than \$500,000 a month in federal funding to cover lab tests for uninsured Nebraskans.**

Governor Ricketts currently plans to cover the cost of this new testing initiative with federal aid made available through the CARES Act COVID-19 relief legislation.<sup>3</sup> But if the state takes up the “COVID-19 Testing” option, it could replace some of the limited CARES Act funding with dedicated federal Medicaid funding to pay for COVID-19 testing for the uninsured. Using federal Medicaid dollars for COVID-19 testing would allow the state to use the more fungible CARES Act dollars for additional economic relief in other areas, such as supporting rural health care providers.

See **Appendix 2** for additional analysis.

## Appendix 1

Medicaid enrollment is expected to increase as Nebraskans continue to lose their jobs and job-based insurance. Based on calculations from the Kaiser Family Foundation, 101,000 Nebraskans lost job-based coverage due to COVID-19 between March 1, 2020, and May 2, 2020. **If the state expands Medicaid now, an estimated 56,000 of those 101,000 Nebraskans who lost their job-based coverage due to COVID-19 would be eligible for Medicaid.** By January 2021, that number is expected to rise to 72,000.<sup>4</sup> However, since Nebraska has not yet expanded Medicaid, only about 25,900 of the 101,000 Nebraskans who have lost their job-based coverage would be eligible for Medicaid.<sup>5</sup> The remaining Nebraskans will likely fall into the “coverage gap,” meaning they don’t get coverage through their job and they don’t make enough to qualify for subsidized coverage on the health insurance marketplace, but their income is too high to qualify for Medicaid.

Before the COVID-19 crisis, the Nebraska Department of Health and Human Services estimated that Medicaid expansion would increase enrollment by about 38,000 in the first four months, and it would increase federal Medicaid funding by nearly \$100 million.<sup>6</sup> Combining pre-COVID-19 enrollment projections and enrollment projections related to the loss of job-based coverage, immediate Medicaid expansion would increase enrollment by about 94,000 people between June 2020 and October 2020 (see Table 1). Assuming that the pre-COVID 19 per-enrollee Medicaid costs for non-expansion and expansion enrollees apply to recession-triggered enrollment, increased enrollment due to **Medicaid expansion would increase federal funding for the state by about \$234 million between June and October.**

## Appendix 2

Based on Families USA’s recent analysis of data from the US Census’ American Community Survey and the Urban Institute, due to the COVID-19 crisis, **the estimated percentage of uninsured Nebraskans is projected to range from 13.4% to 17.1% of the state’s population in the coming months.**<sup>7</sup> If testing in the state increases to meet the governor’s stated goal of 3,000 tests per day (roughly 90,000 per month), then applying these projections, the number of tests for uninsured Nebraskans would range from 12,060 to 15,390 per month, roughly 60,000 tests between June and October.

Based on Nebraska’s fee schedule for COVID-19 test specimens sent to the CDC and commercial labs, if the state takes up the “COVID-19 Testing” option, federal reimbursement for testing this population would range from \$433,200 to \$552,810 per month, assuming all tests are sent to CDC labs. If all tests are sent to commercial labs, federal reimbursement would be even higher: \$618,800 to \$789,660 per month.<sup>8</sup> **This amounts to roughly \$2 million in federal funding between June and October.**

## Endnotes

<sup>1</sup> *COVID-19 FAQs on Implementation of Section 6008 of the Families First Coronavirus Response Act* (Centers for Medicare & Medicaid Services, Center for Medicaid & CHIP Services, April 2020), <https://www.medicaid.gov/state-resource-center/downloads/covid-19-section-6008-CARES-faqs.pdf>.

<sup>2</sup> Don Walton, *First 20,000 Nebraskans register in coronavirus testing initiative* (Lincoln Journal Star, April 2020), [https://journalstar.com/lifestyles/health-med-fit/first-20-000-nebraskans-register-in-coronavirus-testing-initiative/article\\_1b59c507-3d16-5993-9c46-117b4a4118fa.html](https://journalstar.com/lifestyles/health-med-fit/first-20-000-nebraskans-register-in-coronavirus-testing-initiative/article_1b59c507-3d16-5993-9c46-117b4a4118fa.html).

<sup>3</sup> *Gov. Ricketts presents overview of how federal aid will be used* (WOWT 6 News, May 2020), <https://www.wowt.com/content/news/Nebraska-governor-COVID-19-response-update-for-Wednesday-May-27-2020-570787221.html>.

<sup>4</sup> Rachel Garfield, Gary Claxton, Anthony Damico, Larry Levitt, *Eligibility for ACA Health Coverage Following Job Loss* (Kaiser Family Foundation, May 2020), <https://www.kff.org/report-section/eligibility-for-aca-health-coverage-following-job-loss-appendix/>.

<sup>5</sup> Note: The Kaiser Family Foundation's analysis considers Nebraska a Medicaid expansion state and therefore does not include an estimate of the number of consumers losing job-based insurance who will fall into the coverage gap. However, Nebraska has not yet expanded Medicaid. Therefore, fewer consumers who have lost job-based insurance would be Medicaid-eligible than estimated in Kaiser's analysis, and some consumers who have lost job-based coverage are expected to fall into the coverage gap.

Kaiser Family Foundation estimates that about 25.61% of people who have lost coverage in non-expansion states would be eligible for Medicaid. Applying that percentage to the estimated 101,000 consumers losing coverage in Nebraska generates a projection that about 25,900 are Medicaid-eligible in pre-expansion Nebraska.

<sup>6</sup> Matthew Buettgens, *The Implications of Medicaid Expansion in the Remaining States: 2018 Update* (Urban Institute, May 2018), [https://www.urban.org/sites/default/files/publication/98467/the\\_implications\\_of\\_medicaid\\_expansion\\_2001838\\_2.pdf](https://www.urban.org/sites/default/files/publication/98467/the_implications_of_medicaid_expansion_2001838_2.pdf).

<sup>7</sup> Stan Dorn, *Without Bold Congressional Action, Major Losses in Health Coverage Will Accelerate the Spread of Untreatable, Deadly COVID-19* (Families USA, May 2020), [https://www.familiesusa.org/wp-content/uploads/2020/05/COV\\_Uninsured-Numbers-Analysis.pdf](https://www.familiesusa.org/wp-content/uploads/2020/05/COV_Uninsured-Numbers-Analysis.pdf).

<sup>8</sup> *COVID-19 Virtual Visit & Reimbursement Guide* (ruralMED, March 2020), <https://www.ruralmed.net/wp-content/uploads/ruralMED-COVID-19-Preparedness-Virtual-Visit-Reimbursement-Guide-03.30.2020.pdf>.

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This publication was written by:

**Emmett Ruff**, Policy Analyst, Families USA

**Joe Weissfeld**, Director of Medicaid Initiatives, Families USA

The following Families USA staff contributed to the preparation of this material (listed alphabetically):

Kimberly Alleyne, Senior Director, Communications

Justin Charles, Digital Media Associate

Nichole Edralin, Senior Manager, Design and Publications

Eliot Fishman, Senior Director of Health Policy

Adina Marx, Communications Associate

**FAMILIESUSA**  
THE VOICE FOR HEALTH CARE CONSUMERS

1225 New York Avenue NW, Suite 800  
Washington, DC 20005  
202-628-3030  
info@familiesusa.org  
FamiliesUSA.org  
facebook / FamiliesUSA  
twitter / @FamiliesUSA