

## Medicaid expansion Tennessee would be wise to reject it

By: Michael Tanner – April 11, 2013

---

If a deal sounds too good to be true it usually is. That's a maxim that Gov. Bill Haslam and Tennessee legislators should keep in mind as they wrestle with whether or not to expand Medicaid under the Patient Protection and Affordable Care Act, aka Obamacare.

Gov. Haslam took a step in the right direction when he rejected an expansion of the traditional Medicaid program. However, legislators must remain wary of ongoing negotiations with HHS that would use the same federal funds to subsidize private insurance.

The federal government is dangling "free" money in front of state lawmakers as an incentive for them to go along. For the first three years, the federal government promises to pay 100 percent of the cost of expansion. While the 100 percent will gradually decline to 90 percent by 2020, it still might sound like too good of a deal to pass up, compared to the 65.29 percent that the federal government currently reimburses Tennessee for Medicaid.

But even with the federal government picking up 90 percent of the cost, Tennessee taxpayers would not be off the hook. In fact, over the next 10 years, it is estimated the Medicaid expansion would cost Tennessee taxpayers more than \$1.7 billion. Worse, those estimates significantly underestimate the cost to Tennessee if it had gone forward with the expansion. It ignores a second category of recipients likely to be added to the Medicaid rolls if this expansion moves forward, what the Robert Wood Johnson Foundation has dubbed "the woodwork effect."

If any Medicaid expansion moves forward, thousands of Tennessee residents will discover that they are eligible for Medicaid. Some of these people will be uninsured, but others will either be paying for insurance themselves or receiving it from their employer. In fact, it has been estimated that 76,000 people, roughly 17 percent of the 438,000 new Medicaid recipients enrolled under the expansion, would in fact be "coming out of the woodwork." This group is not eligible for the 90/10 match, but is covered under the old formula, with Tennessee responsible for nearly 35 percent of the cost.

The Tennessee Health Care Finance and Administration has projected that these "woodwork" recipients could increase the total cost to Tennessee taxpayers by as much as \$900 million through 2019, with annual increased costs of \$200 million for years after that. This comes at a time when Medicaid already consumes 17 percent of Tennessee's budget.

Of course, any estimate of state costs assumes that the federal government can be counted on to keep its side of the bargain when it comes to future funding. But with Washington facing an ongoing debt crisis, Medicaid funding will almost certainly be on the table. Indeed, as part of the fiscal cliff negotiations in December, the Obama Administration reportedly offered to change from the 90/10 match for Medicaid expansion to a "blended rate formula," which would create a federal funding level somewhere in the middle, but below 90/10.

It is also worth noting that the combination of the Medicaid expansion and the woodwork effect would mean that more than one in five Tennesseans will be on Medicaid, a massive increase in dependency and government control over the health care system.

While the governor should be commended for rejecting the expansion of traditional Medicaid, state lawmakers must remain vigilant. Ongoing talks with HHS regarding a plan that would accept federal funds to extend subsidized private insurance would still impose significant costs on the state. Gov. Haslam and state legislators should protect the taxpayers of Tennessee by resisting the siren's song of federal funds and rejecting any expansion of Medicaid.