Health Reform Resource Project:
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Testimony in Support of HB 2319
Presented to the House Health and Human Services Committee
By Sheldon Weisgrau
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Chairman Hawkins and Members of the Committee:

I am Sheldon Weisgrau, director of the Health Reform Resource Project. The Health Reform Resource Project provides education and assistance to Kansans to help them better understand health care, health reform, and the changing health system. Over the last four years, I have traveled extensively around the state talking to community groups, business owners, and others about health care and health insurance. Most want to find an equitable and affordable way to ensure that all Kansans have access to the health care services they need.

<u>KanCare Expansion is a sound investment in Kansans</u>

More than 300,000 Kansans are uninsured. As a result, they do not have ready access to needed health care services. They are more likely than those with insurance to forego care due to cost and they receive less preventive and prenatal care. Uninsured Kansans are diagnosed and treated at a later stage of illness than those with insurance and have worse health status. They are poorer, have less financial security, and are more likely to be absent from work due to illness. Tragically, the uninsured have higher death rates than those with insurance.

KanCare expansion will extend coverage to approximately 150,000 of these Kansans. Most have jobs, but still cannot afford health insurance. Enrollment in KanCare will immediately enhance their access to important preventive and other health services that most of us are able to easily access. Importantly, it will also provide the financial security that health insurance brings. A well-researched expansion in Oregon virtually eliminated substantial medical debt and related bankruptcy for those who enrolled.

<u>KanCare Expansion is a sound investment in the Kansas economy</u>

KanCare expansion will generate costs, benefits, revenues, and savings for the state. They must all be considered in context to understand the full financial impact of the program.

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KanCare expansion will add costs to the Kansas Medicaid budget. The Kansas Department of Health and Environment (KDHE) estimates a cumulative increase in the state KanCare budget of $476.8 million from 2016-2023 to cover newly enrolled beneficiaries. It is a mistake, however, to look at this figure in a vacuum and decide that the program is unaffordable.

First, the additional costs must be considered in context with overall spending. The state of Kansas currently spends about $1.2 billion each year on the KanCare program. The additional cost of expansion represents a small fractional increase in these costs, in exchange for vastly enhanced coverage.

Second, the KanCare budget must be considered in context with other state and local expenditures. The state already pays for services for uninsured Kansans in other parts of the state budget. Local communities levy taxes to support hospitals and other providers who offer care to uninsured residents. While expansion will result in an increase in the KanCare budget line item, it will also allow decreases in other state and local expenditures. Subsequent cuts in local taxes are then possible.

Third, KanCare expansion will have a powerful, dynamic effect on the Kansas economy. KDHE estimates that expansion will bring $5.9 billion in additional federal spending to Kansas from 2016-2023. These dollars will create economic growth and development and thousands of new jobs. Analyses of early economic results of expansion in Kentucky, Arkansas, Connecticut, New Mexico, and Washington show that expansion pays for itself through enhanced economic activity. These same economic results can be expected in Kansas.

KanCare Expansion is a sound investment in the Kansas health system

Kansas health care providers struggle under the provision of crushing levels of uncompensated care to uninsured residents of their communities. KanCare expansion will immediately cover tens of thousands of these patients, providing much needed revenue to hospitals and other providers and possibly averting closures and downsizing. Uncompensated care in hospitals has dropped much more in expansion states than non-expansion states, greatly improving the financial health of these institutions and their communities.

Every county in Kansas will benefit from KanCare expansion. Rural communities, in particular, have the most to gain (or lose). The residents of rural Kansas are growing older. Failure to expand KanCare will put many in danger of living in communities that face the loss of needed health care services.

Thank you for this opportunity to provide testimony. Attached to my testimony is a series of Frequently Asked Questions (FAQs) that provide more details on KanCare and KanCare expansion. I urge you to support HB 2319 or other measures to expand the KanCare program.

Frequently Asked Questions (FAQs) about KanCare Expansion

Q: What is KanCare?

A: KanCare is the Kansas version of Medicaid and the Children's Health Insurance Program (CHIP), joint federal/state programs that help with medical costs for some people with limited income and resources. KanCare is administered by three private managed care organizations.

Q: Who is currently eligible for KanCare?

A: To qualify for KanCare, a Kansas resident must be both low income and a member of a specific eligibility category. Different eligibility categories qualify for the program at different income levels. For example:

- Able-bodied adults without children are *not* eligible regardless of income.
- Adults with children are eligible if they have household income below 33% of the Federal Poverty Level (FPL). For a family of 3, this is a limit of $6,630/year or $552/month.
  - A mother with 2 children who works half-time at a minimum wage job makes too much to qualify for KanCare.
- Pregnant women are eligible at income below 166% FPL, or $19,538/year for an individual.
- Children are eligible at household income below 242% FPL, or $48,618/year for a family of 3.

Q: Who would be eligible if KanCare expands?

A: With expansion, KanCare eligibility would be extended to all Kansans who are not currently eligible, are under the age of 65, and have income below 138% FPL (annual household income of $27,724 for a family of 3). Expansion eliminates the requirement that Kansans below 138% FPL be a member of a specific eligibility category. Those with income above this level who qualify for the current KanCare program would remain eligible.

Q: How many Kansans would become eligible for KanCare if the program is expanded?

A: The Kansas Department of Health and Environment (KDHE) estimates that approximately 150,000 Kansans would become newly eligible and enroll in KanCare if the program were expanded. This additional enrollment would ramp up gradually over about three years. This figure is consistent with most estimates by other independent organizations. The KDHE analysis can be found here: http://bit.ly/1FUHqMY

Q: What is the coverage gap?

A: Under the Affordable Care Act (ACA), those with income from 100-400% FPL are eligible for tax credits to help pay for private insurance coverage. All those below 100% FPL were to be covered by Medicaid expansion. However, the Supreme Court ruled that Medicaid expansion is optional for

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states. As a result, if a state does not expand, those with income above current KanCare eligibility levels, but below 100% FPL, fall into a coverage gap. They make too much to qualify for KanCare, but not enough to receive tax credits to help buy private insurance. Most remain uninsured.

Q: How will KanCare expansion be paid for?

A: The federal government will cover all costs of expansion through calendar year 2016. In 2017, the state will be required to pick up 5% of the cost, then 6% in 2018, 7% in 2019, and 10% in 2020. From that point forward, the federal share levels off at 90% and the state share at 10%.

Q: How much will KanCare expansion cost?

A: KDHE estimates a cumulative increase in the state Medicaid budget of $476.8 million from 2016-2023 to cover newly enrolled beneficiaries in KanCare expansion (for comparison, the state spent about $1.1 billion on KanCare last year alone). Additional federal spending on KanCare would total $5.9 billion over this time period.

Q: What has been the experience of states that have expanded?

A: To date, 28 states and the District of Columbia have expanded their Medicaid programs. The most recent states to adopt expansion were Indiana and Pennsylvania. Discussions regarding expansion are underway in several other states, including Utah, Florida, and Montana.

Most participating states expanded their programs effective January 1, 2014, so experience is somewhat limited. Nevertheless, financial results have been extremely promising.

Recent independent analyses of expansions in Kentucky, by Deloitte and the University of Louisville (http://1.usa.gov/1CoHp34), Arkansas, by Manatt Health Solutions (http://bit.ly/1MwKKlt), and Connecticut, New Mexico, and Washington State, by the Kaiser Family Foundation (http://bit.ly/1Cb2LUZ) show robust job growth and net state budget savings as a result of expansion. Budget savings come from additional revenue from economic development and job growth and declines in state budget expenditures previously used for health services for the uninsured balanced against additional state Medicaid spending.

A state-specific analysis by Regional Economic Models, Inc. and George Washington University projects similar results for expansion in Kansas: http://bit.ly/1FUKCsc

Fitch Ratings, an independent credit rating agency, found health care jobs grew faster in expansion states than non-expansion states (http://bit.ly/1EmsslB). In addition, other analyses, by PricewaterhouseCoopers PWC (http://bit.ly/1MwLyXw), the Colorado Hospital Association (http://bit.ly/1hwaGTk), and the U.S. Department of Health and Human Services (http://1.usa.gov/1wLJ2EA) show that uncompensated care in hospitals has dropped much more in expansion states than non-expansion states, greatly improving the financial health of these institutions.