MEDICAID EXPANSION IN OTHER STATES

Special Committee on Medicaid Expansion

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Chairwoman Landwehr and members of the committee, thank you for the opportunity to testify. My name is Roy Lenardson, and I am a government affairs director with the Foundation for Government Accountability, a non-profit research organization with staff in 15 states, working on health care, workforce, and welfare issues across the country.

I appreciate the opportunity to speak with you today regarding the proposed changes to Medicaid here in Kansas. Medicaid is already one of the state's largest government programs and one of the largest and fastest-growing line items in your budget. I appreciate that you are thoughtful and cautious in your approach as you consider a massive expansion to the program.

I want to get right to the point and make sure I use your time wisely in laying out a few critical points for you to consider.

Kansas can learn from other states' expansion problems

First and foremost, you are at an advantage when it comes to the discussion. You have other states that have already gone down the expansion road that you can learn from. There are estimates floating around that say that only 130,000 Kansans would enroll in Medicaid expansion.[1] We know from looking at the real experience in other states that those estimates are dramatically understating what is likely to happen.

Overall, states that have expanded Medicaid under Obamacare have enrolled more than twice as many able-bodied adults as they projected.[2] In your neighbor Colorado, state officials expected just 187,000 adults to ever sign up for Medicaid expansion.[3] Actual enrollment shattered that projection in only three months.[4] By 2017, the state's Medicaid expansion had enrolled more than 458,000 able-bodied adults.[5] Colorado's ObamaCare expansion ran more than $1 billion over budget in just the first two and a half years.[6]

The results are the same in state after state. Nationally, more than twice as many able-bodied adults have signed up as state officials expected.[7] Expansion enrollees' per-person costs have been 76 percent higher than predicted by the Centers for Medicare and Medicaid Services.[8] And states are now scrambling to find the funds to cover cost overruns.

Based on the experiences in other states, Kansas should expect at least 262,000 new able-bodied adults would enroll into the Medicaid program if it expands ObamaCare, costing taxpayers more than $10 billion over the next decade—including at least $1 billion in state funds.[9]

Kansas' Medicaid program is already generous

While much of the focus of this debate is on able-bodied adults—who Medicaid was never intended to serve—it is important to remember that Kansas already has a very robust program serving hundreds of thousands of individuals. Right now, more than 400,000 Kansans are enrolled in Medicaid or CHIP.[10] The program currently covers individuals with disabilities and supplements seniors' Medicare coverage. Children are covered even if their families' income

is more than twice the federal poverty line – up to about $60,500 in income for a family of four.[11-12] Pregnant women are already covered by Medicaid up to 171 percent of the federal poverty level.[13-14] And Kansas even covers roughly 45,000 able-bodied parents already today, covering those able-bodied adults at an eligibility level that is double some other non-expansion states.[15-16]

Kansas Medicaid program has also grown dramatically in recent years. In reality, Kansas has already expanded Medicaid—many times over. In 2000, Kansas' Medicaid program cost taxpayers $1.2 billion, with $471 million of those costs covered by state funds.[17] By 2018, those costs had almost tripled to nearly $3.5 billion, with state funds covering nearly $1.6 billion of costs.[18] The share of the state's budget going to Medicaid has continued to rise, crowding out more and more funding from education, public safety, and other core priorities.

The truly needy have suffered already from Medicaid expansions

As states spend more and more money to provide Medicaid to able-bodied adults, a new problem has emerged: Medicaid expansions are siphoning away resources meant for the truly needy.

Kansas already struggles to provide services to its most vulnerable. Nearly 6,000 individuals with physical or developmental disabilities are currently sitting on a waiting list to receive Medicaid-funded home and community-based services in Kansas.[19] Every dollar spent providing welfare to able-bodied adults who can and should be working is a dollar that can't fund services for these needy individuals.

Around the country, nearly 22,000 individuals on similar waiting lists have died waiting for services since their states expanded Medicaid.[20] Kansas has the opportunity to focus time and resources on this truly needy population, instead of focusing efforts on expanding welfare to a new class of able-bodied adults.

There are many private options available for able-bodied adults

Many options exist today for those able-bodied adults who would be eligible under Medicaid expansion. For starters, Kansas has created a thriving private-sector economy, where willing workers can find jobs and private health insurance. Kansas employers have nearly 80,000 open positions, according to the U.S. Department of Labor.[21] That means there are 1.5 open jobs for every current job seeker.[22] Better still, most open jobs in Kansas—and more than three-quarters of all open full-time, permanent jobs—offer health insurance coverage.[23] For those jobs that don't provide health insurance, federal tax credits are available to adults working anywhere near full-time.[24] It's an excellent time for able-bodied adults to find a job and get private health insurance.

Kansas also has taken advantage of new federal rules that allow more types of health plans to be offered. Many of these are perfect for people who may be between jobs. There are more than twice as many short-term plans offered in Kansas as traditional plans and

premiums are 70 percent cheaper than individual market plans.[25] Association Health Plans also are up to $10,000 less per year than traditional plans and the new rules could provide up to 40,000 more Kansas access to these plans.[26]

If those options aren't enough, Kansas has a vibrant volunteer health clinic community. The state has 87 charitable clinics across the state, staffed by volunteer health care professionals.[27] There are also 66 clinical sites that receive federal funds to provide low-cost, or no-cost, case to low-income individuals.[28]

Expansion will push people off private insurance and eliminate federal tax credits

Even more directly, most of the able-bodied adults that would be eligible for Medicaid expansion already have private insurance.[29] In fact, roughly 54 percent of able-bodied adults expected to be made eligible for Medicaid expansion already have private insurance, either through employer-sponsored coverage or through the individual market.[30]

To make matters worse, Medicaid expansion would strip federal tax credits from tens of thousands of Kansans currently buying coverage through HealthCare.gov, forcing them into Medicaid. Federal law prohibits anyone receiving Medicaid from qualifying for these tax credits. The Exchange instead assesses their Medicaid eligibility and automatically submits Medicaid applications on their behalf.[31-32] At least 23,000 Kansans could lose their tax credits, be forced out of their private plans, and shifted into Medicaid if Kansas expands.[33] This is precisely what happened in recent expansion states, such as Montana and Louisiana, where exchange enrollment plummeted after expansion.[34]

Savings are based on myths and hospitals will pay the price

Although proponents of expansion continue to promise "savings" from Medicaid expansion, those savings have not materialized in other states.[35] Many of the promised "savings" stem from the assumption that Medicaid expansion would create a massive stimulus of new federal funding, leading to new tax revenues. But these estimates never account for the enormous shift from private insurance to Medicaid, particularly those forced out of HealthCare.gov.

In particular, hospitals and taxpayers should be concerned about shifting people from private insurance to Medicaid. The reimbursement rates paid by private plans in Kansas are more than double the rates paid by Medicaid.[36-37] This means that moving thousands of able-bodied adults from private plans to Medicaid could cost hospitals tens of millions in lost revenues. This may explain why the promised jobs created by this stimulus never materialize.[38-39]

Look no further than your neighbors in Colorado. In Colorado, hospitals' operating losses for treating Medicaid patients has tripled since expanding Medicaid under ObamaCare.[40] These

new Medicaid losses more than offset the small reductions in charity care and bad debt that hospitals reported over this time.[41]

The expansion plan isn't unique, and won't be approved

While it is tempting to think that Kansas has designed a unique or creative approach to Medicaid expansion that other states haven't come up with yet, that simply is not true. So-called "partial expansions" have been proposed in Arkansas, Massachusetts, and Utah. Those proposals have been rejected. Co-pays, premiums, and "health incentives" have been tried. And while work requirements have been successful in moving people back to work where implemented, they cannot justify a massive expansion of welfare to a new class of able-bodied adults.

The federal government has explicitly said it would not approve a partial expansion of Medicaid. It has been rejected everywhere it has been proposed. That option is off the table entirely.

The work-related provision put forward is not a real work requirement. The plan floated is really just a suggestion to new welfare enrollees that they take advantage of training programs that already exist and are already available. This voluntary referral has been tried in other welfare programs, including in Kansas, and only a fraction of people ever engage in the training.[42] In fact, Arkansas tried that voluntary approach first. Fewer than 5 percent of able-bodied adults who were referred to the Department of Workforce Services for employment and training services ever accessed those services after referral.[43] The voluntary approach simply did not work.

Ultimately, what you would be left with is a full-blown, California-style ObamaCare expansion. No guardrails, no clever systems, no work incentives, just the expansion of an already massive welfare program to hundreds of thousands of able-bodied adults.

ObamaCare's Medicaid expansion would be a disaster for Kansas. It would strip federal tax credits from Kansans and shift thousands from private insurance to Medicaid, taking away revenue from hospitals. It would add stress to an already strapped Medicaid budget, further eroding the state's ability to take care of the 6,000 individuals with disabilities on waitlists for services. It would do all of this for able-bodied, mostly childless adults, while there are tens of thousands of jobs available and many other options for health coverage. If Kansas goes down this dangerous road, the state will be locked into a future of broken budgets and welfare dependency. For these reasons and more, Kansas should continue to reject ObamaCare's failed expansion.

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