

Health reform 2.0: Governors pushing back on Medicaid expansion

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Opt-out in Affordable Care Act could leave millions of low-income Americans still uninsured.

(HealthDay)—The Obama administration snatched victory in the battle over health reform when the U.S. Supreme Court upheld the president's controversial health law earlier this year.

But the fight is far from over.

One of the main goals of the [Affordable Care](#) Act is to extend [health insurance coverage](#) to most uninsured Americans—an estimated 30 million people. It does that for many lower-income people by expanding eligibility for [Medicaid](#), the federal-state public health program currently covering more than 60 million low-income Americans.

As of now, though, it appears that efforts to reduce the ranks of the

uninsured will fall short of expectations. That's because a number of Republican governors are refusing to go along with the proposed expansion, and others are leaning in that direction.

"I look at the [states](#) as the next critical battleground," said Robert Doherty, the American College of Physicians' [senior vice president](#) for governmental affairs and public policy. If some states decline to extend Medicaid, the nation will end up with coverage like "Swiss cheese" with holes for "the poorest of the poor," he said.

In June, the Supreme Court, while upholding the legislation, essentially ruled that states could opt out of the law's Medicaid expansion without jeopardizing their existing Medicaid funding. In the wake of the ruling, Republican governors in Florida, Iowa, Kansas, Louisiana, Nebraska, South Carolina and Wisconsin indicated that they have no intention of expanding Medicaid, according to a July tally by *The Hill's* HealthWatch blog. Eight other governors, including one Democrat, are leaning against expanding their state Medicaid programs, and 22 states, including seven with Democratic governors, remain undecided, according to that report.

Medicaid eligibility rules vary widely from one state to another. In most states, low-income, non-disabled adults who aren't pregnant or don't have dependent children can't qualify for [Medicaid coverage](#). Few states cover non-disabled parents at or above 100 percent of the federal poverty level—currently \$19,090 for a family of three.

The Affordable Care Act set out to close health insurance gaps by establishing a new minimum standard for Medicaid coverage. Effective January 2014, people under age 65—who aren't already Medicaid-eligible—with incomes below 133 percent of the federal poverty level would be covered.

Based on 2012 guidelines, an individual making up to \$15,415, or a

family of four earning as much as \$31,809, could meet that income threshold.

If every state participated in the expansion, 15.1 million adults who are not currently Medicaid-eligible could get coverage, according to the Urban Institute, a liberal-leaning think tank on social, economic and governance issues.

Allowing states to bow out of the expansion alters the equation.

Congressional Budget Office Says Fewer Will Be Insured

The Congressional Budget Office now estimates that 6 million fewer people will be enrolled in Medicaid by 2022 than the 15 million previously expected under the Affordable Care Act. Three million of those people will have incomes high enough to receive federal subsidies to purchase coverage through one of the new health insurance exchanges created under the law. But the remaining 3 million will not qualify for those subsidies and will remain uninsured.

Experts say a number of factors are playing into states' decision to participate or not.

"We acknowledge that the decision will be a complex one," involving a combination of political, financial, ideological and policy factors, said Matt Salo, executive director of the National Association of Medicaid Directors, a bipartisan organization representing Medicaid directors in the states, territories and the District of Columbia.

Many believe states' rejection of the Medicaid expansion is driven largely by election-year politics.

"This is a way in which they're signaling continuing opposition to the Affordable Care Act," said Leighton Ku, professor and director of the Center for Health Policy Research at George Washington University.

States are also balking over the anticipated cost of the expansion. While the federal government would pick up 100 percent of the cost of covering new Medicaid recipients in the first three years, its share gradually declines in the following years, tapering off to 90 percent in 2020 and beyond.

Virginia Gov. Bob McDonnell, chairman of the Republican Governors Association, has held off on making a firm decision for his state. But in a letter to President Barack Obama on behalf of the RGA's Public Policy Committee, he pointed out that increased Medicaid spending would "crowd out" resources for other priorities, including public education, the environment and infrastructure. Without Medicaid reform, he argued, it's hard to see how expanding the program "would do anything other than put more strain on state budgets and the taxpayers."

Some states also worry that, over time, the federal government will shift a greater share of the program's costs to the states.

"What we really believe will happen is that the states will be put more and more . . . on the hook for all these people that they have added to the Medicaid rolls," said Twila Brase, president and co-founder of the Citizens' Council for Health Freedom, a nonprofit advocate of health freedom and privacy and an Affordable Care Act opponent.

Another concern is that publicity over the expansion will prompt some people who are currently eligible but not enrolled in Medicaid to come into the program, and "they're not free," George Washington's Ku observed.

Under traditional Medicaid matching rules, the federal government pays, on average, 57 percent of program costs, while states pick up the remaining share, although the state match can vary widely.

Some Say States Can't Afford Expansion, Others Disagree

Will the new expansion bust state coffers or fuel economic growth? Policy experts disagree.

"If they're very conservative, they'll say, 'Gee, when we do our estimates, we see this is going to cost us more state money.' What they fail to see is that it actually is a substantial economic boon to their states and it is perfectly conceivable that the additional revenue will actually create new taxes," Ku said.

The National Association of Medicaid Directors' Salo, however, dismissed the argument that more Medicaid spending translates into greater economic benefit because such calculations get into politics and ideology.

Florida Gov. Rick Scott, a former health-care executive, stands firm against expanding Medicaid, saying it would cost his state an additional \$1.9 billion a year.

A recent analysis by the Florida Center for Fiscal and Economic Policy, a think tank and advocacy group for lower-income Floridians, concluded that the net cost of expanding Medicaid to the state's lowest-income uninsured "would be little to nothing, particularly after factoring in reductions in the cost of the delivery of 'uncompensated care' in settings such as hospital emergency rooms."

With most states operating on a July 1 to June 30 fiscal year, "any governor of either party would be smart *not* to go ahead" until after the election, added Edmund Haislmaier, senior research fellow for health policy studies at the Heritage Foundation, a conservative health policy think tank.

One often-neglected aspect of the Medicaid expansion is the impact on patient care.

In a recent analysis published in the *New England Journal of Medicine*, researchers from the Harvard School of Public Health compared health outcomes of patients in three states that substantially expanded adult Medicaid eligibility since 2000 with patients in three neighboring states that did not expand coverage. In addition to better rates of coverage and access to care, the expansions were associated with a 6.1 percent reduction in deaths from all causes, or 19.6 fewer deaths per 100,000 people.

The American College of Physicians intends to ask its state chapters to persuade state policymakers that it is in their best interest to expand Medicaid. "We think there's a health argument there and a moral argument," Doherty said.

Haislmaier and others suggest that state resistance to the Medicaid expansion raises an opportunity for compromise.

"If you're a smart governor, you're going to say to the feds, 'Well, how about we negotiate about this?' because now I no longer have to do this," he said, citing the Supreme Court ruling.

The federal government often grants waivers giving states some flexibility in operating their Medicaid programs.

"I would say that there are a number of states who are ready to have that discussion," Salo said. "I would say that the administration is not, because there's still a lot of questions about the post-Supreme Court ACA that are very much unresolved."

Much will depend on who takes over the White House after Election Day, Nov. 6. "This is a waiting game," Haislmaier said.

More information: To learn more, read the Kaiser Commission report [Who Benefits from the ACA Medicaid Expansion?](#)

This is a second part of two-part series. To read part one of this series, "States Balking at New Insurance Exchanges," [click here](#).

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