



Entitlement Cost Explosion Drives Alabama Budget Shortfalls

By Tom Gantert

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The state of Alabama is projecting a \$265 million deficit this year, primarily caused by ballooning costs for entitlement programs like Medicaid.

In 2003, Alabama spent \$220 million on Medicaid entitlement programs. In 2015, the state projects it will spend over \$685 million on the same program, a 211 percent increase. Proportionally, Medicaid accounted for only 17 percent of Alabama's General Fund costs, but has since grown to take up 37 percent in 2014.

'A Bigger and Bigger Problem'

Alabama Policy Institute Vice President Katherine Robertson says the state's budgetary problems are being driven by the constantly increasing cost of entitlement programs like Medicaid.

"We are going to have to make some reforms to Medicaid," Robertson said. "There is not an obvious solution. It is clearly becoming a bigger and bigger problem."

According to the Kaiser Family Foundation, Alabama was one of 15 states in the U.S. refusing to expand Medicaid as part of Patient Protection and Affordable Care Act, commonly referred to as Obamacare.

Robertson says Medicaid expansion would have made the problem worse.

"We are against that," Robertson said. "It only makes the problem worse. It's expanding a program that we already can't afford."

Out of the Woodwork

Alabama is not alone in struggling with how to deal with the rising costs of Medicaid, says Nicole Kaeding, a budget analyst with the Cato Institute.

“Medicaid growth is an issue in many states,” Kaeding told *Budget & Tax News*. “Nationally, Medicaid is 25 percent of all state spending, with a large portion of that coming from the federal government. As a result, many states feel the weight of this large entitlement.”

Obamacare is not the sole reason for the growth, but it is part of the equation, Kaeding says.

“Many individuals sought out coverage options in 2014 to avoid the individual mandate. As they applied for coverage, they found out that they were already eligible for Medicaid. This is called the ‘woodwork effect,’” she said. “Medicaid is also growing rapidly at the federal level. As the federal government looks to control its growth, cuts in state reimbursements are likely, putting even more pressure on state budgets.”