



Mr. Chairman and Members of the Committee,

Thank you for the opportunity to testify here today. My name is Teresa Oelke and I am Vice President for State Operations at Americans for Prosperity. I am a native Kansan and have many family and friends here from this great state. In fact, I worked for former Speaker of the House, Tim Shallenburger, as his Chief of Staff in the Speaker's office.

Today, I reside in Arkansas, a state that has started down this path of Medicaid expansion, which you are considering. When Jeff Glendenning asked me if there was an Arkansas Legislator who would be willing to share their perspective on this program, I called the Senate Majority Leader Jim Hendren. Unfortunately, the Arkansas legislature shares your legislative calendar and they are in the last several weeks of their session, which is a very busy time. However, Sen. Hendren, who serves as the Chairman of the recently appointed Medicaid Task Force, which is tasked with looking at how Arkansas will move forward on Medicaid Expansion, a program ending June 2016, shared this statement :

"Today, Arkansas is dealing with the consequences of enacting President Obama's Medicaid expansion and the challenge of getting out of the program. We have already learned the Arkansas budget can't afford the cost of the program and we are in year one. The Private Option has been plagued with cost overruns and less than transparent accounting. Long term, every other program, from education to public safety, will be held hostage by this program. Our state should serve as a warning to other legislatures that there is no free money from Washington DC and they should learn from our mistake."

State Senator Jim Hendren R-Gravette,
Chair of the Arkansas Medicaid Task Force

Americans for Prosperity Arkansas serves on Governor Hutchinson's Medicaid Advisory Council where we continue to highlight the questionable fiscal assumptions used in claiming the program is revenue neutral. Attached to this testimony is an excerpt provided to the council of actuarial numbers produced by former Democrat Governor Mike Beebe's administration. Please note the questionable financial assumptions:

- The program uses ten years of tax collections to pay for the seven years of spending Arkansas is obligated in the match.
- The tax collection is on the 2.5% fee on the insurance plans, which are entirely paid for by taxpayers.

- The savings assumptions move from \$17M in 2014, largely from shifting 90,000 off one Medicaid program to the Private option, to \$91M annually in year 10 they, an eight fold increase.
- The state also factors in \$657M in an anticipated stimulus affect from all the federal dollars.

Other specific facts to note on the expansion:

- The state took the highest 10% cost drivers off the private option, and placed them into traditional Medicaid, thereby driving up General Fund spending and artificially propping up the program.
- The expansion insurance plans pay higher reimbursement rates than Medicare plans, according to a spokesman for Blue Cross and Blue Shield.
- Both President Obama's administration and Rep. Paul Ryan have warned that the match rates offered under President Obama's Health Care Law cannot hold.

After just one year, our state has learned that it has overcommitted our resources to provide insurance for able-bodied, working age, childless adults.

I can assure the federal government made promises of flexibility and innovation to Arkansas Legislators when they entered Medicaid Expansion. However, the federal government still operates this program under the rules of traditional Medicaid, which tolerates little innovation or flexibility. I was in this capitol in 1993 when Welfare was block granted to the states by a Republican Congress and Democrat administration. Each state crafted a solution to meet the needs of their citizens. This administration offers flexibility only so far as you follow all their rules and regulations.

Today, I hope legislators here will consider the lesson my state has learned the hard way, we cannot afford to make promises we cannot afford to keep and spend money like politicians in Washington DC.

Thank you and I would be happy to take any questions.

Teresa Oelke
Vice President
Americans for Prosperity

Private Option: Overall Impact on State Expenditures and Revenues

UPDATED- January 2015

Impact of Arkansas Health Care Independence Program (HCIP) on State Spending

	State Funds										10 Year Total
	SFY14	SFY15	SFY16	SFY17	SFY18	SFY19	SFY20	SFY21	SFY22	SFY23	
Required State Match	\$ -	\$ -	\$ -	\$ 43,023,097	\$ 100,090,395	\$ 125,086,697	\$ 172,975,562	\$ 215,195,844	\$ 227,563,149	\$ 240,641,204	\$ 1,24,575,949
Administrative Costs	\$ 2,000,000	\$ 2,500,000	\$ 2,562,500	\$ 2,676,563	\$ 2,692,227	\$ 2,759,532	\$ 2,828,521	\$ 2,895,234	\$ 2,971,714	\$ 3,046,007	\$ 26,886,297
Traditional Medicaid Program Savings	\$ (17,464,822)	\$ (55,372,719)	\$ (58,989,662)	\$ (62,825,516)	\$ (66,892,115)	\$ (71,202,702)	\$ (75,771,252)	\$ (80,632,933)	\$ (85,806,552)	\$ (91,312,124)	\$ (666,270,397)
Net Impact on Medicaid Spending	\$ (15,464,822)	\$ (52,872,719)	\$ (56,427,162)	\$ (17,175,836)	\$ 35,898,507	\$ 56,643,528	\$ 100,032,830	\$ 137,462,145	\$ 144,728,312	\$ 152,375,087	\$ 485,191,849
Uncompensated Care Savings	\$ (13,300,000)	\$ (33,400,000)	\$ (33,400,000)	\$ (40,200,000)	\$ (40,200,000)	\$ (40,200,000)	\$ (40,200,000)	\$ (40,200,000)	\$ (40,200,000)	\$ (40,200,000)	\$ (361,500,000)
Total Impact on Medicaid and Uncompensated Care	\$ (26,764,822)	\$ (86,272,719)	\$ (89,827,162)	\$ (57,375,856)	\$ (4,309,493)	\$ 16,443,528	\$ 59,832,830	\$ 97,262,145	\$ 104,528,312	\$ 112,175,087	\$ 123,691,849
Added Premium Tax Revenue (2.5%)	\$ 4,736,719	\$ 29,861,616	\$ 35,013,510	\$ 37,025,737	\$ 39,153,606	\$ 41,403,763	\$ 43,783,238	\$ 46,399,460	\$ 48,960,290	\$ 51,774,038	\$ 377,811,978
Net State Budget Impact of Arkansas HCIP	\$ (33,501,540)	\$ (315,934,335)	\$ (124,840,673)	\$ (94,401,593)	\$ (43,463,099)	\$ (24,938,235)	\$ 16,049,593	\$ 50,962,604	\$ 55,568,021	\$ 60,401,049	\$ (254,120,129)
Influx of Federal Funds	\$ 219,201,019	\$ 1,378,646,002	\$ 1,627,397,344	\$ 1,677,900,773	\$ 1,719,734,970	\$ 1,799,324,031	\$ 1,862,031,051	\$ 1,936,762,599	\$ 2,048,068,345	\$ 2,165,770,833	\$ 16,494,836,967
Macro Economic Impact to the State of Federal Funds (4%)	\$ 8,768,041	\$ 55,145,840	\$ 65,095,894	\$ 67,116,031	\$ 68,789,399	\$ 71,972,961	\$ 74,481,242	\$ 77,470,504	\$ 81,922,734	\$ 86,630,833	\$ 657,393,479
Net Impact of AR HCIP including Macro Economic Funds	\$ (42,269,581)	\$ (171,080,175)	\$ (189,336,566)	\$ (161,517,624)	\$ (112,252,498)	\$ (96,933,197)	\$ (58,431,649)	\$ (26,507,820)	\$ (26,354,713)	\$ (26,229,785)	\$ (911,513,608)

Changes from March 2013 Analysis:

- Medically Frail cost estimate was replaced by emerging experience on Medically Frail population cost
- Carrier premium amounts and enrollee demographics were used in place of previous estimate of non-Medically Frail costs
- Analysis scope limited to AR HCIP (woodwork population excluded)
- Annual cost growth rate adjusted to be consistent with approved 1115 Waiver

Analysis conducted by Optumas Healthcare Actuarial Services.