



Medicaid expansion advocates, opponents differ on cost of program

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Medicaid expansion could cost the state more than \$50 million next year and up to a half billion over the next decade. Kansas House members approved Medicaid expansion, adding a provision to help fund the state's share of the program, but with a budget that appears to create an approximate \$2 billion shortfall by 2023, opponents wonder how the state can afford the program.

"The problem is the future," Rep. Dan Hawkins, a Wichita Republican and vocal opponent of expansion, said. "Right now, in two years, the state is broke."

Currently, the federal government picks up 90 percent of the expansion tab, but Kansas taxpayers would be on the hook for 10 percent of the cost, estimated to be up to \$50 million in the first year. Gov. Laura Kelly's budget proposal included \$14 million in expansion funding, but a legislative committee stripped that from the budget.

Expansion could add an estimated 130,000 Kansans, according to the Kansas Health Institute, to Medicaid roles. This includes a large portion of able-bodied adults.

Of the 69 legislators who voted in favor of expansion, only two responded to a Sentinel request about how to fund expansion.

Rep. Annie Kuether, a Topeka Democrat, said it was too early to predict an ending balance, in part, because lawmakers haven't adopted a budget.

Rep. Tom Cox, a Shawnee Republican, said the legislation includes a provision that will require expansion participants to contribute \$25 per month in premiums, raising about \$39 million per year.

"Hospitals have said they would be willing to increase their provider fee to cover a portion of the state's costs," Cox said in an email. He noted that requirement is not in the current bill, however.

"...This would not increase costs at hospitals, which is the criticism I have heard, because hospitals lose so much money that would be reimbursed under expansion. Even with an increased provider fee they come out ahead," Cox said.

Michael Cannon, director of health policy at the Cato Institute, says that's a scam that games the federal grant matching system. Hospitals put up money to participate in Medicaid expansion, agreeing to pay money to the state, knowing it will be used to draw federal dollars that will go back to the hospitals.

“It’s something states have always done with Medicaid. It is 100 percent legal, and it’s still fraud,” Cannon said. “States are using this scam to avoid paying their fair share and to pass more of the cost on to taxpayers in other states.”

Kansas is one of 14 states that haven’t expanded Medicaid. Of those that have, several are facing budget challenges, and many have increased taxes to continue funding the program. Oregon, for example, raised taxes on hospitals and health insurance plans. California added a hospital fee and raised cigarette taxes, and Rhode Island’s governor proposed adding Medicaid co-pays for emergency room visits. The proposal failed in Rhode Island, but it’s one Cox says he can see working for Kansas.

“I would support adding a \$50 co-pay for ER visits for expansion,” he said. “Other states have done this to reduce the use of ERs as a primary doctor and generate more savings if people do.”

Medicaid expansion states have seen an uptick in ER visits. Fifteen states charge expansion users for non-emergency ER use, according to a [Kaiser Family Foundation](#) study. Of those, most charge between \$3 and \$8 for the service. Virginia is an outlier, charging \$75 for non-emergency use of the ER.

Virginia approved Medicaid expansion in 2018, and the initiated the program at the start of this year. Virginia officials projected 300,000 people would enroll in the program, but enrollments are outpacing projections. Now officials believe 360,000 people will enroll by 2020, increasing Virginia’s cost by about \$80 million, the [Richmond Times](#) reports. The state won’t need to take budget action to cover the anticipated additional \$7 million in costs this year. Next year, however, Commonwealth lawmakers will need to take action to cover the anticipated additional \$72.5 million in expansion costs.

Wagle said if enrollments exceed projections in Kansas, taxpayers will be forced to make up the difference.

“If more people enroll than anticipated, as has happened in other states, Kansas will once again face a budget crisis which will lead to a tax increase to cover the rapidly rising costs of Medicaid,” Wagle said.

Michael Austin, director of the Sandlian Center for Entrepreneurial Government at the Kansas Policy Institute, did the math on ways lawmakers can fund existing budget shortfalls (KPI also owns [The Sentinel](#)). His [analysis](#) included Kelly’s expansion budget proposal of \$14 million for expansion funding this year.

He estimates that in order to pay for budgeted increases on new non-education spending like Medicaid expansion, lawmakers would need to increase sales taxes by 16 percent or increase income taxes by 12 percent. This would be in addition to increasing the state’s 20 mills of property tax, for K-12 education, by 50 percent in order to meet the shifting demands of the group bringing the Gannon suit.

The Governor’s proposed budget for expansion and cost estimates from health groups like the Kansas Health Institute haven’t taken into consideration that neighboring state Missouri isn’t an expansion state, according to Austin.

“There’s a possibility of these estimates being blown completely out of the water,” Austin said, noting there are 100,000 people who live just across the state line in Missouri in the Kansas City

area. “Not just in looking at the missed projections in other states, but also looking at what’s right across our border.”

Cox said the federal contribution to the Kansas will stimulate the economy.

“It won’t actually take new money that is not being generated by expansion itself to fund it,” Cox said.

That completely ignores the economic losses that will be incurred by resources being used to fund expansion rather than for what they would’ve been used for otherwise, according Cannon.

“You don’t want to treat Medicaid expansion like a jobs program,” he said. “You want to improve health with as few jobs as possible. You’ve got the economic efficiency thing completely backward if you think throwing more money at an inefficient part of the economy is a way to stimulate economic growth.”

Cannon says if expansion would pay for itself, some savvy lawmaker would have proposed expanding Medicaid a long time ago.

“If the state had to pay 100 percent of the cost of expansion, we wouldn’t even be having this debate,” Cannon said. “There’s no way anyone in Kansas is going to propose that tax increase, because they know they’d be laughed out of Topeka,” Cannon said.

Cox said he wouldn’t support a sales, property, or income tax increases to cover the difference, if expansion isn’t budget neutral.

“In your hypothetical, if we did everything I mentioned above, and we still came up short, I would support cutting spending elsewhere,” Cox said.