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## Congress eyes fix to Medicaid expansion gap that would boost rural hospitals

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**Rural hospitals** facing potential closures could see a lifeline in the form of a multi-trillion dollar package President Joe Biden and congressional Democrats aim to pass this year.

Democrats plan to extend health insurance coverage to 2 million low-income, uninsured people who live in the 12 states that haven't expanded Medicaid, circumventing mostly-Republican governors and state legislatures that have opposed adopting the expansion, which is 90% financed by the federal government under the Affordable Care Act (ACA).

More patients with health coverage would be a boon to rural hospitals in non-expansion states like Texas and Florida. These patients with incomes around the federal poverty level, which is \$12,880 for an individual, frequently can't afford to pay hospital bills, which imposes a financially perilous burden on rural hospitals and has contributed to a growing number of closures. Nineteen rural hospitals shuttered last year and 181 have closed since 2005, [according to](#) data from the University of North Carolina at Chapel Hill UNC).



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"Texas still leads the nation in the number of uninsured people, and that creates a significant financial burden for hospitals, particularly if you are in an area where there is a high uninsured population," said John Hawkins, senior vice president of government relations for the Texas Hospital Association.

"It has been a factor in closures. They don't have the flexibility to deal with financial challenges like perhaps a more urban facility could," Hawkins said.

Texas also leads the country in rural hospital closures, with 24 since 2005, the UNC data show.

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The story is the same in many other parts of the country. States experiencing the greatest number of rural hospital closures haven't expanded Medicaid, including Georgia, Tennessee and Texas, according to the [Chartis Center for Rural Health](#).

"We're in the middle of a hospital closure crisis," said Michael Topchik, national leader of Chartis.

When Congress passed the ACA in 2010, the law called for a nationwide Medicaid adults earning 138% of poverty or less. But the Supreme Court ruled in 2012 that states could opt not to participate.

Nine years later, leaders in a dozen states are still not budging on their opposition to Medicaid expansion. Missouri voters approved a measure last year to bypass elected officials and implement an expansion, but Republican Gov. Mike Parson [refused to carry it out](#); the matter is under review by the Missouri Supreme Court.

The U.S. Supreme Court's 2012 ruling, and many states' reaction to it, has left the lowest-income adults in non-expansion states in the lurch. Congress intended those individuals to get Medicaid coverage, so subsidies for private insurance from an exchange aren't available to people who earn less than poverty wages. That leaves them without access to affordable health coverage. Prior to the ACA, Medicaid eligibility for adults typically was limited to groups like pregnant women and people with disabilities.

The current Congress can't force states to accept the Medicaid expansion, so Democrats have considered alternatives to getting coverage to the Medicaid expansion population in those places. A leading contender now is to offer enhanced subsidies for exchange policies, a Democratic committee aide said.

By providing subsidized insurance with minimal cost-sharing and comprehensive benefits Democrats hope to create a form of coverage that mimics **Medicaid**, the aide said.

This would benefit hospitals in two ways. First, they would have to shoulder fewer uncompensated care costs. Second, private insurers tend to pay higher fees than Medicaid.

Democrats are eyeing the Biden's signature "human infrastructure" package as a vehicle for the low-income health coverage plan. House and Senate leaders intend to use the **"budget reconciliation" process** to advance the measure, which would enable them to evade a Republican filibuster and to pass the bill with 51 votes.

"We have a rare window right now to get this done," said Rep. Val Demings (D-Fla.).

About 64% of rural hospital closures have occurred in states that haven't expanded Medicaid. And 75% of the 216 **rural hospitals** considered vulnerable to closure are in non-expansion states, according to the Chartis Center for Rural Health.

Rural hospitals in expansion states typically outperform rural hospitals in states that haven't expanded, according to the Chartis study. In the past year, the first group had a median operating margin of 1.1% compared to -0.1% in the second group.

"Medicaid expansion was intended to help solve some of that. In those states that expanded Medicaid, we see a direct relationship to improved margins," Topchik said.

Uncompensated care costs dropped by 45% in Medicaid expansion states from 2013 to 2017, according to an **analysis** by the Center on Budget and Policy Priorities, compared to a 2% drop in that same time period for non-expansion states.

Patients, especially people of color who already face disparities in health outcomes, could see significant benefits. Medicaid expansion improves mortality rates and financial security for patients, and rural populations' health **suffers** when area hospitals close, studies have shown.

"It's totally unacceptable that we've ended up in the situation where people, just based on what state they live in, can be super poor and have no way of having health insurance. We can't let that situation go on any longer," said Katherine Hempstead, senior policy adviser at the Robert Wood Johnson Foundation.

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