Crisis to Cure

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Why Maine Should NOT Expand Medicaid under Obamacare

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One of the primary goals of the Affordable Care Act (ACA), commonly referred to as Obamacare, is to reduce the number of uninsured residents. One key provision aimed at that objective is the expansion of Medicaid. The Supreme Court, however, dealt a serious blow to the Obamacare's Medicaid expansion by essentially making the expansion optional for states.[1]

The current Medicaid program was designed to cover medical services for particular categories of vulnerable individuals such as pregnant women, children, needy families, the blind, and the disabled. As shown in Table 1, Obamacare transforms Medicaid to meet the healthcare needs of the entire nonelderly population with income below 133% of the federal poverty level.[2]

Table 1
2012 Federal Poverty Level – 133%

Family Size	Gross Yearly Income
1	$14,856
2	$20,123
3	$25,390
4	$30,657
5	$35,923
6	$41,190
7	$46,457
8	$51,724

Source: U.S. Department of Commerce: Census Bureau and The Maine Heritage Policy Center

Medicaid is a joint federal and State funded program. The courts have previously ruled that the federal government can condition the funds provided to the States for Medicaid regarding how those funds can be utilized. However, the Supreme Court found that the Medicaid expansion under Obamacare violated the Constitution by threatening States with the loss of their existing Medicaid funding if they decline to comply with the expansion.

In short, new federal funds for Medicaid can be conditioned on the states expanding eligibility as directed under the ACA, but existing Medicaid funding cannot be pulled should states choose not to comply with the expansion.[3] Maine now faces a critical choice regarding whether or not to expand Medicaid under Obamacare.

Medicaid is already the single largest line item in most state budgets, representing 23.6 percent of total state spending in fiscal 2011.[4] In Maine, Medicaid or MaineCare represents 17% percent of total general fund spending, which translates to $483,312,486 in 2011 alone[5]. This excludes administrative costs including over $14 million for salary and benefits for MaineCare personnel. Maine has already recognized the challenge of maintaining our current Medicaid program.

In 2006 the state was sued by a number of Maine Hospitals for its failure to pay for services rendered to MaineCare recipients dating back to 2003. Even with the debt reduced by $250 million in 2011 from the LePage budget and corresponding federal matching funds, the debt was still near $400 million in January of this year.

Obamacare offers federal funding to cover the Medicaid expansion at 100% for 2014 with gradual decrease in federal funding to 90% by 2020. Proponents argue that this "free" money is justification for expansion, but there are other considerations that should give us pause.

First and foremost, federal money is never free. The government must first take by way of taxes and fees before it can give anything. *We are fooling ourselves by pretending that federal money is anything other than our own money.* The federal government absorbing the lion share of the cost of expanding Medicaid does not absolve us from the expense but rather obligates us as taxpaying citizens.

We should also be cautious in accepting the government's word that federal funding will not drop below 90% for this expansion. Federal spending and mounting deficits are putting enormous pressure on our lawmakers to reduce future spending. Future congresses cannot be bound by today's promises, nor should we dismiss the idea that today's leaders will change the terms of the expansion. Even President Obama's fiscal 2013 budget proposal recommends saving nearly $18 billion over 10 years by **pushing more Medicaid costs to states.**[6]

Also, federal funding is only for eligibility expansion, not administrative costs. With another Medicaid expansion, Maine would bear the cost of administering a projected 37,000 new enrollees, most of which will translate to new permanent fixed administrative expenses.

Medicaid enrollment has been increasing even prior to the ACA. Nationally Medicaid enrollment increased 5.1 percent during fiscal 2011 and 3.3 percent in fiscal 2012, and is projected to increase by 3.6 percent in fiscal 2013.[7] Persistent growth in total spending is primarily the result of increased enrollment due to a lackluster economy and increased per capita costs for health care. Both of these root problems are likely to persist.

Increased Medicaid enrollment increases private insurance rates due to cost shifting. It is well documented that Medicaid and Medicare, the two largest governments subsidized insurance programs, under-pay providers for the services they deliver. Medicaid is estimated to reimburse hospitals at a rate of approximately 70 cents for every dollar spent to deliver care. Providers make up for this loss by overcharging private insurers.

If Medicaid enrollment was a direct transfer of the uninsured, you could argue that 70 cents is an improvement over the charity care often delivered to uninsured patients who do not pay their bills, but the facts don't support this argument. As shown in Chart 1, *Maine's own experiment with Medicaid expansion has resulted in little to no reduction in our uninsured rates while private insurance enrollment has decreased* . When we expand Medicaid, many people who would otherwise purchase private insurance drop coverage for the free, taxpayer-funded coverage offered under Medicaid.[8]

We should also not lose sight of how governments control cost in health care. The spring 2012 Fiscal Survey of States, a report prepared by the National Governors Association, outlines the Medicaid cost containment measures proposed by Governors for fiscal 2013 budgets. 25 states proposed freezing or reducing provider rates.[9] We have to ask ourselves what incentives this creates for doctors or those who may be considering entering the medical profession and ultimately how this could affect quality of health care in general.

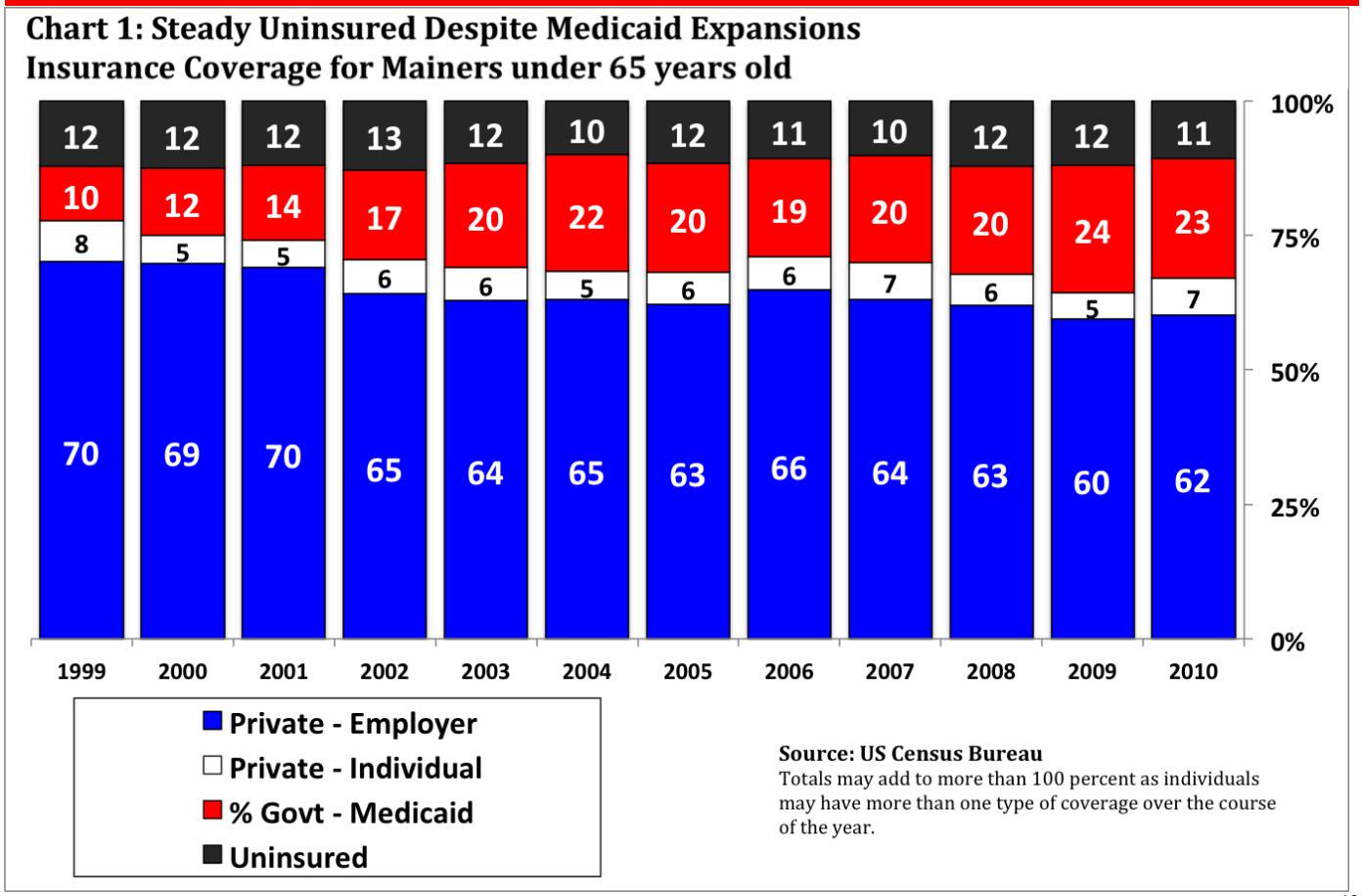

Chart source[10]

Conclusion

As we look to the long-term future of health care in Maine we must also consider the incentives we are creating for future generations. Medicaid began as a program for particular categories of vulnerable individuals, and now it is being used to assist all citizens, including the able-bodied, below an arbitrary income level. As a young person entering the workforce, earning $14,856 means free health care.[11] Increase those earnings by just one dollar, to $14,857, and that same young person not only loses the free coverage, but it becomes an obligation to purchase coverage or else face a penalty.

The culture of dependency created by our current Medicaid system is straining the very fabric of our nation and our state. Our decisions today will impact the future for our children, not only in regards to financial obligations, but also in regards to the culture that will shape their generation.

Notes and Sources

[1] http://www.supremecourt.gov/opinions/11pdf/11-393c3a2.pdf

[2] http://housedocs.house.gov/energycommerce/ppacacon.pdf

[3] http://www.supremecourt.gov/opinions/11pdf/11-393c3a2.pdf

[4] The Fiscal Survey of States, Spring 2012, National Governors Association

[5] http://www.maine.gov/legis/ofpr/general_fund/expend_major_cat/exp_major_cat.htm

[6] http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/cutting.pdf

[7] The Fiscal Survey of States, Spring 2012, National Governors Association

[8] http://maine.thelibertylab.com/wp-content/uploads/A-Series-of-Unfortunate-Events-Dirigo-Maines-Public-Option-is-a-Costly-Failure.pdf

[9] Ibid

[10] http://www.census.gov/hhes/www/hlthins/data/historical/HIB_tables.html

[11] Table 1

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