THE HENRY J. KAISER FAMILY FOUNDATION

ALTARUM SYMPOSIUM

Tuesday, July 18, 2017

Drew Altman, Ph.D.

President and CEO
Kaiser Family Foundation

How much would states need to spend to replace lost federal funds for expansion?

Ranges from 168 percent increase in West Virginia to 400 percent across several states

	Increase in state spending to maintain expansion		
		($ in millions)	(%)
5 STATES WITH LARGEST INCREASE (UP TO 400%)	**California**	12,497	400%
	New York	7,303	400%
	Massachusetts	2,122	400%
	Washington	1,901	400%
	New Jersey	1,772	400%
5 STATES WITH SMALLEST INCREASE (AT LEAST 168%)	**DC**	106	200%
	Arkansas	406	191%
	Kentucky	854	188%
	New Mexico	390	178%
	West Virginia	178	168%

SOURCE: Center on Budget & Policy Priorities, *Senate Bill Would Effectively Eliminate Medicaid Expansion by Shifting Hundreds of Billions in Expansion Costs to States* (Published June 23, 2017)

A health-care plan that won't work in the real world

BY DREW ALTMAN

Monday's report on the Senate health-care bill from the Congressional Budget Office said that 22 million people would lose coverage under the plan and that coverage in the non-group market would become far stingier than it is today. By Tuesday the bill had been pulled back for revision. The quick sequence was revealing: Senators clearly could use some extra time to figure out how to bridge a giant gap between policy theory and reality.

The CBO report illustrates how policy-making can become divorced from the reality of people's lives. Here are three big examples of how the Senate health-care bill, as currently configured, may sound one way in theory (and in talking points) but would work out quite another way in practice.

First, the bill phases out the Affordable Care Act's 90 percent federal match for expanded Medicaid eligibility over four years, reducing it to each state's regular matching rate. The theory is that this phase-down period would provide time for states to decide whether they want to replace the lost federal funds and continue their Medicaid expansions.

But consider these estimates of how much it would cost states to replace those federal funds: California would have to come up with $12.5 billion when the phase-down is fully implemented in 2024, a 400 percent increase; Ohio would need $1.6 billion, a 272 percent increase; Nevada, $343 million, a 243 percent increase; and West Virginia, $178 million, a 168 percent increase. The impact on the other expansion states would be similar.

There is no way states can replace funds of this magnitude. If the expansion states try to replace even a significant share of the money, they will be forced to increase taxes or make significant cuts to other parts of their budgets, including for public schools, higher education, environmental protection and corrections. And because the federal match would be phased out incrementally beginning in the first year, states would have every incentive to end or freeze their expansions quickly. The idea that a phaseout would give states time to plan and adjust is driven by a belief that states can operate Medicaid with far less money if they have greater flexibility. In this case, with funding cuts this large, it's simply wishful thinking.

That leads to reality gap No. 2: the theory that the 14 million people who are covered under the ACA's Medicaid expansion could buy private coverage with the tax credits offered under the Republican plan, in effect privatizing the Medicaid expansion. This is the biggest reality check in the Senate bill.

Let's look at a typical adult covered by the Medicaid expansion. He is a 35-year-old man who lives in, say, Minden, Nev., makes $15,000 a year and may even have voted for President Trump. Under the Senate plan, he could buy a policy costing him about $400 per year after using his tax credit, but his plan would come with a deductible of more than $6,000 a year. (The Senate plan's policies are calibrated to cover just 58 percent of costs.) On a $15,000 income, he cannot afford to get sick with a policy like that. Assuming he has a car to get to work, pays rent, eats food and otherwise has the same basic expenses as any other human being, such a policy would be far from affordable for him. In fact, this is why this hypothetical Trump voter was uninsured before Medicaid was expanded in his state; like millions of his counterparts across the country, he could not afford private coverage.

The Senate plan also trims back the pool of people in the non-group market who will be eligible for tax credits, by reducing the threshold from four to 3½ times the federal poverty line. That leads to reality gap No. 3. Consider a 60-year-old woman in the town of Strong, Maine, making just less than $45,000 a year. She has high blood pressure, takes daily medication and needs regular monitoring because of her previous thyroid cancer. Under the ACA, she is eligible for a premium tax credit of about $7,000 and a comprehensive policy with a premium cost to her of about $4,500 in 2020, when the Senate health-care bill would take effect. Under the Senate plan, she would not be eligible for a tax credit. A similar plan under the Senate bill would cost her more than $15,000, or one-third of her income.

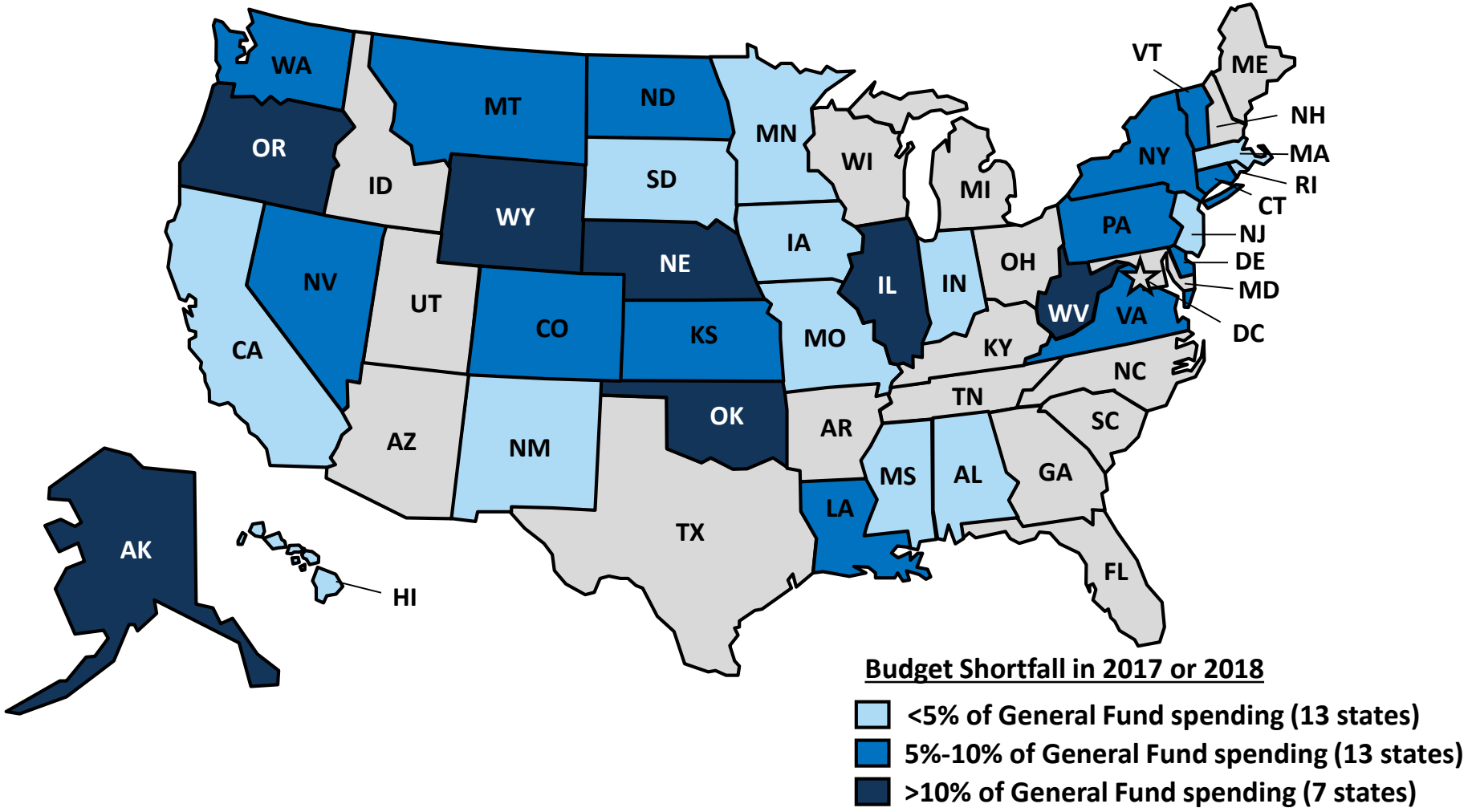
Gaps between the theory and practice of policy are not some Republican creation. Under the ACA, many people have struggled with costs or were forced to change plans and provider networks annually to keep their premiums down. But the current Senate bill takes this divergence to a new level. Private insurance cannot be better than Medicaid if it is unaffordable; states do not have some magic way to cover millions of people with far less money.

The bill may now be altered, and senators will certainly hear from constituents over the holiday recess. They should listen carefully to what they have to say. As it's written, the Senate health-care plan would substantially widen the gap between policy theory and the real world — making coverage unaffordable for millions more Americans.

The writer is president and chief executive of the Henry J. Kaiser Family Foundation.

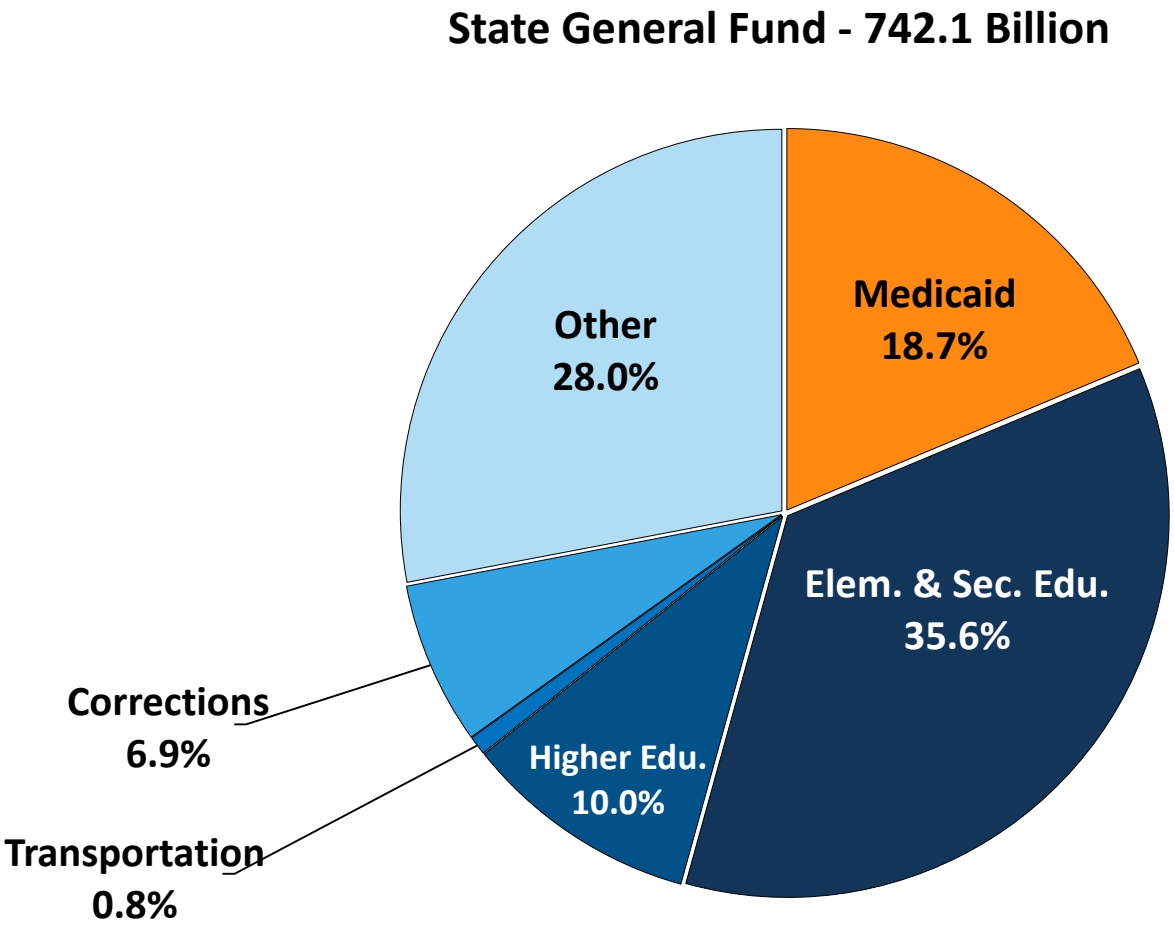
"There is no way states can replace funds of this magnitude."

33 states face budget shortfalls in SFY 2017 or SFY 2018



NOTE: Data represent projected SFY 2017 or SFY 2018 revenue shortfall as a percent of SFY 2017 General Fund spending.
SOURCE: KFF State Health Facts. Data source: *Many States Face Revenue Shortfalls,* Center on Budget and Policy Priorities March 30, 2017.

Shares of State Spending



SOURCE: Kaiser Family Foundation estimates based on the NASBO's November 2016 State Expenditure Report (data for Actual FY 2015.)

My Polling Discovery

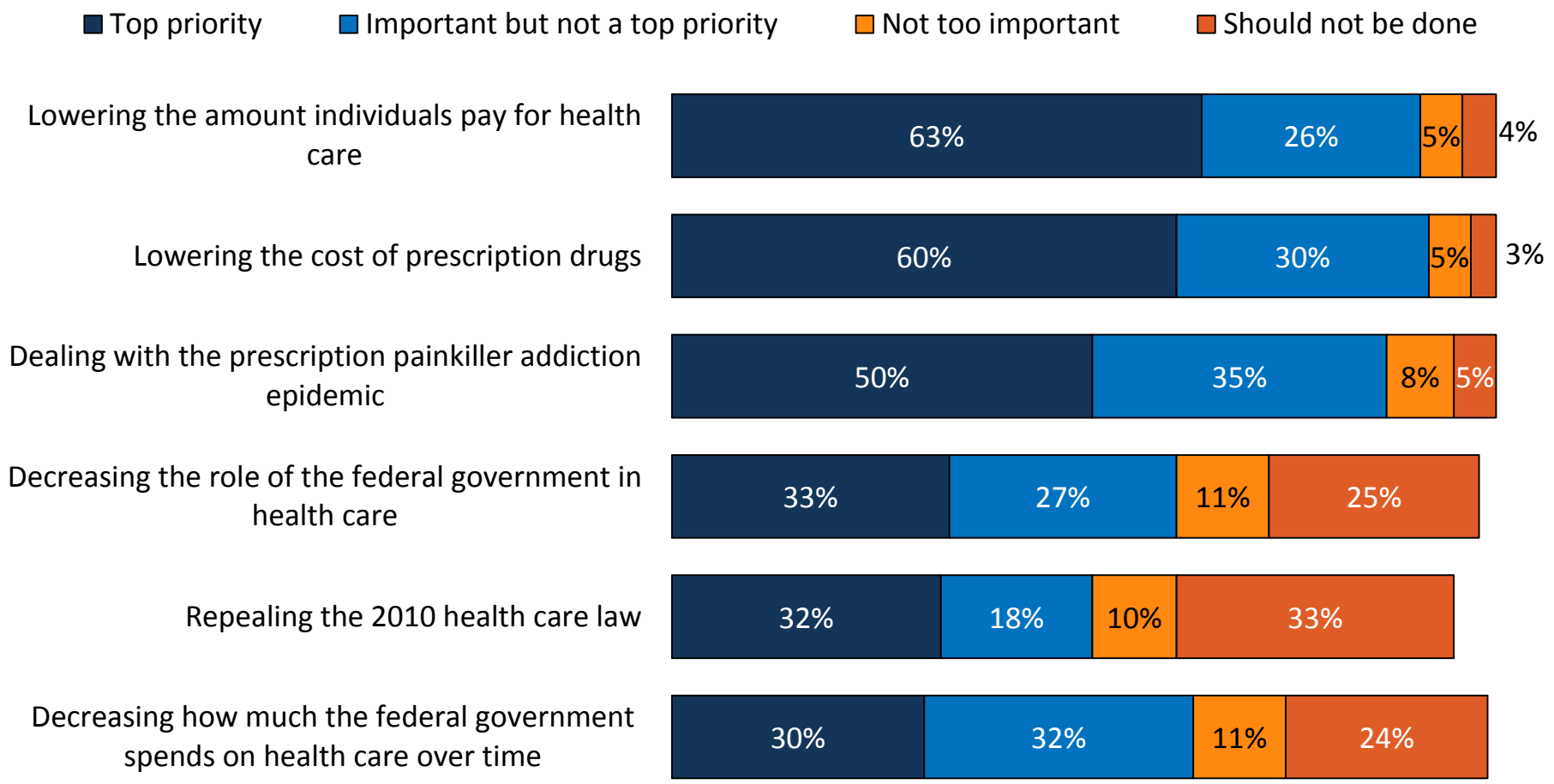
		Total	Democrats	Independents	Republicans
Drug Prices	Making sure that high-cost drugs for chronic conditions, such as HIV, hepatitis, mental illness and cancer, are affordable to those who need them	74	84	73	68
	Government action to lower prescription drug prices	63	75	64	49
Consumer Issues	Making sure health plans have sufficient provider networks	57	62	54	53
	Protecting people from being charged high prices when they visit hospitals covered by their health plan but are seen by a doctor not covered by their plan	54	60	56	43
	Making information about the price of doctors' visits, procedures, and tests, such as hip replacements and MRIs more available to patients	50	59	54	42
	Making information comparing the quality of health care provided by doctors and hospitals more available to patients	53	52	51	45
	Making information about what doctors and hospitals are covered under different health insurance plans more available	49	53	46	50
ACA Issues	Repealing the requirement that nearly all Americans have health insurance or else pay a fine	38	27	39	51
	Repealing the entire health care law	37	17	40	60
	Repealing the requirement that employers with 50 or more workers pay a fine if they don't offer health insurance	29	29	29	28
	Reducing the amount of financial assistance available to help people buy health insurance in order to save the government money	25	24	27	18
	Eliminating a tax on the most higher-cost employer-sponsored health plans, also called Cadillac plans, that helps pay for the health care law	24	27	22	22

SOURCE: Kaiser Family Foundation Health Tracking Poll (conducted October 12-18, 2016)

…Still Discovering It

Lowering Out-of-Pocket Costs Is Top Health Care Priority

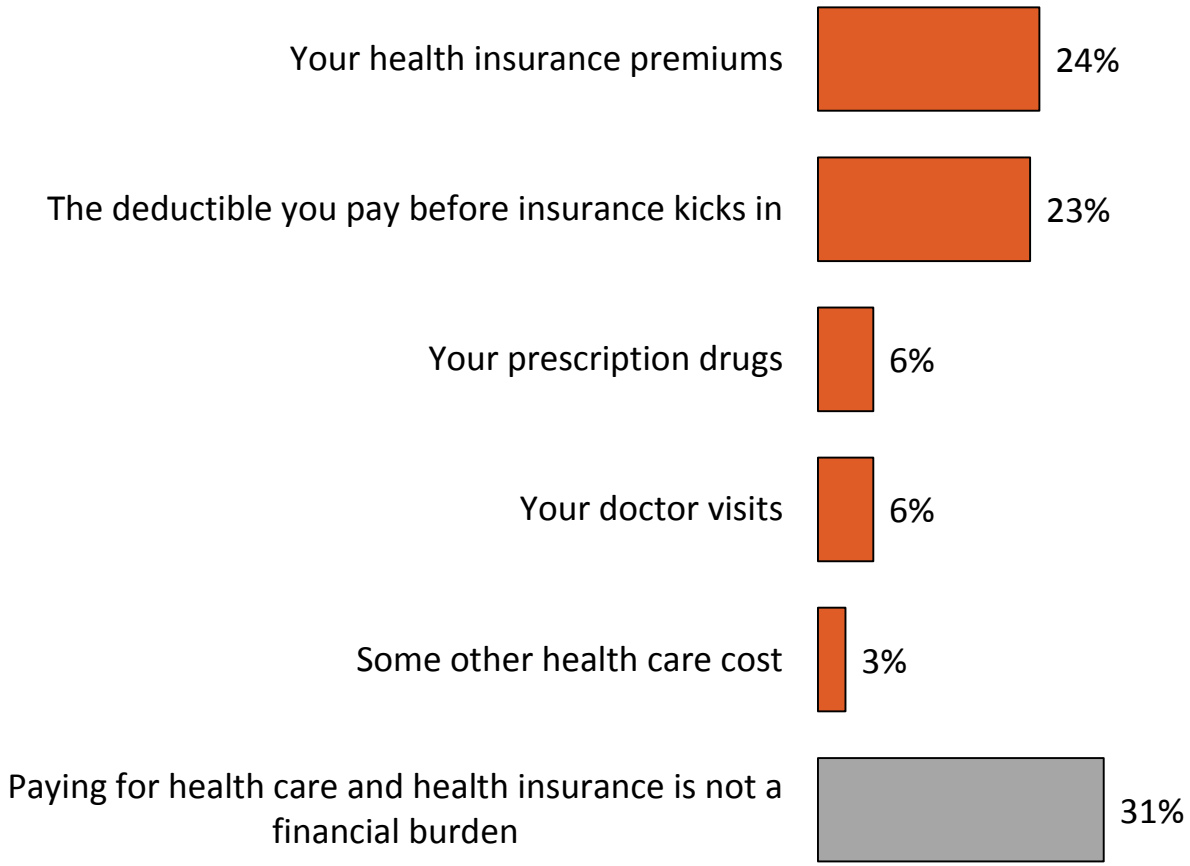
Should each of the following things President Trump and Congress might do when it comes to health care be a top priority, an important but not a top priority, not too important, or should it not be done?



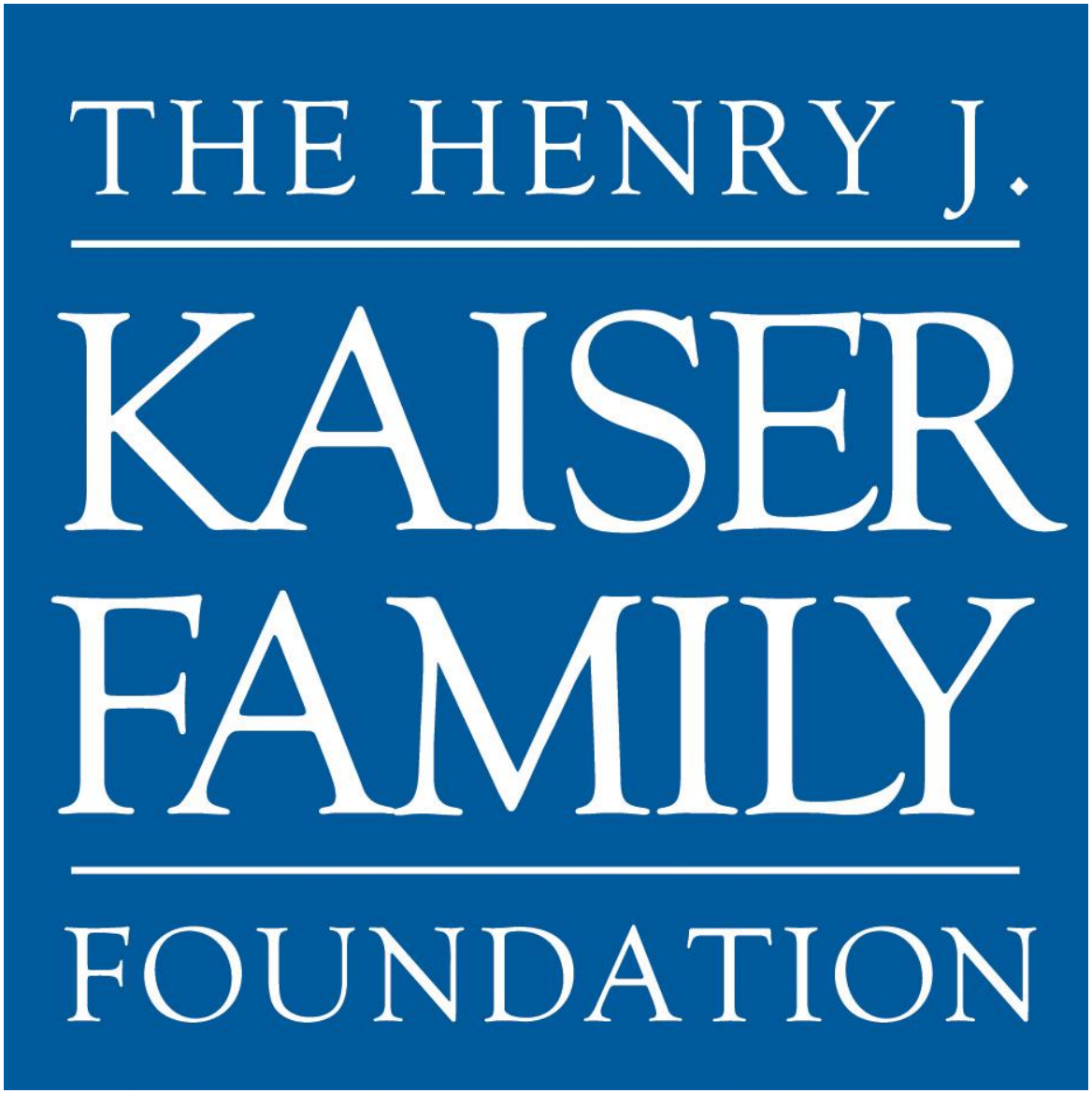
NOTE: Question wording abbreviated. See topline for full question wording. Don't know/Refused responses not shown.
SOURCE: Kaiser Family Foundation Health Tracking Poll (conducted April 17-23, 2017)

Which Health Care Costs?

AMONG THOSE WITH PRIVATE HEALTH INSURANCE: Thinking about your own health care costs, which of the following do you find to be the greatest financial burden?



NOTE: All equally (Vol.) and Don't know/Refused responses not shown.
SOURCE: Kaiser Family Foundation Health Tracking Poll (conducted September 14-20, 2016)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