



“No plan” is not good enough.

Patrick Ishmael is a policy analyst at the Show-Me Institute, which promotes market solutions for Missouri public policy.

TESTIMONY

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ASSESSING A VERY COSTLY MEDICAID EXPANSION

By Patrick Ishmael

Testimony Before The Missouri House Appropriations - Health, Mental Health, and Social Services Committee

To the Honorable Members of This Committee:

Ladies and gentlemen, thank you for the opportunity to testify today. My name is Patrick Ishmael and I am a policy analyst for the Show-Me Institute, a nonprofit, nonpartisan Missouri-based think tank that supports free-market solutions for state policy. The ideas presented here are my own. This testimony is intended to provide a framework for understanding the optional Medicaid expansion; how such an expansion could affect Missouri's finances; and why such an expansion would be problematic for supporters of good governance and free-market solutions.

In 2010, Congress passed the Patient Protection and Affordable Care Act (PPACA), a massive health care overhaul that asserted fresh federal control over nearly one-fifth of the U.S. economy. As written, the PPACA would have, among other things, forced states to expand their Medicaid programs or risk losing all of their existing Medicaid funding. Ultimately, the U.S. Supreme Court struck down the law's mandatory Medicaid expansion provision,

finding that it was impermissible under Congress's spending power. As a result, states do not have to choose between expanding their Medicaid eligibility or losing federal funding for their entire Medicaid programs. Indeed, many states have already rejected the expansion.

Missouri policymakers have a decision to make, but if they are going to seriously consider expanding the state's Medicaid program, two fundamental — and so far, largely neglected — questions must be answered: How much would the expansion cost Missouri taxpayers, and how would the state pay for it?

How Much Would A Medicaid Expansion Cost The State?

The short answer is “billions of dollars.”

If Missouri expands its Medicaid program, the federal government would pay the full cost of providing services to newly eligible Medicaid enrollees until 2017. At that time, Missouri would be required to pay 5 percent of the new program's cost, and that share would rise to 10 percent in 2020.

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The percentages may seem small, but the money the state would have to spend would likely be very large. According to Missouri's Office of Administration, services for newly eligible Medicaid enrollees would cost the state \$54 million in fiscal year 2017, \$124 million in fiscal year 2018, \$155 million in fiscal year 2019, \$212 million in fiscal year 2020, and \$258 million in fiscal year 2021. In a report released last November, the Kaiser Family Foundation (KFF) found that Missouri could expect to spend *more than \$1.15 billion* between 2013 and 2022 *just on these newly eligible enrollees*.

Moreover, these figures do not account for growth in the current Medicaid population and the attendant costs of that growth. As a result of the PPACA, states can expect to see increased enrollment in their current Medicaid programs as federal promotion of the expansion ratchets up and potential enrollees find out they qualify for state assistance. KFF found that between 2013 and 2022, Missouri could expect to pay an *additional* \$1.6 billion for those enrollees.

If the state expands its Medicaid program, from now through 2022, Missouri would have nearly \$3 billion in new Medicaid expenses — the cost of services for newly eligible enrollees, and the cost of services for currently eligible enrollees joining the program.

How Would The State Pay For The Medicaid Expansion?

This is the multi-billion dollar question. For entitlements, the legislatively responsible thing to do is to ensure that the state has a plan to pay for the expansion — either through new tax levies or spending cuts in other programs. If an entitlement delivered today is important enough for the state to undertake, it should be funded out of today's dollars — not the dollars of future generations.

Unfortunately, such a plan does not appear to be forthcoming. When asked how Missouri would pay for a Medicaid expansion, Missouri's governor has

responded that the state would account for the new spending through "growth." He did not cite any particular support for this proposition, and does not appear to have done so to date. We all hope that the economy will grow, but I question the wisdom of the state pursuing new entitlement programs without a robust and critical assessment of its budgetary consequences. Committing to future state entitlement spending of this magnitude without accounting for the entitlement's ultimate costs is a recipe for budgetary disaster, a political can-kicking of epic proportions.

Moreover, if the state does kick the Medicaid cost can down the road — justified to any meaningful extent by the prospect of complete or substantial federal funding — it would fit an unfortunate pattern. For decades, American politicians have feasted on the dangerous public misconception that federal spending through the states is essentially free money. It is not.

Missouri Taxpayers Are Also Federal Government

Federal money is not "free money," and policymakers should disabuse themselves of that notion now, not later. Along with the Medicaid costs that will explicitly come from the state government's budget, the fact of the matter is that even the federal contribution will be paid for out of the future salaries of Missourians through debt. The federal government has seen trillion dollar deficits for several years, and those deficits are projected to exist for years, perhaps decades, into the future. And yet amidst this run of deficits, the federal government increases its spending and expands an entitlement. Does Missouri really want to abet this spending binge?

Let's be clear here: Missouri taxpayers are also federal taxpayers, liable for the debts that the federal government incurs in their names, and there is no level of government cost splitting that can change the fact that Missourians, their children and their grandchildren will have to account for this

spending. By assenting to the Medicaid expansion, Missouri policymakers would not only be committing the state to billions of dollars in new spending, but in fact would be committing Missouri taxpayers to billions of dollars more in new federal debt. That is not a fiscally responsible course.

Conclusion

The legislature should assess any proposed expansion of the state's Medicaid program with clear eyes, and that includes ensuring, from the start, that there is a plan in place for the state to pay for any such expansion in the years ahead. If policymakers believe that the Medicaid expansion will provide quality care to Missourians, then it is incumbent upon them to articulate what new taxes Missourians should pay for the service, or what other programs should be cut to make way for the new entitlement. "No plan" is not good enough.

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4512 West Pine Blvd. | Saint Louis, MO 63108 | 314-454-0647 | www.showmeinstitute.org

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