SB 252 is Wrong for Kansas

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Chairman Suellentrop and members of the committee, thank you for the opportunity to testify before you today. My name is Nic Horton and I am a senior research fellow at Opportunity Solutions Project.

OSP is a nonprofit, nonpartisan advocacy organization that seeks to reduce dependency and remove barriers to work. We work in dozens of states across the country and in D.C. Personally, I have worked on this issue of ObamaCare's Medicaid expansion in more than 20 states and have watched firsthand as this program was debated, implemented, and spiraled out of control in my home state of Arkansas.

I have watched with great interest as this debate has unfolded once again here in Kansas. As I was preparing my testimony for this hearing, one recurring question came to mind: "What are you trying to accomplish?" Because for every supposed goal of this legislation that I have heard, there is a better answer than what this bill would provide. Indeed, if this bill becomes law and ObamaCare expansion takes root in this great state, it will *worsen* many of the problems its proponents claim it will fix.

SB 252 closes a "coverage gap" that does not exist

Some ObamaCare supporters have argued that this bill is needed because of an existing "coverage gap" that is leaving Kansans without any options for health care or coverage. In reality, however, Kansans have an abundance of free and/or inexpensive options to receive health care.

The vast majority of open jobs in Kansas right now—more than three quarters of full-time jobs, and more than half of all jobs—offer health insurance.[1]

Kansas also has a vibrant community of charitable health clinics. In fact, there are 87 charitable clinics across the state, staffed by volunteers, where Kansans can receive free health care.[2] There are also 66 clinical sites that receive federal funds to provide low- or no-cost care to low-income Kansans.[3]

Today, Kansans who work just *five hours per day* can qualify for incredibly generous taxpayer-funded subsidies and purchase virtually free health insurance through the ObamaCare exchange.[4]

But if this bill becomes law, at least 23,000 Kansans will be stripped of these subsidies and forced into Medicaid, and those costs will be shifted onto the state.[5]

Given the plethora of options that are already available to help able-bodied adults and the fact that this expansion of ObamaCare would strip tens of thousands of Kansans of their existing subsidies, this bill must not be about increasing coverage.

Raising awareness about the plethora of resources that are already available or helping Kansans find even part-time work would be a much better approach that would give Kansans better coverage. Ironically, however, this bill would do quite the opposite.

SB 252 will not promote work

Some proponents have claimed that SB 252 will "promote work" due to its "work referral" component. This is a noble aim and should be an ongoing focus of this legislative body. Encouraging work would help Kansans find

private insurance, which would benefit them, taxpayers, and the truly needy who rely on Medicaid in Kansas today. Unfortunately, this bill would have quite the opposite effect.

In state after state that has expanded Medicaid, able-bodied adults have failed to go back to work. Nationally, 55 percent of ObamaCare expansion enrollees do not work at all.[6] This, combined with a massive enrollment explosion, is why roughly a dozen expansion states have pursued commonsense work requirements to help ObamaCare-dependent able-bodied adults get back on their feet and out of welfare. But this bill contains no such work requirement.

Instead, this bill contains an optional "work referral" component that is unserious. Kansas already has an optional work requirement—it is called *getting a job.*

This type of program has never worked and will never work, if the goal is promoting employment and independence, because the policy lacks teeth.

In Arkansas, we put a work referral in place for just a few months; but, unsurprisingly, less than *five percent* of enrollees took any action on their work referrals at all.[7] Ultimately, we replaced the optional work referral with a real, mandatory work, train, or volunteer requirement—and, I am proud to say, became the first state in history to do so.

To be clear, a work requirement can never justify a massive expansion of welfare to able-bodied adults. The net effect would still be more able-bodied adults on welfare, at an exorbitant cost to taxpayers and the truly needy. But a real work requirement is a serious way to promote work, unlike the work referral included in this bill. If the true goal is encouraging employment, this bill falls very short.

Additionally, current Kansas policy already has a de facto work requirement: as noted, able-bodied adults can qualify for virtually free coverage if they work just under five hours per day. This operates as an incentive for those able-bodied adults to stay in the labor force. But under this bill, able-bodied adults would be stripped of this incentive and given free benefits, with no time limit or work requirement, instead.

These same Kansans also have access today to a multitude of work programs that the Medicaid agency can and should be referring them to.[8] Programs run through through the Department of Labor for example, like career centers, exist for individuals who need a hand getting back to work.

Taking this all into account, the goal of this bill must not be to "promote work," because it does quite the opposite and there are much better ways to actually promote employment.

SB 252 is not a "bipartisan compromise" or a workable alternative

Proponents of SB 252 have claimed that the legislation represents a "bipartisan compromise" and a "more Republican version" of ObamaCare expansion. Unfortunately, a conservative version of this policy is simply not possible.

Conservatism is about empowering individuals to reach their full potential and making sure government stays out of their way. It is also about protecting the safety net for the truly vulnerable among us.

This bill, as noted, does quite the opposite by extending Medicaid benefits to able-bodied adults for free and discouraging work. A true "Republican version" of ObamaCare expansion is not possible because, by definition, this expansion increases welfare dependency at the cost of taxpayers and the truly needy.

Further, this bill is not a compromise in any traditional sense of the word. As noted, it does not include a real work requirement and would provide full ObamaCare benefits, funded by new national debt and Kansas taxpayers, to ObamaCare-eligible able-bodied adults. It is the same ObamaCare expansion that has been tried in state after state and has failed.

Indeed, states have enrolled more than twice as many able-bodied adults as projected.[9] Taxpayers have spent more than two and a half times than what they were promised.[10] This played out right next door in Colorado in fact, where expansion ran more than $1 billion over budget in just the first two and a half years.[11]

This bill is not a compromise nor is it a conservative welfare expansion, because there is no such thing.

SB 252 is not a silver bullet for hospitals

ObamaCare supporters have argued that expansion is essential to saving Kansas hospitals. But expanding welfare and increasing dependency does not create economic activity any more than slashing a tire improves gas mileage.

In Arkansas, we have seen significant turmoil surrounding our hospitals, despite promises that our hospitals would thrive if we went down this road.

After more than six years of expansion, we have seen hospitals close, as recently as August.[12] Statewide news reports have classified our hospitals as "condition critical."[13] Our largest hospital reported $50 million in total operating losses over the last two years.[14] Our largest state-run hospital laid off 600 positions.[15]

And late last year, the CEO of the Arkansas Hospital Association said it had been "a tough year" for small hospitals in the state, expressing concern that even *more* closures may be on the horizon.[16]

Of course, this is not what the hospital association promised when expansion was first being debated, or in the yearly fights to repeal or unwind the program since then. They said our hospitals would be devastated without expansion; they said hospitals would close. Many legislators, as they told me at the time, voted for expansion on this sole basis.

Six years and tens of billions of dollars later, our hospitals are closing anyway.

Today, Arkansas, Louisiana, and Kentucky—all expansion states, all states that have been heralded by ObamaCare proponents as wildly successful—have more rural hospitals at risk of closure than Kansas does.[17]

Right next door in Colorado, a similar story is unfolding: Colorado hospitals' operating losses for treating Medicaid patients has *tripled* since they expanded ObamaCare.[18] These new Medicaid losses more than offset the small reductions the state has seen in charity care and bad debt. Overall, these hospitals are worse off than they were before—and taxpayers are footing the bill.

This, once again, is a story likely to play out here in Kansas as well. By shifting Kansans out of private insurance and into Medicaid, expansion will reduce revenue to hospitals who receive a lower reimbursement rate under Medicaid.

Perhaps it is no surprise then that Moody's Investor Service, the credit agency that issues credit ratings for hospitals, has concluded that expansion has no significant impact on the overall financial well-being of hospitals.[19]

In addition, academic researchers from the University of Michigan and Northeastern University conducted an analysis of six full years of hospital financial data and more than 1,700 hospitals, comparing non-expansion states to expansion states. Expansion was found to be "associated with higher Medicaid shortfalls."[20] In regard to expansion's impact on hospital finances, the study's authors concluded "the net effect is close to zero."[21]

Even here in Kansas, your hospitals have acknowledged Medicaid expansion will not solve their problems long term.[22]

Whatever this bill is, it is certainly not a cure-all for what ails your hospitals and it would be unwise to cement ObamaCare in Kansas on the false hope that it will. To the contrary, declining to expand Medicaid—and truly promoting work, to get even more Kansans private coverage—would be the best step to help your local hospitals.

SB 252 will expand an already out of control program that is already failing the truly needy

Some ObamaCare proponents suggest expansion will help the most vulnerable. But the reality is that Medicaid expansion will actually harm the truly needy Kansas by further expanding a program that is already out of control, rife with fraud, and already failing to prioritize the truly needy.

First, expanding ObamaCare to able-bodied adults will tie up even more limited resources that could be spent on helping Kansans through investments in education, public safety, and more. Since the year 2000, Kansas' spending on Medicaid has increased by 450 percent, far outpacing growth in other expenditures like education.[23] Today, Medicaid accounts for more than a fifth of Kansas' total spending, up from less than 10 percent in 2000.[24] Expanding ObamaCare will only accelerate these dangerous trends.

Additionally, studies have conclusively shown that ObamaCare expansion does not generate improvements in physical health outcomes. According a study from the Oregon Medicaid Health Experiment, the predicted risks associated with a number of adverse health conditions—from high blood pressure to obesity—were unchanged with the expansion of ObamaCare.[25] Despite massive increases in spending, health outcomes in expansion-states were comparable to states that did not expand ObamaCare.

Consider that, even without expansion, Kansas' Medicaid program is already in deep trouble: Kansas currently has a Medicaid waiting list of more than 7,000 needy individuals, the majority of whom are intellectually and developmentally disabled.[26] Expanding ObamaCare would substantially diminish the odds that these individuals would get the help they desperately need.

New Medicaid spending would instead go to cover the ObamaCare expansion for able-bodied, childless adults. This has severe consequences: in states that have expanded ObamaCare, nearly 22,000 individuals on state Medicaid waiting lists have died before ever getting the care they needed.[27] This casts a dark cloud for the most

vulnerable Kansans with disabilities, who would likely remain on waiting lists while able-bodied adults receive benefits.

States that have expanded Medicaid have also experienced massive fraud in their programs. New York, which is running a $6 billion Medicaid budget deficit after expanding Medicaid, was recently discovered by the OIG to have *nearly a million people* who are likely ineligible for Medicaid.[28] Massive fraud has also been uncovered in Louisiana, California, and Minnesota, among other states. This waste of taxpayer dollars also hurts the truly needy.

SB 252 is about increasing welfare dependency

Unfortunately, SB 252 is not really about saving hospitals, promoting work, increasing options for those without options, or even helping the needy. There are quite clearly much better ways to do all of those things.

This bill, plain and simple, is about expanding welfare and increasing dependency. It is about destroying a critical safety net program for the truly needy and opening it up to an unlimited number of able-bodied, working-age adults indefinitely. It is about cementing ObamaCare in this state, even if it means more national debt and higher taxes.

Medicaid is an incredibly important program. I have personally seen, even my own family, how critical it is for individuals with disabilities, seniors, and low-income kids. But if you go down this path, you are not helping those folks—you are not helping the truly needy. You are expanding this program to adults who could and should be working, paying their own way, and threatening the sustainability of the program for those who truly have nowhere else to turn.

I would strongly urge you to reconsider. I would urge you to pursue policies that promote work, not welfare—because that is the better way.

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