Mythbuster: Responses to Common Opposition to Closing the Coverage Gap

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Opposition Argument: "It would cost Texas too much. We don't have the GR funds to expand Medicaid."

Short Response: **Former Deputy Comptroller Billy Hamilton has projected both GR reductions and increased revenues for Texas. Not only are these careful and conservative projections, but the data coming in from other Medicaid Expansion states like Arkansas and Kentucky have shown these same effects.**

In 2013 former Deputy Comptroller Billy Hamilton calculated the savings of replacing expensive state services with Medicaid expansion. He also estimated the new revenue generated by expansion. The combined budget savings and revenue increase more than covered HHSC's estimate of costs to the state, although we would encourage LBB to run an updated estimate of both sides of the ledger. We do know that in the Arkansas and Kentucky, the two states that have done a comprehensive analysis, the budget savings and extra revenue fully offset expansion-related costs though at least 2021. Furthermore, looking beyond the state budget, expansion would create budget savings for local government, reduce health insurance premiums, create health care jobs, and improve the health of Texans.

More details: Hamilton estimated that expansion would increase state revenue by $1.8 billion over the first four years. He also estimated that the state would save $1.2 billion in the first two years of expansion by using federal funds for services that are currently funded either 100% or 40% by the state. If that savings continued into the second biennium, the $1.8 billion in new revenue plus the $2.4 billion in savings would more than offset the $3.1 billion that HHSC estimated for all of the state's expansion-related costs for the first four years. On top of all that, HHSC also projects an increase in Federal revenue of $6 billion a year or more. The cost estimates certainly need to be updated, with a lower estimate for the "welcome mat" costs for newly insured children given that many of these children are now insured, and a higher estimate for the adult expansion costs given that the federal match rates declines from 100% eventually down to 90%. The savings and revenue estimates that Hamilton calculated should also be updated. But the bottom line is that looking both at Texas estimates and the experience of expansion states, the savings and new revenue may fully offset any new state general revenue costs.

Opposition Argument: "Medicaid expansion / Closing the gap will increase the federal deficit or debt?"

Short Response – Actually, the Congressional Budget Office has made it clear that repealing the ACA would increase the federal deficit and debt.

We certainly understand that legislators want to be thoughtful about the federal budget. The fact is that when our federal tax dollars come back to Texas for roads, schools, or health care, it does have an impact on the federal budget. However, the expansion funding is different in two fundamental ways.

First, as opposed to many of the other federal dollars coming back to Texas, all the costs of the Affordable Care Act are fully offset. In fact, the CBO calculates that repealing the ACA would increase the deficit. Second, Texas is asking the federal government to continue sending the state $4 billion per year through the 1115 Waiver. The Medicaid expansion funding would largely replace that funding as the federal government winds down uncompensated care payments to states.

"As [Republicans] requested, CBO prepared the analysis using dynamic as well as static scoring and in so doing complied with one of the GOP's major complaints about CBO's past work. Using dynamic scoring, CBO concluded that repealing ACA would increase the federal budget deficit by $137 billion over the next 10 years. Using static scoring, CBO said the deficit would increase by $353 billion over the same period."[i]

Opposition Argument: "We can't expand Medicaid, it's broken."

Short Response – Medicaid is cost efficient, effective, and works well for the children, pregnant women, seniors, and Texans with disabilities who rely on the program. If provider reimbursements are a problem, we should fix that.

One could argue the Texas Legislature is broken. When 63% of voters want a Medicaid Expansion, when 26 Chambers of Commerce ask for a Medicaid Expansion, when Catholic and Protestant religious leaders ask for a Medicaid Expansion, when we have the votes, House and Senate, needed for a Medicaid Expansion, when hospitals are desperate for a Medicaid Expansion simply to stay open, when County Judges ask for a Medicaid Expansion, when the Texas Association of Municipal Health Officers ask for a Medicaid Expansion, when the mounting evidence clearly indicates that this would be a good deal for Texas and Texans… why then would the Legislature do nothing?

Opposition Argument: "We shouldn't be expanding Medicaid, we should be cutting it."

Short Response – The current Texas Medicaid program serves indigent children, pregnant women, and a small number of elderly and disabled. For whom would you like to cut services, specifically? Medicaid funds also help keep hospitals open and can provide funding for Zika prevention.

Opposition Argument: "Four states that tried Medicaid expansion in the 2000's all failed – Arizona, Oregon, Delaware, Maine"

Short Response – We know that some in Texas have put that information out, but it is incorrect. We have updated information related to the expansion efforts in other states and would be happy to share that with your office.

That statement is based on a mixture of incorrect and outdated information about early, pre-ACA expansions in these states in the 2000's. Here are some examples of errors that were proven wrong and corrected-but they keep making the rounds.

- Arizona did NOT have extremely high unexpected enrollment by adults in 2000; instead, it was discovered and acknowledged by the AZ Medicaid agency that they had made major errors in their own projections, and they publicly acknowledged this and quit using the erroneous

model. AZ adult enrollment in the 2000's was lower than Texas' Medicaid growth rate, and less than the national average.

- AZ employer-provided health coverage declined LESS than Texas' did, and the decline in employer coverage was in every state but Massachusetts.
- Charity Care did NOT explode in AZ or Maine as a result of expansion; in AZ it grew less than in Texas. In Maine, an increase was seen because of a new state law that mandated charity care provision for the uninsured up to 150% of the federal poverty line.
- Research on Oregon's pre-ACA expansion for adults found no improvement in high blood pressure and diabetes among the new Medicaid enrollees, but did find all these positive results: the newly-covered were significantly more likely to get screenings, medications and primary care, had big jumps in overall well-being, had lower RATES OF depression, had fewer medical bills sent to collection, and had greater ability to get follow-up care when a doctor recommended it. Despite all these positive findings, Medicaid opponents simply repeated the disappointing findings for diabetes and hypertension.

Even without these incorrect statements about coverage expansion in these states before the ACA, you would still be comparing apples to oranges. The circumstances and the federal match available to cover low-income adults are completely different after the implementation of the ACA. Under the current structure, all of these states have chosen to expand coverage to low-income adults and have shown a reduction in the number of uninsured and their uncompensated care cost.

- Under the ACA, Arizona, Oregon, and Delaware all have now expanded Medicaid to adults up to 133% of the federal poverty line, and the 4th (Maine) covers parents up to 105% of the poverty line. (Texas only covers parents under 19% of the poverty line. For example, parents in a family of 4 here have to have income LESS than $400 a month to get Texas Medicaid)
- States that have expanded Medicaid under the ACA are reporting substantial budget savings; for example, Oregon reports savings and revenues of over $137 million in 2014 and 2015.
- Arizona was famously one of the first Republican-led states to adopt Medicaid Expansion, led by conservative Governor Jan Brewer.

Opposition Argument: "We can't expand Medicaid because of the "woodwork effect." There are 750,000 - 1 million people that would come on our rolls that we are not going to be reimbursed for.

Short Response - HHSC said they did not project ANY such welcome mat effect for adults. Regarding Texas' children, data from other states that have expanded healthcare coverage have shown a net beneficial financial impact to their state budget EVEN WHEN taking into account the additional cost of covering already eligible children.

This statement is incorrect and not consistent with Texas HHSC estimates. Texas HHSC projected that the "welcome mat effect" (from public awareness of Medicaid Expansion coverage for parents and other adults) would also increase enrollment of Texas children who *already qualified* for Medicaid but were uninsured, by about 400,000 children. HHSC said they did not project ANY such welcome mat effect for adults. Data from other states that have expanded healthcare coverage have shown a net beneficial financial impact to their state budget even when taking into account the additional cost of covering already eligible children.

Opposition Argument: "Medicaid Expansion has not decreased uncompensated care in other states."

Short Response: Numerous national studies (including from Kaiser Family Foundation, Hospital Corporation of America (HCA), and Price Waterhouse Cooper) all show that coverage expansion decreases uncompensated care costs.

This statement is incorrect and not consistent with numerous national studies (including from Kaiser Family Foundation, Hospital Corporation of America (HCA), and Price Waterhouse Cooper) which all show that coverage expansion decreases uncompensated care costs.

- *Kaiser:* In expansion states, uninsured patient stays in hospitals typically declined by nearly 36.9 percent, while in non-expansion states the decline was slight: 2.9 percent (from 2013 to 2014).
- *Hospital Corporation of America (HCA):* HCA's hospitals in expansion states had a 48% decline in uninsured admissions from 2013-14, as compared to a 2% decline in HCA hospitals in non-expansion states.
- *Reuters:* Mid-way through 2015, Chicago's massive safety net hospital, Cook County Health & Hospitals System, had made its first profit ever in 180 years.
- *PWC:* Studied the nation's 5 largest for-profit health systems—HCA Holdings, LifePoint Hospitals, Tenet Healthcare, Community Health Systems and Universal Health Services, representing 538 hospitals in 35 states. Reductions in uninsured stays in 2014 in Medicaid Expansion states were much larger—from twice to 9 times as large—as the small reductions (or none at all) in non-expansion states.
- *PWC:* The Arkansas Hospital Association reported a small drop in ER use after launching its Medicaid 1115 expansion waiver, despite having expected increased ER volume.

Opposition Argument: "Medicaid expansion would bankrupt/is a bad deal for Texas."

Short Response: Business leaders, financial institutions, local officials, economists and other experts have recommended that Texas accept federal Medicaid funds. They all conclude that accepting those funds is the smart and cost-effective decision for Texas whether you look at our state budget, the state economy or the local tax payer.

Over 25 business chambers and associations, a Governor appointed Institute on Health Care Quality and Efficiency review board, former state deputy comptroller Billy Hamilton, leading economists at the Perryman Group, and nearly every business and financial institution that has reviewed the matter disagree. They have all concluded that Texas should accept federal Medicaid funds to reduce the number of uninsured Texans and that accepting those funds is the smart and cost-effective decision for Texas whether you look at our state budget, the state economy or the local tax payer.

- Texas Association of Business supports coverage expansion. "It just makes sense for us from the business perspective." http://insurancenewsnet.com/oarticle/2014/11/28/will-legislature-reverse-course-and-expand-medicaida-575165.html#.VL6suEfF9rg. You can find the TAB Legislative Priorities here (see page 12): http://www.txbiz.org/advocacy/publications.aspx
- The Perry-appointed Institute on Health Care Quality and Efficiency recommends expanding coverage. http://www.texastribune.org/2014/11/12/perry-appointed-board-endorses-coverage-expansion/
- Former State Deputy Comptroller Billy Hamilton estimates that Medicaid expansion would free up a minimum of 1.2 billion of General Revenue (GR) that is currently expended on this same population. http://texasimpact.org/content/extending-medicaid-low-income-adults-would-free-more-1-billion-gr-2014-2015. Full report on his assessment of what Medicaid expansion would do to the Texas economy can be found at: http://texasimpact.org/2013-Medicaid-Expansion-Report

- The Perryman Group estimates that "every $1 spent by the State returns $1.29 in dynamic State government revenue over the first 10 years of the expansion. In other words, the State actually makes money by participating in the Medicaid expansion." Dr. Perryman is a well-known and oft-cited economist at Rice University: http://perrymangroup.com/wp-content/uploads/Medicaid_Expansion.pdf.

Opposition Argument: We Shouldn't Trust the Funding Stream.

Short Response: This just isn't true. The facts and historical evidence simply don't support this.

The federal match is entirely paid, in large part by moving the traditional uncompensated care funding for hospitals into this program so that hospitals no longer need so much help with uncompensated care.

The funding sources are already secured by law, and it would take an act of Congress to change the match rate. At this point, as of Spring, 2016, with 32 states participating in the Medicaid Expansion (either by direct Expansion or through a specialized waiver), that means that a majority of Congress would have to vote against their state's best interest, a situation that is extremely unlikely.

The same concerns were brought up when Texas was opting into the very popular CHIP program. Over the years the federal matching rate for CHIP has only gone up. We cannot have double standards for the federal dollars we receive. We currently take federal funds for roads, education, health care and more. And we are not turning these down in fear that the federal government will decrease their share.

Texas can opt out of the program at any time in the very unlikely event that the federal government takes a different approach in the future.

Opposition Argument: Medicaid can't keep up with its current roles because of a provider shortage.

Short Response: If there's a shortage of Medicaid providers, it's because this Legislature isn't adequately funding reimbursement rates.

Let's fix that. The correlation is clear. When the ACA increased Medicaid primary care provider reimbursement rates to Medicare rates in recent years, we saw an increase in providers taking Medicaid patients. When the rates dropped back down to prior levels, providers dropped off the rolls.

Opposition Argument: The uninsured have other healthcare options:

Response: Simply put, no they do not.

Emergency Rooms can't provide preventive care or chronic disease management. Charity care clinics are not available in many Texas counties and towns, and they can't provide specialty care or treatment of serious illnesses like cancer. Real comprehensive care that includes preventive care, chronic care, and specialty care is critical to improving health outcomes for Texans.

Opposition Argument: Medicaid already is the biggest part of Texas budget.

Response: No, K-12 education is the biggest expenditure of state dollars in Texas.

Medicaid is the biggest source of federal funds in EVERY state's budget, and K-12 public education is still the #1 expediture of GR (state) dollars in Texas. When you look at "All Funds" estimates, please recall that those numbers include **all Federal Matching funds**, and thus are widely out of step with what the State of Texas is actually spending in General Revenue. Spending reports and estimates that use "AF"

rather than "GR" (state dollars only) to calculate how much money we are spending on Medicaid are misleading. Any AF estimate includes federal matching rates (approximately 60% for Medicaid). If we want to talk about how much the state of Texas is spending, we should look at GR numbers.

Opposition Argument: Medicaid Expansion would cover undocumented immigrants:

Response: Our current Medicaid program does not cover the undocumented. Neither will an Expansion program.

Opposition Argument: Medicaid expansion increases ER visits.

Short Response: The data do not support this claim at all.

The data coming out of Oregon's pre-ACA expansion shows that while there is an initial uptick in the number of ER visits when adults first receive coverage, within two years those numbers go back down, as the beneficiaries learn how to use the program, and find themselves a medical home. All data we present takes that initial increase into account. The Arkansas Hospital Association reported a small drop in ER use after launching its Medicaid 1115 waiver, despite having expected increased ER volume.

Opposition Argument: Medicaid is too expensive.

Response: To the contrary, Medicaid outperforms both Medicare and private insurance, per beneficiary.

Opposition Argument: A Medicaid Expansion would cause wait times and delays to go up, the quality of care will go down, and the bill to taxpayers will rise.

Response: Simply put, these dire predictions have simply not materialized in the years since coverage expansions started. Athena Health found that increased coverage under the ACA has not resulted in overwhelmed physician practices.

[i] http://www.forbes.com/sites/stancollender/2015/06/22/cbo-obamacare-report-shows-deficit-and-debt-are-phony-issues/#71eeb7b5bbe5