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Republican governors embrace part of health-care law

By Sarah Kliff, February 7, 2013-

Several Republican governors have embraced a key pillar of President Obama's health-care law: Extending Medicaid to 17 million Americans.

Many Republicans balked at the expansion when the Supreme Court made the Medicaid expansion optional in its ruling last in the summer. Supporters of the law worried that the opposition could undermine the entire health-care overhaul by shrinking the pool of Americans who would gain coverage.

But six Republican governors have since come to back the program, including Michigan Gov. Rick Snyder on Wednesday and Ohio's John Kasich on Monday. Arizona Gov. Jan Brewer announced her support in mid-January.

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It's an extraordinary turnaround that suggests the lure of federal dollars could halt Republican obstruction of the health-care overhaul. Twenty-two states and the District are now on board, and 17 others are deliberating. The remaining 11, all with Republican governors, have said no — but observers believe the recent decisions could change some minds.

"It's a tipping point," Bill Pierce, a former Health and Human Services official under George W. Bush, said. "You've now got a real conservative state, a battleground state and a blue state all signed up. If you're a Republican governor thinking about this, you fit into one of those categories."

Since the court's decision, hospitals and other health care providers have lobbied governors aggressively to expand Medicaid. The providers had accepted billions in cuts to health care reimbursements because they thought they would gain millions of newly insured patients through Medicaid.

They have teamed up with local chambers of commerce and small businesses to argue that states could net a windfall of federal dollars with little investment of their own.

Governors have become increasingly worried about getting their fair share: If they do not extend Medicaid, their federal tax dollars will still foot the bill for expansions in other states. The Obama administration has also gone out of its way to reassure governors that upcoming budget reductions will not derail the program.

“Medicaid cuts for this president are not on the table,” White House senior economic adviser Gene Sperling told a conference of health advocates last week.

Any health law program still remains a tough sell among conservatives and could endanger governors seeking re-election as soon as 2014. Most Republican governors have refused to set up health insurance marketplaces under the Affordable Care Act, including Brewer and Kasich. But because of their positions on Medicaid, the Wall Street Journal’s editorial board recently described those two governors as “Obamacare Flippers” who accepted “Mr. Obama’s Medicaid bribe.”

“This is going to be a serious problem for them if they want to seek higher office,” Michael Cannon, health policy director at the libertarian Cato Institute, said. “It doesn’t matter if they say ‘I don’t consider this Obamacare.’ Their base does, and their base really dislikes this law.”

The Medicaid expansion will begin to cover everyone below 133 percent of the Federal Poverty Line – \$11,170 for an individual – in 2014. If all states were to participate in the Medicaid expansion, the Congressional Budget Office estimates it will cover 17 million Americans by 2022.DB_medicaid_map

“The logjam has broken,” Ron Pollack, executive director of Families USA, said. “When you have a governor like Kasich getting to yes, you have a critical mass.”

Pollack’s group will soon launch a \$1 million campaign targeting about a dozen states still on the fence about the Medicaid expansion. Families USA will also release data on the economic impact the Medicaid expansion would have in each state, detailing the additional healthcare jobs it could generate.

“The business standpoint will be compelling to Republican governors who are otherwise critical of the law,” Pollack said.

The Affordable Care Act initially required all states to expand Medicaid coverage to low-income Americans, which would grow the program’s enrollment from 32 million to 49 million. It would cost the federal government \$795 billion over the course of a decade and is largely financed by cutting reimbursement rates paid to doctors who provide services under sister program Medicare.

In decision that caught supporters of the law off-guard, the Supreme Court ruled that the mandatory Medicaid expansion was an overreach of federal power. It let states choose whether to participate—and left Republican governors balancing an influx of federal dollars against political fallout.

In Ohio, Gov. Kasich’s office worked shoulder to shoulder with Obamacare supporters and opponents, crafting a lobbying campaign aimed at making a key portion of the health overhaul more palatable to businesses and legislators.

“We knew for the extension to even be a possibility, there needed to be a better understanding of it,” Kasich communications director Scott Milburn said. “That case needed to be made by stakeholders on the front lines. Once they got going, it became a persuasive argument. Their ongoing partnership on this is highly valued.”

Rather than having to convince the governor, Obamacare supporters were asked to focus their efforts on convincing businesses and legislators.

“The governor’s office said that, ‘if this is going to happen, I need to see that I’m not going to get creamed by the legislature.’ So it was very clear what we had to do,” said Cathy Levine, executive director of the Universal Health Care Action Network, which supports the health-care law.

Levine recalls her group working on an economic analysis of the Medicaid expansion, one that would eventually be published in conjunction with the Health Policy Institute of Ohio. In that process, she was in regular contact with the governor’s office, sharing different budget assumptions, to ensure they would all land near the same place.

“The administration was totally transparent about how they were developing their numbers and analysis,” Levine says. “We went back and forth so we could try to close those differences. They worked very hard on their end on an honest analysis of those numbers.”

Hospitals have been especially aggressive in pushing for the Medicaid expansion, as expanding insurance coverage will eliminate much of the uncompensated care that they provide.

Arizona’s hospitals volunteered to pay a new tax to finance the state’s Medicaid expansion. The new assessment, expected to cost \$256 million in 2015, will give the state access to another \$1.6 billion in federal funds.

“It’s not the most ideal situation,” Arizona Hospital and Healthcare Association’s Pete Worthheim said. “I think the industry recognizes that if we are going to be successful we need to bridge differences and close in on something that will work with the state budget.”

Arizona Gov. Brewer became worried about passing up the Medicaid expansion when she saw that nearly all of her neighboring states – including California, Colorado, New Mexico and Nevada – were opting into the program.

“From Gov. Brewer’s perspective, the Medicaid expansion could represent a wealth shift from states that chose not to expand to those that choose to,” Spokesman Matt Benson said. “She looked around at how Arizona would compete regionally, let alone nationally, if we didn’t go forward and ensure that Arizona tax dollars stay in Arizona.”

Since announcing her decision in January, Brewer has held conference calls with other governors explaining her state’s approach to the Affordable Care Act. She will soon criss-cross the state on a publicity blitz, holding press conferences at local hospitals to rally support for the decision.

“There have been some conversations,” Benson said. “She has been on conference calls with other governors. We have had contact and calls on the staff level with other states as well.”

Not all Republican governors are sold; ten have said they will not move forward on the program. Health advocates still believe that, with more of their colleagues enlisting, they could have a shot at changing their minds.

“I think we’re going to see many more states come in fairly soon,” Families USA’s Pollack said. “There are key constituency groups close to Republican governors who are making a very compelling business case that’s hard to ignore.”