

Repealing Obamacare: why states could struggle to fill the gap

Many Republicans say they want to repeal Obamacare to empower states. But there's a catch. To expand insurance coverage, states need lots of federal money.

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By repealing Obamacare, many Republican lawmakers want to give states the right to find their own health care answers.

But that prospect is revealing a problem: States can't afford to go it alone.

Massachusetts and Wisconsin took radically different paths toward the goal of expanding access to health-care insurance. But the prospect of a repeal of the Affordable Care Act (ACA) – and the loss of the federal money that goes with it – is threatening to blow significant holes in both state programs.

For Massachusetts, the issue is that its aggressive attempt to provide universal coverage is propped up by billions of federal dollars.

By contrast, Wisconsin's Republican governor reformed the state's health-care system precisely to prepare for an ACA repeal, yet the loss of federal money would still leave a broad swath of low-income families without coverage.

In short, no matter which approach they take, states might face a difficult choice: Who should they not cover?

As recently as six years ago, 18 percent of Americans had no health-care insurance. Today, that percentage has been cut roughly in half, and even Republicans, in their 2016 "A Better Way: Health Care" plan, say they want a system that "ensures access to coverage for all Americans."

A repeal could test how much Americans' expectations about health care coverage have or haven't shifted under Obamacare.

For now, states are facing uncertainty, not knowing when Republicans might repeal the ACA and how.

Massachusetts: the liberal model

For health officials in many states, the concern is that Republicans in Congress could pare back or eliminate two key provisions:

- The subsidies that help low- and middle-income Americans pay for health insurance.
- The expansion of Medicaid, passed along with the ACA, that allowed states to cover more of their uninsured. Until 2020, it is fully paid for by the federal government. After that, the federal government would pay 90 percent of the costs.

Thirty-one states accepted the Medicaid expansion, while the subsidies are available in all states. In Massachusetts, for example, the expansion provides coverage for 306,000 people who would otherwise not have any, while the subsidies have enabled 191,000 more to buy insurance.

Without those federal funds, Massachusetts and other states would have to try to find other ways to insure those people.

But Massachusetts' predicament runs much deeper. Its first-of-its-kind health-care law, signed in 2006 by then-Gov. Mitt Romney (R) and seen as the model for Obamacare, is dependent upon a special pot of federal money that Massachusetts has been getting since the late 1990s. Indeed, when the George W. Bush administration threatened to take away the money, Governor Romney and then-Sen. Edward Kennedy spearheaded the creation of Romneycare in part to justify continued federal spending.

On one hand, the gambit has paid off. Under Romneycare, Massachusetts has cut its ranks of its uninsured to 4 percent – the lowest of any state.

But Romneycare is also a cautionary tale. Without major federal funding, Massachusetts' bold attempt to provide universal coverage at the state level could fall apart.

“The lesson of Romneycare and Obamacare is if you want your social safety net to be relatively stable and secure, then you need to fund it yourself and not rely on Washington,” says Michael Cannon, director of health policy studies at the Cato Institute, a libertarian think tank in Washington.

Acting before President-elect Trump takes office, the Obama administration in November locked in another \$30 billion in federal funding for Massachusetts over the next five years. But after that, its future is uncertain. And even with it, the loss of Medicaid expansion and federal subsidies – if Republicans rein them in – will cause significant stress here and elsewhere.

“It's unrealistic to expect states to make progress on health care coverage while the federal government is pulling billions of dollars out of states,” says Joshua Sharfstein, an associate dean for public health practice at Johns Hopkins University in Baltimore.

Wisconsin: the conservative model

That is where Wisconsin's BadgerCare comes in.

When originally signed into law in 2008, it had grand goals. It was intended to make “health care in Wisconsin a birthright, not a ticket to bankruptcy,” said then-Gov. Gov. Jim Doyle, a Democrat.

Then Gov. Scott Walker (R) took over and turned BadgerCare into a model for the Republican vision of health-care reform. That began by declining the Medicaid expansion money.

“The way federalism is supposed to work is states create a program like in Wisconsin, and then other states can say ‘OK. What did they achieve? What did it cost?’ And they can learn from each other and get a better safety net,” says Mr. Cannon of Cato. “But if states don’t have to face the cost of their policy decisions, if it is all being crowded out by federal programs like Medicaid, you don’t get that experimentation and learning.”

To that end, Governor Walker experimented. Unlike other states that rejected the Medicaid expansion, he still expanded coverage to everyone living below the poverty level in the state.

Though Wisconsin’s uninsured rate is going down slower than many other states, it is going down. And everyone living in poverty is insured.

But there is a catch. To cover everyone up to 100 percent of the federal poverty level, the state left those above it uncovered, knowing that the federal subsidies in Obamacare would be a safety net.

If Obamacare subsidies go away, those families could lose their insurance, notes Donna Friedsam, health policy director at the Population Health Institute at the University Wisconsin in Madison.

BadgerCare “has provided the coverage for people below 100 percent, but it still has quite a lot of people heavily invested in federal subsidies for directly purchasing insurance through” Obamacare, she says. “The people who would normally have been covered under a Medicaid expansion – like the expansion in Massachusetts – instead are directed” to Obamacare.

State shortfalls

Some Republicans in Washington have spoken of reforming health-care spending by giving money to states as lump sum block grants, rather than reimbursing costs, but many experts suggest that would lead to a decrease in federal spending.

If the federal assistance expanded under Obamacare is pulled back, the only answer to fill the gap could be state taxes – an unpopular solution.

“In a Republican future with state-led reform, there are plenty of opportunities for Massachusetts to go forward and keep doing what it wants,” says Thomas Miller, a health-care expert at American Enterprise Institute, conservative think tank in Washington. “They just won’t have money from the other 49 states to do it.”

For Massachusetts – and any state seeking to replicate its Obamacare-like solution – that is a daunting prospect.

“None of this is known for sure, it depends on details of the repeal, but the way they are talking about it now is the funding we had before would be squeezed dramatically,” says Brian Rosman, director of policy and government relations at the Boston-based advocacy group Health Care for All. “Because we have the lowest uninsured rate in the country, we have the most to lose.”