Testimony to House Health and Human Services Committee
HB 2064 – Legislative Medicaid Expansion Authority
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Chairman Hawkins and Members of the Committee;

We appreciate the opportunity to offer testimony on HB 2064, which concerns the expansion of Medicaid eligibility in Kansas.

Expanding Medicaid would saddle our state with additional fiscal challenges it can ill afford. The persistent vulnerability of federal matching funds compounds this concern. Expansion would also fail to provide quality healthcare to many of our fellow Kansans who need it most. It would finance Medicaid coverage for working-age, childless, able-bodied adults not covered under the state's current program at a time when thousands of our most vulnerable Kansans with disabilities can wait years for services (Smith NPR 2016).

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 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 the Medicaid expansion via the ACA provides the best solution for curbing 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 pointed to failure on both counts.

On the question of higher-cost emergency 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 of the key cost trends the ACA and Medicaid expansion were 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 free of bias toward or against either entity.

Overall, the fact that Medicaid expansion failed 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

In 2014, we estimated Medicaid expansion would add $625 million in costs to the state over ten years, as an estimated 130,000 Kansans became newly eligible for Medicaid (Gokhale 3).

The Kansas Health Institute (KHI) offered its own, more recent estimates in November 2016, predicting expansion costs to the state over both a seven-year period and a ten-year period beginning in 2018. Its seven-year estimate was $729.7 million, and its ten-year estimate was $1.1 billion (Kansas Health Institute 4).

These potential costs loom large in their own right, but they are by no means guaranteed to stop there. A November 2016 study from the Foundation for Government Accountability found the following evidence of staggering unpredicted cost overruns in states that have expanded their Medicaid programs under the Affordable Care Act (ACA):

- Kentucky's Medicaid expansion efforts promised to save the state money but instead went an estimated $3.3 billion over budget in just two and a half years, threatening to absorb funding meant for public schools, public safety, and retiree pensions .
- Ohio's Medicaid expansion program is already $4.7 billion over budget with the potential to climb to $8 million over budget by the end of 2017
- Illinois' program is $2 billion dollars over budget in just two years.
- Colorado and New Mexico face cost overruns of $550 million and $560 million respectively in just eighteen months (Ingram and Horton 5-7).

The study notes enrollment has sailed beyond predicted levels as well. 24 states with expanded Medicaid programs and at least a year of data available on them show a collective enrollment overrun of at least 11.5 million able-bodied adults (110%) (Ingram and Horton 2).

As if cost and enrollment overruns are not enough to bust state budgets, Medicaid expansion states could bear additional costs if federal matching funds tied to Medicaid expansion are lowered or discontinued altogether. Yet, this is far from being a new phenomenon spurred by the 2016 election

results. Even President Obama floated the idea of match reductions as early as 2011 (Note: See CBPP blog post on the Obama Administration's "blended rate" proposal).

Finally, the Obama Administration's own final actuarial report on Medicaid admitted to the growing strain the program is placing on state budgets by saying, "However, even without solvency as a concern, Medicaid constitutes a significant portion of spending by both Federal and State governments and thus is important to evaluate as part of the respective budgets. A growing share of budget expenditures on the Medicaid program could displace spending on other important programs, or additional taxes or other revenue sources could be required to fund Medicaid" (Office of the Actuary, Centers for Medicare and Medicaid Services 45).

Conclusion

We oppose HB 2064 and its Medicaid eligibility expansion provisions due to the concerns related to healthcare quality and cost outlined above. 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 fiscally unsustainable and is continually vulnerable to change—if not complete discontinuance. As such, it is not the answer to providing health coverage that improves outcomes and lowers costs for all Kansans.

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