

GOP Govs on Medicaid Expansion: Let's Make a Deal!

By: Eric Pianin - February 26, 2013

For a while, many Republican governors wore their opposition to expanded Medicaid coverage under President Obama's health care reform law as a badge of honor.

Tea Party favorites such as Jan Brewer of Arizona, Rick Snyder of Michigan and Rick Scott of Florida, dismissed the initiative as just the latest chapter in runaway federal spending that would add to the debt while locking their states into ever higher spending down the road. After the Supreme Court ruled last June that expanding Medicaid to include millions of more low-income people was optional under the Affordable Care Act, Scott declared flatly, "We're not going to expand Medicaid" in Florida.

But that was then. Under mounting pressure from consumer advocates, angry residents and the health care industry, seven Republican governors – including Brewer, Snyder and Scott – are cautiously moving towards expanding Medicaid, providing an unexpected boost to Obama's plan to insure 30 million more Americans.

Over the weekend, another Republican governor, Bob McDonnell of Virginia, capitulated. McDonnell, long a naysayer on expanded Medicaid, agreed to create a commission to explore the possibility in return for Democratic support to pass his signature transportation funding overhaul legislation.

McDonnell -- who harbors presidential ambitions -- is sticking out his neck in making that move. He not only softened his stand on Medicaid expansion, but pushed through high profile tax increases to help pay for state road construction and rail and mass transit service.

The new plan adopted by the legislature last weekend would replace a long-standing 17.5 cents-per-gallon tax on gasoline at the pump with a new 3.5 percent wholesale tax on motor fuels that will keep pace with economic growth and inflation. The measure also will increase sales tax on nonfood merchandise from 5 percent to 5.3 percent, and divert more general revenues from schools and public safety to transportation projects.

McDonnell stressed that his support of a Medicaid expansion was contingent on future reforms of the federal and state Medicaid rules. Virginia officials have been mandated to develop a series of reforms of Medicaid eligibility and rules before the state can officially sign off on extending coverage to as many as 40,000 uninsured Virginians by the middle of next year. "Reform is far more than simply receiving a waiver from the federal government," McDonnell wrote state legislators after the state Senate passed a budget that enables the Medicaid expansion to move forward.

The deal immediately drew sharp criticism from conservatives, who charged the governor with breaking two promises to Virginians by simultaneously supporting plans to raise taxes and embracing a key component of Obamacare. “Bob McDonnell was so desperate to raise taxes, he was willing to sell out on Obamacare, too,” Erick Ericson wrote Friday evening on the conservative Red State blog. “He was willing to sell out his party, his base, and his principles. And he did it with a smile.”

But like many other conservative Republican chief executives who took an early stand against Medicaid expansion, McDonnell in the end may have found a way to expand Virginia’s Medicaid programs for the poor at relatively little cost to the state impossible to reject.

“There’s nothing like the promise of free federal money to turn things around,” said Michael D. Tanner, a domestic policy expert with the libertarian Cato Institute. “If you’re a governor and the federal government is dangling money in front of you, it takes a lot of guts to turn it down. And these guys in the end didn’t have it.

SIMPLE MATH TELLS THE STORY

Under the Affordable Care Act, the federal government agrees to pay the entire cost of covering newly eligible beneficiaries from 2014 to 2016, and 90 percent or more thereafter. Nationwide, Medicaid currently covers 60 million people, most of them low-income or disabled. The Congressional Budget Office has estimated that 17 million more people could be enrolled if all states took the expansion option.

The total cost of the Medicaid expansion would be \$1.03 trillion between 2013 and 2022, according to a study by the Henry J. Kaiser Family Foundation and the Urban Institute. States would pay \$76 billion of that, which amounts to a 2.9 percent increase compared to what states would have spent on Medicaid if the health care reform law hadn't been enacted. Under the health care reform law, the federal government will pay the full cost of covering newly eligible people on Medicaid from 2014 to 2016, then will scale back funding to 90 percent in 2022 and later years.

Under this arrangement, for example, new Medicaid spending in Virginia would total \$19 billion over the coming decade, including \$16.4 billion in federal funds and \$2.6 billion in state funding. In other words, Virginia’ Medicaid program would receive \$6 federal dollars for every dollar it spends on expanded coverage for its residents.

Ron Pollack, executive director of Families USA, the national organization for health care consumers, said that it is “a no brainer” for governors to take advantage of the huge influx of federal funds into their states to expand Medicaid coverage and relieve them of the cost of providing emergency treatment to uninsured residents.

So far, 22 states have said they will expand the program, 17 have opted against it, and 11 have not yet decided, according to Avalere Health, a consulting firm. Health and Human Services Secretary Kathleen Sebelius told reporters last week that “States are deciding this deal is simply too good to pass up.”

However, Joseph Antos, a health care policy expert for the American Enterprise Institute, said that the decision whether to opt into the Medicaid expansion program isn’t clear cut for many governors. That’s because they can’t be certain whether their states have the “fiscal capacity” to assume the added Medicaid responsibility long term, and whether the federal government will

follow through on its pledge to assume 100 percent of the cost of the expansion for three years and then cover 90 percent thereafter.

“Who knows about political capacity, but fiscal capacity is an issue for these states, and they’re still staring down the barrel of teacher and public employee pensions that are grotesquely underfunded,” Antos said. “So it’s not a slam dunk. And then there’s the fear that the federal government could pull the rug out from under them.”

FLORIDA FALLS IN LINE

In Florida, where Gov. Scott reversed his position, proponents say that expanding Medicare will not only save lives, but also create jobs and stimulate the economy, The New York Times reported. His previous stand was unpopular in a state with large number of elderly and poor. And Scott – a former health care corporation CEO – told reporters that the recent death of his mother who had struggled to raise five children with little money gave him “a new perspective.”

Similar arguments have swayed the Republican governors of Arizona, Michigan, Nevada, New Mexico, North Dakota and Ohio, who in recent months have announced their intention to expand Medicaid.

Brewer justified her major policy shift by saying it would “secure a federal revenue stream to cover the costs of the uninsured who already show up in our doctors’ offices and emergency rooms, and by noting that failure to buy into Medicaid expansion would put the state at a competitive disadvantage with neighboring states that are cashing in on the program. Snyder, the Michigan governor, meanwhile declared this month that Medicaid expansion “makes sense for the physical and fiscal health of Michigan,” the Washington Post reported.

But Antos said that these and other Republican governors are still feeling their way on Medicaid expansion and have left themselves escape hatches if they decide it’s not the right thing financially for their states. “I don’t think the story is written yet,” he said. “I think it remains to be seen. I don’t think there’s a common element that really drives these several Republican governors in the direction they have gone, and I’m not convinced yet that they’re really there.”