Testimony to House Health and Human Services Committee
HB 2319 – Legislative Medicaid Expansion Authority
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Introduction

We appreciate the opportunity to offer testimony on HB2319, which concerns not only the expansion of Medicaid eligibility but also the removal of the legislative approval process currently necessary to authorize such expansion.

The prospect of Medicaid expansion is a complex one, deserving the full weight of both legislative and executive consideration. Furthermore, expanding Medicaid eligibility in Kansas is poised to deliver subpar healthcare outcomes while exacting burdensome financial pressures on not only the state as a whole but also on hard-working individual Kansans and their families. In short, Medicaid expansion would mean using precious taxpayers to finance an as of yet unproven and ineffective solution to providing quality healthcare to our neediest fellow Kansans.

Unproven and Ineffective Healthcare Outcomes

The federal Affordable Care Act (ACA)'s Medicaid expansion framework was designed to reduce overall healthcare costs by lowering the prevalence of and ultimately eliminating "uncompensated care." Such care occurred when previously uninsured patients sought treatment in expensive emergency rooms. Without a guarantee of reimbursement for services rendered, hospitals would be forced to make up for financial shortfalls incurred on this care by charging insured patients higher rates for care across the board.

By first mandating that every individual purchase health insurance and then expanding Medicaid to provide coverage to individuals who might have difficulty doing so, the collective hope was that individuals could start receiving non-emergent medical care in less expensive, non-emergent clinics and doctors' offices instead of emergency room settings. If an illness did indeed require emergency room care, hospitals could at least anticipate some basic reimbursement on behalf of patients who may have previously offered no reimbursement at all.

With this in mind, it is reasonable to ask whether or not Medicaid expansion has thus far accomplished its purpose of eliminating uncompensated care scenarios and costs while also improving overall health outcomes for patients. January 2014 research published in the journal *Science* by a team of researchers at Harvard University, the Massachusetts Institute of Technology, and the National Bureau of Economic Research (NBER) studied Medicaid expansion in Oregon and highlighted failure on both counts.

On the question of uncompensated care, the researchers noted that overall emergency room use increased by 40% for new Medicaid recipients. Most tellingly, there was an 18% spike in emergency room visits to treat non-emergency conditions that could have been addressed more cost-effectively in primary care or other settings (Taubman et al. 265). This marks not only a continuation but also a growth of one the key cost trends the ACA was designed to reverse.

On the question of health outcomes, the researchers found no evidence of Medicaid coverage improving key measures of patient health like blood pressure levels, cholesterol levels, and longer-term blood sugar maintenance measured via glycated hemoglobin levels (Taubman et al. 263).

On both questions, the research team used pre-ACA, 2007-2009 data—which coincided with the Oregon Health Insurance Experiment (OHIE) of 2008. The Institutional Review Board (IRB)-approved OHIE was unique given Oregon's use of a lottery initially to determine Medicaid enrollment under a newly-expanded eligibility framework. This created groundbreaking, natural control and treatment groups that enabled the study of real-life healthcare usage rates and outcomes under Medicaid expansion using a gold-standard, randomized control group research design (Taubman 263). By predating the ACA and even the Obama Administration itself, the results remain valid and independent of bias toward or against the Administration and/or its signature legislation.

Overall, the fact that Medicaid expansion has failed thus far to rein in the higher costs of emergency care while leaving recipients no better off health-wise than their socioeconomic peers without Medicaid begs the question of why Kansas should spend precious taxpayer dollars in pursuit of subpar results. And this says nothing of the significant macro-level financial pressures Kansas' already tight budget will face if Medicaid expansion is undertaken.

Macro-Level Costs to the State

Our projections from 2014 indicate that the ACA's "individual mandate" will cost the state an additional $4.1 billion dollars compared to pre-ACA spending levels over the next ten years. This is due to a large number of Kansas who are eligible for Medicaid but who have chosen previously not to enroll being forced to presumably enroll. We estimate that this number amounts to approximately 102,000 Kansans. Our estimate is well within range of the Kansas Health Institute (KHI)'s 2012 projected range of 30,000 to 162,000 Kansans (Gokhale 3). These potential enrollees will carry high costs because they will be considered "old eligible" enrollees and thus will not qualify for the generous federal matching subsidies promised to states that expand their Medicaid eligibility thresholds per the ACA's recommendations.

Medicaid eligibility expansion will add an estimated $624.5 million to Kansas' $4.1 billion in ACA spending over ten years, making the total cost to Kansas $4.72 billion over the period. This added cost comes from providing Medicaid coverage for the estimated 130,000 Kansans who will be made newly-eligible under Medicaid expansion. This estimate falls well within range of a 100,000 projection from KHI and a 200,000 projection from the Center on Budget and Policy Priorities (CPBB) (Gokhale 3).

Even though the cost of covering these newly-eligible Medicaid recipients will be alleviated to a degree by aforementioned federal matching funds, such funds are far from guaranteed given the federal government's own precarious financial outlook coupled with its penchant for touting match rate reductions (Note: See CBPP blog post on the Obama Administration's "blended rate" proposal from 2011) in the past.

Conclusion

We oppose HB2319 and its Medicaid eligibility expansion provisions. Some changes are certainly needed as the state continually looks for the best ways to provide health insurance coverage to Kansans who need it most. However, Medicaid expansion is not the answer to providing health coverage that improves outcomes and lowers costs for all Kansans.

Works Cited

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