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Health care reforms could put Idaho in a financial sling

The cost of health care reform remains a major uncertainty, but some Idaho officials worry a significant share of the financial burden could ultimately be borne by the states.

A primary goal of all three bills currently working their way through Congress is to reduce the number of Americans who lack health insurance. One way they accomplish that is by expanding access to the Medicaid program, which is jointly funded by states and the federal government.

Idaho, which has some of the more restrictive eligibility requirements, provides Medicaid services to low-income children, pregnant women and some people with disabilities. All three reform bills would expand eligibility to include any low-income individuals or families. Some estimates suggest that step alone would expand health insurance coverage by about 12 million people, or a quarter of the country's uninsured population.

In Idaho, the expanded eligibility could boost Medicaid enrollment by more than 30 percent, or about 60,000 people, according to the Department of Health and Welfare.

In a recent letter to Sen. Mike Crapo, R-Idaho, Gov. C.L. (Butch) Otter said the combined federal-state cost of that move could top \$500 million. A proposed increase in Medicaid reimbursement rates could cost another \$50 million.

"As revised health care proposals continue appearing in Congress, the full consequences of these reforms remain unknown, and we are uncertain of the possible negative impacts on local businesses, families and senior citizens," Otter noted in the letter. "However, it is clear that these sweeping proposals would irresponsibly shift a substantial and unmanageable financial burden to the states."

Joy Wilson, health policy director for the National Conference of State Legislatures, gave a telephone presentation to Idaho's interim Health Care Task Force Monday indicating the federal government would pay 95 percent of the cost of any new Medicaid participants from 2014-2019, under the Senate Finance Committee's version of the reform bill.

That would still put Idaho's share of the expanded eligibility costs at about \$25 million per year. However, that doesn't factor in the potential positive impacts from reduced indigent health care costs.

Idaho counties currently pay up to \$11,000 per person for any medically indigent individuals who receive treatment within their jurisdictions. The state, which picks up anything over that limit, shells out about \$20 million per year for such catastrophic care.

Health and Welfare budget analyst Amy Johnson said many of the people covered by the medically indigent program would likely qualify for Medicaid under the expanded eligibility rules. Consequently, the state might pay more in Medicaid, but make up for it in reduced catastrophic care costs. Until a final reform bill is approved, though, such detailed cost information won't be available.

Another reform proposal that could financially affect the state is mandatory health insurance.

Idaho currently takes in more than \$70 million a year through a small tax on insurance premiums. Much of that revenue goes straight to the general fund, with smaller shares going to help firemen with their state retirement fund and for arson and fraud prevention.

"To the extent that reform brings more people into the (private) insurance market who previously weren't covered, that would add to the state's premium tax," said Shad Priest, deputy director of the Idaho Department of Insurance.

On the other hand, if reform includes a public, federally funded insurance option, he said, it's unlikely the state could collect any tax on those premiums.

"That would be one area that could have a big impact on the state if it encourages people to switch to the public option," Priest said.

As with the expanded Medicaid proposal, though, the department isn't trying to put any firm numbers on the financial implications of reform until Congress approves a final bill.