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Our Editorial: Prepare now for Obamacare shakeup

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President Donald Trump isn't delaying his promise to repeal and replace Obamacare. On his first business day in office, he signed an executive order offering some relief from the law's oppressive regulations. Congress is equally eager to take action, but any major shakeup will create challenges for the states — especially the ones that expanded Medicaid under the Affordable Care Act.

Michigan must be ready for a plan B, depending on how Congress acts.

This state is one of 32 (including Washington, D.C.) that agreed to expand the federal health insurance program for lower-income Americans. And while Gov. Rick Snyder has maintained support for the expansion, touting the state's Healthy Michigan plan as a role model, there are concerns about the program's long-term viability.

In 2013, Snyder and the Legislature decided to participate in the Medicaid expansion. The offer of “free money” from the feds was too good a deal for Snyder to pass up. The federal government promised to cover 100 percent of the cost until 2017. By 2020, the federal government will only pay 90 percent, costing Michigan more than \$220 million, according to the House Fiscal Agency.

Repeal of the Affordable Care Act will likely roll back federal assistance for Medicaid expansion, if not scrap it completely. Michigan will have two choices: pay the higher bill or drop coverage for some, or all, of the 640,000 people enrolled in the Medicaid expansion. That's more than 30 percent higher than originally projected.

The state government needs to begin saving for increased Healthy Michigan costs — something it was supposed to do from the beginning — while preparing to close the plan in the long run. It's too costly and hasn't delivered on its promises.

Those costs could rise dramatically, depending on what happens to Obamacare. Repealing the law won't increase the coverage costs of Healthy Michigan, and it won't force the state to kick anyone off the plan. But it would transfer the bill from the federal to state government.

Michael Cannon, director of health policy studies at the Cato Institute, says Michigan and other states that expanded Medicaid will likely be unwilling and unable to pay the increased costs.

“The states don’t think Medicaid is worth it. The voters don’t think it’s worth it,” Cannon says. “It’s not a better policy to keep people on Medicaid and drive up the federal deficit than it is to drive up state deficits.”

Along with the increased costs, Cannon says that Medicaid is failing to keep people healthy. For example, the Oregon Health Insurance Experiment found that “Medicaid coverage resulted in significantly more outpatient visits, hospitalizations, prescription medications and emergency department visits.”

Offering Medicaid to a broader population was supposed to reduce the high number of ER visits among the uninsured. But that hasn’t happened. Although the study further reported that Medicaid “significantly lowered medical debt” for beneficiaries, this came with negligible improvements in care.

Michigan’s Medicaid expansion will simply cost too much if the state loses federal funding. The state needs to prepare now to make this transition as painless as possible for Medicaid recipients and taxpayers.

Congress must also keep this potential hardship for states and individuals in mind as it reworks the law.