

MYTH VS. FACT: A PRIMER ON MEDICAID EXPANSION

For years, the rose-colored views of Medicaid expansion, and its likely impacts, flooded the Kansas Statehouse. Many of the views on Medicaid expansion are built on campaign promises instead of sound data and sound solutions.

Kansas is one of 19 states that have not expanded Medicaid since 2010. [Medicaid is a joint federal and state program](#) that provides health coverage to Americans. Eligible Americans can go to a hospital, receive services, and through Medicaid, have a portion of the costs paid. Only select individuals with income at or below federal poverty can qualify for Medicaid. You can find more information about Medicaid coverage [here](#). These are the covered groups.

1. Pregnant Women
2. Persons Blind or Disabled
3. Families at or Below 38% of the Federal Poverty Level
4. Children Up to Age 19
5. Children in Foster Care

Medicaid expansion is a part of the Affordable Care Act or Obamacare. In it states can expand Medicaid coverage for healthy, childless adults making at or below 138% of federal poverty income guidelines. The Federal government then pick up a portion of states' tab in expanding eligibility...discussed in more detail below.

Medicaid Expansion Helps the State Budget?

...not only does expansion pay for itself, it could actually help the state budget," claims Tom Bell, president and CEO of the Kansas Hospital Association

If history is any indication, Medicaid expansion will not solve any budget gap. On the contrary, it is the fastest growing state spending program. The National Association of State Budget Officers reported states collectively [spent a record two trillion dollars](#) in fiscal year 2018. Total general fund revenues grew 6.2% over the previous year, and the [private economy grew 3.0%](#). However they were both eclipsed by [Medicaid spending's 8.4% hike](#). For reference, in fiscal year 2018 Kansas state fund expenditures grew 6.1%. Its private economy grew 1.0%, but Kansas Medicaid spending grew 7.5%. When spending grows faster than the private sector, if left unchecked, tax rates will rise.

There are perhaps two overarching reasons why Medicaid spending tends to grow faster than revenues and economic prosperity of private citizens. The first is that an uncomfortable number of states fail to guess how many Americans take advantage of the program. The 2016 Actuarial Report on the Financial Outlook for Medicaid, notes enrollee cost for Medicaid expansion of eligible Americans (healthy, childless adults) grew [15.5% from 2014 to 2015](#). This cost growth is notably higher than those for non-Medicaid expansion Americans. In 2016, 24 states that expanded Medicaid reported their enrollment projections underestimated actual enrollments by [110%](#).

The state of Louisiana, an expansion model noted by [Governor Laura Kelly](#), originally made a [\\$1 billion estimate on expansion over ten years](#), but underestimated enrollment by 100,000. In nearly every case, many residents (or private employers) in expansion states drop their private coverage, for taxpayer-funded coverage, leading to massive cost overruns. Kansas officials may claim accurate estimates, but what if their guesses are off? Kansas researchers are trying to quantify a complicated healthcare economy. Remember they massively [underestimated the 2017 tax increase](#). Can Kansans handle a billion-dollar spending program that could double if the state made an inaccurate guess?

The second has to do with the perverse relationship between state and federal government. This makes Medicaid expansion a ticking time bomb. The full cost of Medicaid expansion is split between the state government paying 10% and the federal government [paying 90%](#). However, that deal is only in place until 2020. It is believed federal matching for expansion will eventually decrease, over some time-table, to match non-expansion levels, for [Kansas that's 57.1%](#). It may be possible for Kansas government researchers to accurately estimate initial costs of Medicaid expansion. However, when the federal matching drops closer to 57.1%, Kansans could be on the hook for billions more than expected. With federal debt approaching \$1 trillion in 2019, it wouldn't be a surprise to see the them shift spending burdens onto state governments.

Does Medicaid Expansion Make Kansans Healthier than Private Insurance or No Insurance?

[Medicaid Expansion] allows them to access services that will help them to stay healthy. That is absolutely the No. 1 most important thing, says [Randy Peterson](#), Stormont Vail Health President and CEO.

Despite claims to the contrary, having increased health coverage is not a guarantee of improved health outcomes. In fact, for Medicaid expansion, it can likely mean the reverse. Studies show Medicaid patients tend to experience health outcomes [worse](#) than those under private insurance after adjusting for economic, admission and other factors. Another study, conducted by [University of Virginia](#), randomly selected 900,000 surgeries over four years. It found Medicaid patients were 93% more likely to pass away than those with private insurance. A study, this time in the [New England Journal of Medicine](#) couldn't find a statistically significant difference in health outcomes between Medicaid expansion patients and those with no health insurance at all.

As for those under the traditional Medicaid program, less state resources are available for them. This statement isn't opinion but was a conclusion from the [Obama administration](#). In 2016 in Arkansas, thousands of families are waiting and dying for medical care, in part due to Medicaid expansion. Pregnant women, disabled persons, children, and very low income families risk are [pushed to the back of the line](#) to make room for healthy, childless adults.

As if it can't get worse, Medicaid expansion can encourage opioid and, eventually, drug abuse. This is because healthcare providers already have an incentive to prescribe drugs. A study of Washington State Medicaid enrollees found they were [5.7 times more likely to die](#) from a prescription overdose than someone not on Medicaid. There have been other reports and even

U.S. senate inquiries into this phenomenon. Kansas policymakers should think long and hard about the potential that Medicaid expansion is contributing to the opioid crisis.

Does Medicaid Expansion Save Rural Hospitals?

This should not have happened. Simply put: if Kansas had expanded Medicaid, Fort Scott would still have a hospital, says [Governor Laura Kelly](#)

Rural hospitals tend to have a smaller profit margin than their urban counterparts. In this way, Medicaid Expansion, to its credit, can reduce bad debt related to “charity care”. However, Moody’s Investors Services noted it should consider macroeconomic factors and industry-wide efforts to improve productivity. Once those are factored out, hospitals in expansion states are not financially stronger than those in non-expansion states.

A reduction in bad debt will not result in stronger margins by itself. Other factors, particularly the overall economic environment and hospitals' ability to control other expenses, has a larger impact on financial performance, [Moody's Investors Service](#)

With that said, what is the economic environment for rural hospitals? The answer is not good. Bourbon County, where Fort Scott is located, has lost 624 people or 4% of its population since 2010. In fact, the entire rural area of Kansas is growing far slower than the U.S. rural average. If the Kansas rural portion grew like the national rural economy, there would be

1. 70,000 more people,
2. 17,000 more jobs, and
3. \$200 per family fewer in government welfare.

Rural hospitals aren't failing because there isn't Medicaid expansion and other government income redistribution programs. Market forces are in play here. Expansion won't reverse that.

Does Medicaid Expansion Bring Kansas Tax Dollars Back To Kansas?

It's long past time to expand Medicaid... the tax dollars that we've been sending to Washington can come back home to Kansas to help our families, our state, says [Governor Laura Kelly](#)

This argument, while straightforward, is very dangerous for policymakers to have as it increases state deficits and the national debt. Kansans pay taxes for government services; therefore, the state has an obligation to draw in as much federal dollars to the state as possible. Medicaid expansion doesn't provide federal funds based on the number of low-income people or taxes paid, but how much taxpayer dollars are spent.

While federal dollars would come to Kansas, it encourages more policy that hikes taxes and spending in order to get as much federal spending as possible. There is no such thing as a free lunch. Kansans are both state and federal taxpayers. As federal and state government spending continues to climb, federal and state tax rates will climb. [California is a prime example](#).

Medicaid expansion seems to create more problems than it solves. It has contributed to spending explosion of the state government. Studies find that those eligible for expansion are no healthier than under private or no insurance. Studies also find a disturbing relationship between Medicaid and opioid abuse. The Obama administration found expansion diverts taxpayer dollars away from Kansans who are truly in need of it; children, disabled Kansans, seniors, etc. Moody's found expansion doesn't substantially improve the financial position of rural hospitals. Medicaid expansion does, however, provide coverage to Kansans that should be in the labor force and discourages them from finding private coverage. This leads to Kansans' dependence on government and slows the state economy.

Policymakers should pursue goals that make healthcare affordable for Kansans. The Kansas Policy Institute will continue to provide clear solutions built from strong data on Medicaid.