



What Employers Need to Know Right Now About Health Care Reform

Medicaid Election

Medicaid is a joint state-federal program. States are not required to participate in Medicaid, but all of the states currently do. The federal government pays 50 percent to 75 percent of the cost of Medicaid. In return, the states must follow a variety of rules, although they have the ability to make a number of choices. Currently, to obtain federal funding the states must provide Medicaid to pregnant women and children under age six with family incomes below 133 percent of FPL, to children aged six through 18 with family incomes below 100 percent of FPL, and to disabled and elderly adults who qualify for Supplemental Security Income based on low income and assets. Some states currently provide Medicaid to working parents and adults without dependents, but many do not, or do so only for those with incomes well below FPL.

In an effort to reduce the number of uninsured, PPACA would require Medicaid to cover virtually all adults with household incomes at or below 133 percent of FPL as of Jan. 1, 2014. The federal government would pay 100 percent of the cost of coverage for the expanded coverage group during 2014 through 2016, and then gradually decrease its contribution to 90 percent of the cost for 2020 and later years. The Supreme Court ruled that Congress did not have the power to cut off all Medicaid funding if a state didn't expand Medicaid to meet the expanded eligibility under PPACA, so states are now deciding whether expanding Medicaid eligibility makes sense for them.

Individuals who are eligible for Medicaid will not be eligible for premium subsidies. This means that employers in states that choose not to increase Medicaid eligibility may have to pay penalties on more employees than those in states that have chosen to expand Medicaid eligibility.

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