Medicaid: Idaho in giant hole

State will pay $1.24 billion for the program’s expansion in other places through 2022.

WASHINGTON — If the 23 states that have rejected expanding Medicaid under the 2010 health care law continue to do so for the next eight years, they’ll pay $152 billion to extend the program in other states — while receiving nothing in return.

In Idaho, where the Republican-led Legislature and Gov. Butch Otter have balked at expanding Medicaid coverage to tens of thousands of poor adults, taxpayers will send more than $1.2 billion to other states that have chosen to expand their programs.

Most of the money, nearly $88 billion, would come from taxpayers in just five nonexpansion states: Texas, Florida, North Carolina, Georgia and Virginia.

The findings are part of a McClatchy analysis of data from the Urban Institute, a nonpartisan research center that’s advised states on implementing the Affordable Care Act.

Nonexpansion states would see direct benefits from the $152 billion only if they reversed course and expanded eligibility for Medicaid, the state and federal health program for low-income Americans. The health care law provides financial incentives for states to extend Medicaid coverage to adults who earn up to 138 percent of the federal poverty level.

If the nonexpansion states did so, they’d still have to pay the $152 billion. But the 23 states also would split nearly $386 billion in federal Medicaid funding from 2013 to 2022, according to Urban Institute estimates.

The money would cover all medical costs for newly eligible Medicaid enrollees from 2014 through 2016, and no less than 90 percent of their costs thereafter.

“Here is money that is pretty much there for the asking, and these states are turning it down. And in the meantime, their taxpayers are paying taxes that fund expansions in states that are moving forward,” said Sherry Glied, the dean of the Robert F. Wagner Graduate School of Public Service at New York University. “It just doesn’t make any sense.”

The federal funding under Medicaid expansion also would stimulate economic activity, boost tax revenue and create hundreds of thousands of jobs in the non-expansion states, experts say.

“This additional use of medical services not only brings more federal dollars, but hospitals, physicians and pharmacies would likely hire more people, keep longer hours and probably raise wages — all of which leads to indirect spending and subsequent rounds of spending that generate tax revenues and, in general, the expansion of the economy within states,” said Michael Morrisey, a health economics professor at the University of Alabama at Birmingham. Expansion opponents say they doubt the federal government’s long-term ability to fund 90 percent of the cost for new enrollees. They also worry that their states can’t afford the increased Medicaid costs that come
“We’re already struggling as a state, financially, to find the money to support our existing Medicaid system,” said Georgia Republican state Rep. Jason Shaw. “It’s really tough times for the state. It just wouldn’t be fair to the taxpayers if we just accepted the expansion.”

Some critics think the expansion encourages government dependency by providing free and low-cost health coverage for some while requiring those with higher incomes to pay full price. Those concerns have made expansion a tough sell in the holdout states, where Republican lawmakers want to curb enrollment growth in Medicaid no matter how sweet the financial incentives might be.

Last week, Pennsylvania became the ninth state with a Republican governor to accept the expansion. Like Arkansas and Iowa, Pennsylvania won approval from the Obama administration to bypass the Medicaid program and use the federal residents buy private coverage instead.

Indiana and Utah, two other states with Republican governors, also are working with the Obama administration to enact their own versions of the Medicaid expansion. Many experts think that kind of federal flexibility will help Medicaid expansion work in most red states one day.

But in the run-up to the first midterm elections since the health law was fully implemented, expansion remains a hot-button issue. While polls show the Affordable Care Act remains largely unpopular, Democratic candidates in Republican-led states are campaigning for the expansion, citing the financial benefits.

Medicaid is a key element of the Affordable Care Act’s goal to provide near-universal coverage for millions of Americans. Since last October, more than 7.2 million people have gained Medicaid coverage, largely through the expansion.

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But experts say the increased revenue a state would see from expansion would more than make up for the state’s additional $16,105 a year are eligible for Medicaid coverage, as are families of four that earn up to $32,913.

Pursuing expansion based on a state’s potential loss of funding “assumes federal funds come from nowhere,” said Drew Gonshorowski, a senior policy analyst at the Heritage Foundation, a conservative policy research group. “We have to think about this as redistribution rather than creation of new funds for the state.”

Since taxpayers nationwide fund each state’s Medicaid expansion, nonexpansion states are serving the fiscal interests of the nation by helping to reduce federal spending, Gonshorowski said.

Expanding Medicaid coverage in the 23 remaining states would increase their state budget costs by about $28 billion from 2013 through 2022, the Urban Institute reports. Expansion in Georgia, for instance, would hike its expenses by $2.5 billion over the 10 years, according to the institute.

Revenue gains for Alabama and Mississippi would exceed their expansion costs by $935 million and $848 million, respectively, according to a study co-authored by Morrisey, of the University of Alabama.

Those kinds of projections have led Republican state Rep. Steve Clouse, the chairman of the Alabama Legislature’s Ways and Means General Fund Committee, to support expanding Medicaid, even though he favors repealing the Affordable Care Act. It’s “the hand we’ve been dealt by the feds,” Clouse said.