

The Increasing Impact of Medicaid on the U.S. Health Care System

Medicaid expansion under the Affordable Care Act (ACA) has greatly increased access to health care services to the previously uninsured, thereby decreasing uncompensated care costs. Signed into law in 1965 alongside Medicare, Medicaid [has grown](#) into the nation's largest single source of health care coverage. The ACA allowed states to expand Medicaid eligibility to childless adults with monthly income up to 138 percent of the federal poverty level (FPL).¹ It also reduced Disproportionate Share Hospital (DSH) payments to hospitals that serve a high number of low-income and/or uninsured individuals. The premise of these changes was that higher insurance coverage through Medicaid would reduce hospitals' uncompensated care costs and reduce the need for the federal government to help fill in those financial gaps.

A [recent study](#) by the Urban Institute for the Robert Wood Johnson Foundation examined the impact of these changes on hospitals. Researchers used data from the American Hospital Association and the Centers for Medicare & Medicaid Services Healthcare Cost Report Information System to determine that, on average, hospitals had \$5 million in increased Medicaid revenue and \$3.2 million in decreased uncompensated care costs. These translated to a 2.5 percent average increase in operating margins per hospital. The hospitals with the greatest gains in profit margins tended to be small, for-profit and non-federal government-operated, or located in rural areas.

Medicaid expansion and the findings of this study have numerous implications for health care policy. Medicaid expansion has extended comprehensive health care coverage to roughly 11 million individuals. This will continue to have a positive impact on Americans' health. The size and clout of the Medicaid program has also proven to be an effective leveraging tool in terms of legislative initiatives. This was demonstrated in the debate over the American Health Care Act of 2017, during which Republican and Democratic governors and lawmakers alike [expressed concerns](#) over rolling back eligibility for critical Medicaid services. The Urban Institute study also shows that Medicaid expansion has significantly boosted hospitals' bottom lines, particularly those which provide care to vulnerable populations with few health care options (i.e., small and rural hospitals).

Medicaid expansion has moved the U.S. health care system toward achieving the American Nurses' Association's core principles of health care reform: universal access to a standard package of essential health benefits for all citizens and residents; utilization of primary, community-based and preventative services while supporting the cost-effective use of innovative, technology-driven, acute, hospital-based services; the economical use of health care services with support for those who do not have the means to share in costs; and a sufficient supply of a skilled workforce dedicated to providing high quality health care services.

¹ The Affordable Care Act originally required all states to expand full Medicaid eligibility to childless adults with monthly income up to 138 percent FPL. The 2012 U.S. Supreme Court ruling in *NFIB v. Sebelius* found that this provision was coercive and rather gave the states the *option* to expand Medicaid eligibility.