

Medicaid Decision Looms for States

By **THOMAS M. BURTON, LOUISE RADNOFSKY and JENNIFER CORBETT DOOREN**

The Supreme Court's decision to let states opt out of the health overhaul's Medicaid expansion without losing current funding for the program lifts a budget mandate from states but could mean fewer Americans gain insurance coverage under the law.

In the original law, states had to expand their Medicaid programs to a broader swath of poor Americans in 2014, and if they didn't, the federal government could cut off all their existing Medicaid funding. But in a twist few expected, the court on Thursday showed sympathy for the 26 states where Republican officials argued the law's expansion of Medicaid placed an unfair burden on states.

Now, those states must decide whether they will follow through on their complaint and sit out the Medicaid expansion in 2014. Some Republican-led states indicated Thursday they are seriously considering opting out. "Although I am continuing to review the ruling by the Supreme Court, I would resist any expansion of Medicaid that could result in significant tax increases or dramatic cuts to education, public safety and job creation," Mississippi Republican Gov. Phil Bryant said Thursday.

The Supreme Court's surprise decision to let states opt out of the health overhaul's Medicaid expansion could reshape how the law expands insurance coverage to the poor. Tom Burton has details on The News Hub. Photo: Getty Images.

Rob Godfrey, a spokesman for South Carolina Republican Gov. Nikki Haley, said, "We're not going to shove more South Carolinians into a broken system that further ties our hands." Meanwhile, Virginia Republican Gov. Bob McDonnell said the Medicaid expansion "is a major budget-busting imposition for Virginia," adding that Medicaid is the fastest growing part of the state's budget. He said his staff is reviewing the issue.

Republican Gov. Brian Sandoval of Nevada said he had serious concerns about the state's budget, and, according to press secretary Mary-Sarah Kinner, "does not intend to automatically accept the Medicaid expansion."

The federal government will pick up the entire cost of the expansion for the first three years. After that, it will pick up 90% of the cost and leave the remaining 10% to states. While that leaves only a small share for states, many have argued even that's too much given their tight budgets.

Several states said Thursday that, despite the ruling, they have no plans to opt out of the expansion. Washington state, which was a plaintiff in the Supreme Court lawsuit, said it will likely take the new federal money and expand its Medicaid program to about 500,000 residents in 2014. "That is the best bargain one can buy," said Democrat Gov. Christine Gregoire, who objected to the state Republican attorney general's decision to join the lawsuit. "I can't imagine who would say we aren't going to do this new Medicaid program."

Other states that largely support the law—including California, Oregon and Illinois—say they will also press ahead with widening Medicaid. "The expansion is easy to do and makes sense," said Steven Costantino, the secretary of health and human services for Rhode Island.

The original law was projected to expand Medicaid coverage to 16 million more Americans, mostly low-income childless adults who don't currently qualify for the federal-state program. That's about half of the total people expected to gain insurance under the entire overhaul. It expanded eligibility to 133% of the poverty level in all states, which comes out to a household income of \$30,614 for a family of four as of 2011.

Some large states that had vocally opposed the Medicaid expansion wouldn't say Thursday whether they'd follow through on opting out. Florida Republican Attorney General Pam Bondi said the state would have to decide quickly whether to go forward with the Medicaid expansion. A spokeswoman for Texas Republican Gov. Rick Perry said it was determining the appropriate course of action.

Senior Obama administration officials downplayed the impact of the Medicaid portion of the court ruling, saying as a practical matter it is not particularly significant.

The Supreme Court found one part of the health-care law unconstitutional, saying its expansion of the federal-state Medicaid program threatened states' existing funding. Jess Bravin has details on The News Hub.

States' decisions on Medicaid could create stark disparities in U.S. healthcare for the poor, health policy experts said, and result in a federal law that looks very different across various parts of the country.

Supporters of the law said that they believed states' challenges to the Medicaid provision had been primarily motivated by politics and that they would not actually turn down money. "I think that the states are not going to want to have the burden alone to help people who are uninsured," said Ron Pollack, head of Families USA, a health advocacy group that supports the law.

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WSJ's D.C. deputy bureau chief Tim Hanrahan, health policy writer Janet Adamy, and legal editor Peter Landers took reader questions a few hours after the ruling. [Replay the event.](#)

Michael Cannon, a scholar at the libertarian Cato Institute think tank, said he had previously tried to encourage states to resist the Medicaid expansion but was met with derision by state officials who said they could not afford to seriously contemplate exiting the federal program entirely. "Now it's politically feasible for them to do what they've always wanted to do," he said.

—Jennifer Levitz, Arian Campo-Flores, Valerie Bauerlein contributed to this article.

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