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Alabama weighs costs, benefits of Medicaid expansion under Affordable Care Act

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MONTGOMERY, Alabama -- Alabama could make deep reductions in the number of people who go each day without health insurance if state officials choose to expand Medicaid under the Affordable Care Act.

Alabama ranks 14th in the country for the number of people who likely would be added to the Medicaid rolls if the program were expanded, according to estimates from the Henry J. Kaiser Family Foundation.

Alabama also is one of five states where more than 60 percent of the state's uninsured population could become eligible for Medicaid if the expansion were implemented, according to the Urban Institute.

But those gains in insurance -- while mostly paid for by the federal government -- wouldn't be entirely free to the state. The federal government would pay 100 percent of the cost of services for new enrollees for the first three years, but that eventually would drop to 90 percent.

The U.S. Supreme Court decision to make the Medicaid expansion optional sets up a debate among officials who question the state's ability to afford the expansion -- particularly since the state is struggling to pay for Medicaid now -- and advocates who say the state can't afford not to expand the program.

Gov. Robert Bentley, a doctor, said he has not decided whether to expand Medicaid. "There are many unanswered questions," he said.

"We'll have to look at how it affects the people of our state, how it affects our budgets. We'll make the decision at the proper date," Bentley said.

In Alabama, about 744,000 people -- or about 16 percent of the state's population -- are without health insurance. Many of those live on incomes close to the poverty line.

The suggested expansion would open Medicaid to adults younger than 65 with an income of less than 133 percent of the federal poverty level, which would be \$14,404 for individuals and \$29,326 for a family of four.

In Alabama, 351,567 people would be added to the Medicaid rolls in 2019, Kaiser estimated based on assumptions about how many people who were eligible would sign up. The number could go as high as 455,952, Kaiser estimated. The numbers include some people who have insurance now, but who might drop it to go on Medicaid.

Advocates for expanded coverage say it's a historic chance for a poor state to dramatically reduce the number of people without insurance.

"This is a great opportunity. It's a win for Alabama," said Jim Carnes, communications director for Alabama Arise, an advocacy group for low-income families.

"The health outcomes for the people of Alabama will improve, and we think it's an economic win because there will be an infusion of federal tax dollars coming back to Alabama," Carnes said.

But Speaker of the House Mike Hubbard, R-Auburn, and other politicians questioned how the state could pay for its share of the expansion since it already is struggling to pay for Medicaid.

"My first impression is we can't afford what we have now," Hubbard said.

"We certainly can't afford to add 400,000 people to the rolls, especially when we can't control the eligibility requirements and the services to be provided," said Hubbard, R-Auburn.

The federal government would pay all the cost of services for new enrollees for the first three years, but then that amount would drop, hitting 90 percent in 2020.

"It's a dime on the dollar. It's a great responsible use of Alabama funding, We just think it would be crazy not to seize this opportunity," Carnes said.

Hubbard said the 90-10 match is not a bargain if "you can't afford the 10."

State Health Officer Don Williamson said the Medicaid expansion would have a significant impact on reducing the number of uninsured in Alabama, but he added "there is no free lunch."

Kaiser estimated Alabama would have to kick in an extra \$470 million to \$693 million cumulatively between fiscal years 2014 and 2019. The organization has not estimated the yearly cost to the state thereafter.

The state would bring in \$10 billion in new federal healthcare dollars for Medicaid during the same time period, according to Kaiser.

"That's a little like investing \$500 and getting \$10,000 back," Williamson told state board of health members this week.

But Williamson -- who stresses that the decision belongs to elected officials and not him -- said the stark fact is Alabama already is struggling to fund Medicaid.

"We've got this cataclysmic problem that is staring us right down the face in Medicaid right now," Williamson said.

Limited program

State lawmakers are asking voters in September to approve taking money from a state savings account to help out Medicaid and other General Fund agencies.

Williamson said that, if the amendment is voted down, he is uncertain whether the state can continue to run a Medicaid program that meets federal standards.

Some state lawmakers in this year's legislative session tried to get the state to pass a cigarette tax to fund Medicaid, but the effort fell flat. A \$1-a-pack tax would raise an estimated \$230 million a year, according to the Legislative Fiscal Office.

Rep. Joe Hubbard, D-Montgomery, who sponsored one of the cigarette tax bills, said there was "little appetite" in Montgomery to fund Medicaid,

The reason the state would see such a large jump in Medicaid enrollment if it expanded the program is because it runs one of the most limited programs in the country.

Children and pregnant women can sign up if their household incomes are about the poverty level. But parents qualify for Medicaid in Alabama only if they are living at less than 11 percent of the poverty level, or less than \$2,053 a year for a family of four.

"In essence you have almost no adults now who are not disabled on Medicaid," Williamson said.

One question, Williamson said, is whether the state would be allowed to expand its Medicaid program to cover those with incomes equal to the poverty level -- a move he said would cost somewhat less and get the "biggest bang for your buck" in reducing the number of uninsured. He also questions when the state would have to decide whether to expand its program.

Many GOP governors have rushed to say no to the expansion. Bentley -- although his office has raised doubts about the ability of the state to afford the expansion -- said he wants to get more information about costs, benefits and the impact on the state healthcare system.

State officials said they want to know what will happen to hospitals and a key federal payment if the state chooses not to expand Medicaid.

Disproportionate Share Payments are extra money that Medicaid sends to hospitals that provide a large amount of care to the uninsured. The Affordable Care Act ramps down those payments, which theoretically wouldn't be a big deal for hospitals since the number of insured in the country also would drop.

"If Alabama chooses not to expand Medicaid, then we could find our hospitals continuing to serve uninsured patients and potentially losing additional reimbursements because their DSH payments go down," Williamson said.

A spokeswoman for the Alabama Hospital Association said last week that the group was trying to get answers to questions it has.

Both Williamson and Bentley said they want to get clarification about what will happen to those payments. That's just one of the questions Bentley wants answered before he decides whether to expand Medicaid. Alabama has time to explore its options, he said.

"We've got some time on that," Bentley said.