

States Face Medicaid Expansion Challenge

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Political hostility over the health care law and the potential for turnover in statehouses this November are creating uncertainty for state Medicaid leaders as they prepare for a huge expansion of their programs.

By 2014, state Medicaid programs must be able to cover millions more Americans and significantly improve their computer infrastructure — all while many state attorneys general are suing to stop the law in its tracks and new health reform foes are poised to win gubernatorial races next month.

Under the health care law, the Medicaid program for the poor will be expanded to cover nearly all adults who earn up to 133 percent of the federal poverty level. Today, the program covers adults who have children and make less than the poverty level — or \$22,050 for a family of four.

In addition, by 2010, the process of determining Medicaid eligibility will be rolled into the state insurance exchanges — the one-stop shopping spot that most Americans will use to access their health insurance.

The biggest obstacle for Medicaid programs, according to a recent study by the nonpartisan Kaiser Family Foundation's Commission on Medicaid and the Uninsured, is setting up the new eligibility processes for the state insurance exchanges. People will be able to go to an exchange to determine in one swoop if they're eligible for Medicaid, for the law's tax subsidies or for buying insurance through the exchange.

The move requires Medicaid directors to combine their programs with those of other state agencies and insurers, a significant change in information technology in just three years. Most Medicaid programs are already underfunded and using old technology.

"It's a whole new world for Medicaid program directors, who are turning their attention to [creating] an interface with the insurance industry that they haven't had to have in the past," said Vernon Smith, principal at Health Management Associates and a co-author of the Kaiser report.

State Medicaid leaders told Kaiser that they're aware of the politics but that they're pushing ahead, following current law.

"Those who are in the trenches, so to speak, are looking at what is law and are preparing what they do to implement it," Smith said.

Alabama is one of the 20 states participating in the lawsuit against the health overhaul, but the state's Medicaid program is continuing as if the law and its Medicaid expansion will remain in place.

"My attorney general is part of the lawsuit in Florida, but we're moving forward with the idea that when we make these systemic changes, ... we're a better Medicaid program," said Alabama Medicaid Commissioner Carol Steckel.

Several governors — most of them Republicans — have been outspoken against the expansion, arguing that the federal government isn't paying for the whole thing, which leaves states with the rest of the tab.

If the states want to continue in the Medicaid program, they have to expand it. Although they could choose to end the Medicaid program, that's not a politically viable option.

vsaid the Medicaid expansion will cost his state between \$526 million and \$766 million over the next decade and called the cost "potentially devastating" to the state's budget.

"This unfunded and unparalleled expansion of Medicaid is an unfair and unsustainable mandate on Nebraska and other states," said Heineman, a Republican. "This analysis confirms that the federal health care law is an extraordinarily large and excessive unfunded mandate for states."

Leighton Ku, professor of health policy and director of the center for Health Policy Research at The George Washington University, said that many of the state estimates of cost are overblown. And even if they are on par, the federal government will end up paying a significant majority of the increase, he said.

"This will support jobs and economic activity in the states. Physician salaries, nurses, rent in capital facilities, in clinics and hospitals, pharmacies — all this comes in and helps the economy out and, in turn, generates more state revenue," Ku said.

While preparing for the changes under the reform law, states have seen their Medicaid enrollments swell by an average of 8.8 percent so far in 2010, according to Kaiser. Analysts attributed the spike to the recession, as the newly unemployed turned to the program.

It was the largest rate of growth in eight years and well above states' original projections of 6.3 percent.

States expect that increase to slow in the coming years and hope that the recent rise is all but gone by 2014.

While the recovery act provided some extra funding to help with the costs, several states implemented their own cost-cutting measures. Some eliminated dental benefits, and 39 states instituted provider rate cuts or freezes; 37 states plan similar moves next year.