Medicaid Expansion in South Carolina

Organizers' Toolkit

Compiled by the SC Progressive Network
February 2013

Resources:

There are many organizations working on getting the Medicaid Expansion passed, they include:

• **SC Hospital Association**: go to www.scha.org/medicaidexpansion to review information and videos on the issue.

• **Accept Me SC:** A coalition that includes nonprofits, hospitals and small businesses.
http://schealthcarevoices.org/medicaid/medicaid-expansion/
https://www.facebook.com/Acceptmesc
These are the dates and cities of the AcceptME Coalition trainings and town hall meetings on expansion (further details are forthcoming, but these dates and cities can be announced):

March 13th – Florence
March 18th – Spartanburg
March 19th – Rock Hill
March 20th – Greenville
March 21st – Charleston

• **Harvard Law School, Center forf Health Law and Policy Innovation**:
http://www.law.harvard.edu/academics/clinical/lsc/clinics/health.htm
Teriffic materials including the SC specific powerpoint presentation prepared by Robert Greenwald

• **The Kaiser Commission on Medicaid Expansion** study of "The cost and coverage implications of the ACA Medicaid Expansion." gives great detail and state comparisons of costs that differ greatly with Gov. Haley's figures. See the 50 page report at: http://www.kff.org/medicaid/8384.cfm

• **"The Economic Impact of the Affordable Care Act,"** by the Darla Moore School of Business, USC
(see www.scha.org/medicaidexpansion)

• **SC Primary Health Care Association**: Federally and state funded community health care centers.
http://www.scphca.org/

• **"Dying for Coverage: The Deadly Consequences of Being Uninsured",** by Families USA
This publication is available online at www.familiesusa.org

Between 2005 - 2010,
2,927, 24-65 year olds South Carolina died due to a lack of health coverage
In 2010 alone, 12 South Carolinians a day died for lack of health coverage. 625 died in 2010.
Source: Families USA calculations based on estimates by the Institute of Medicine

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Dear Organizer,

This toolkit was compiled to help you:

- Make a clear, strong argument for Medicaid expansion
- Connect with online and human resources
- Strategically target your efforts on Medicaid expansion
- Build a stronger movement for progressive change in South Carolina

Inside you'll find: a fact sheet, briefing paper, economic analysis and two news clips. There is also a list of Republican legislators and a resource list. Copy and share.

Overview

Gov. Nikki Haley's refusal to accept the Medicaid expansion for South Carolina must be challenged, whether we can win that battle or not. The numbers, common sense and decency are on our side.

Gov. Haley defends her refusal to accept the nine-to-one match in (our) tax money by claiming, "What good do the nine dollars do us when we can't come up with the one?"

Truth is, South Carolina could raise the Medicaid match simply by eliminating the $300 sales tax cap on cars, boats and airplanes. It's not the lack of revenue that may kill Medicaid expansion; it's rigid ideology that has promoted the idea that government is bad. That mindset threatens not just healthcare, but education, tax policy, environmental regulations, and so on.

Who Decides

The state legislature decides whether to accept the expansion funds — and can do so only if they muster the 2/3 majority to override the governor's promised veto.

That means that, **of the 124 House members, 82 must vote yes. In the 46-seat Senate, 30 votes are needed for an override.**

With 48 Democrats and 76 Republicans in the 124 House seats, **we must convince 34 Republicans to vote yes.** In the Senate, with 27 Republicans and 19 Democrats, **the yes vote requires 11 Republicans**. As all the Democratic legislators support the expansion, our effort must target Republicans.

Strategy and Tactics

We are asking organizers to adopt a Republican legislator. Don't hold meetings with supporters; get outside your comfort zone. If you don't have a Republican in your district, find the closest one. Look in your county delegation.

First, get that legislator to take a position on Medicaid expansion. Many Republicans are saying they are "looking at the options." This is a way of saying they are waiting to see if a super-majority for the veto is possible before they decide how to vote. Your best shot is finding a Republican constituent to be the point person. Short of that, be polite and ask if they have taken a position on expansion and would they be willing to discuss the issue.

Second, go to your adopted legislator's church and discuss the issue with congregants. Do the same with their fellow alumni. A listing of the legislators, their churches and colleges are in the back of this handbook.

Third, after a reasonable effort to solicit the legislator's commitment to a yes vote, you may attempt to call them out on the question in public. Tactics ranging from letters to the editor, to pickets or leafleting may be considered. The Network can provide tactical and legal advice on such direct actions.

Fourth, let us know if whom you've adopted, and their response.

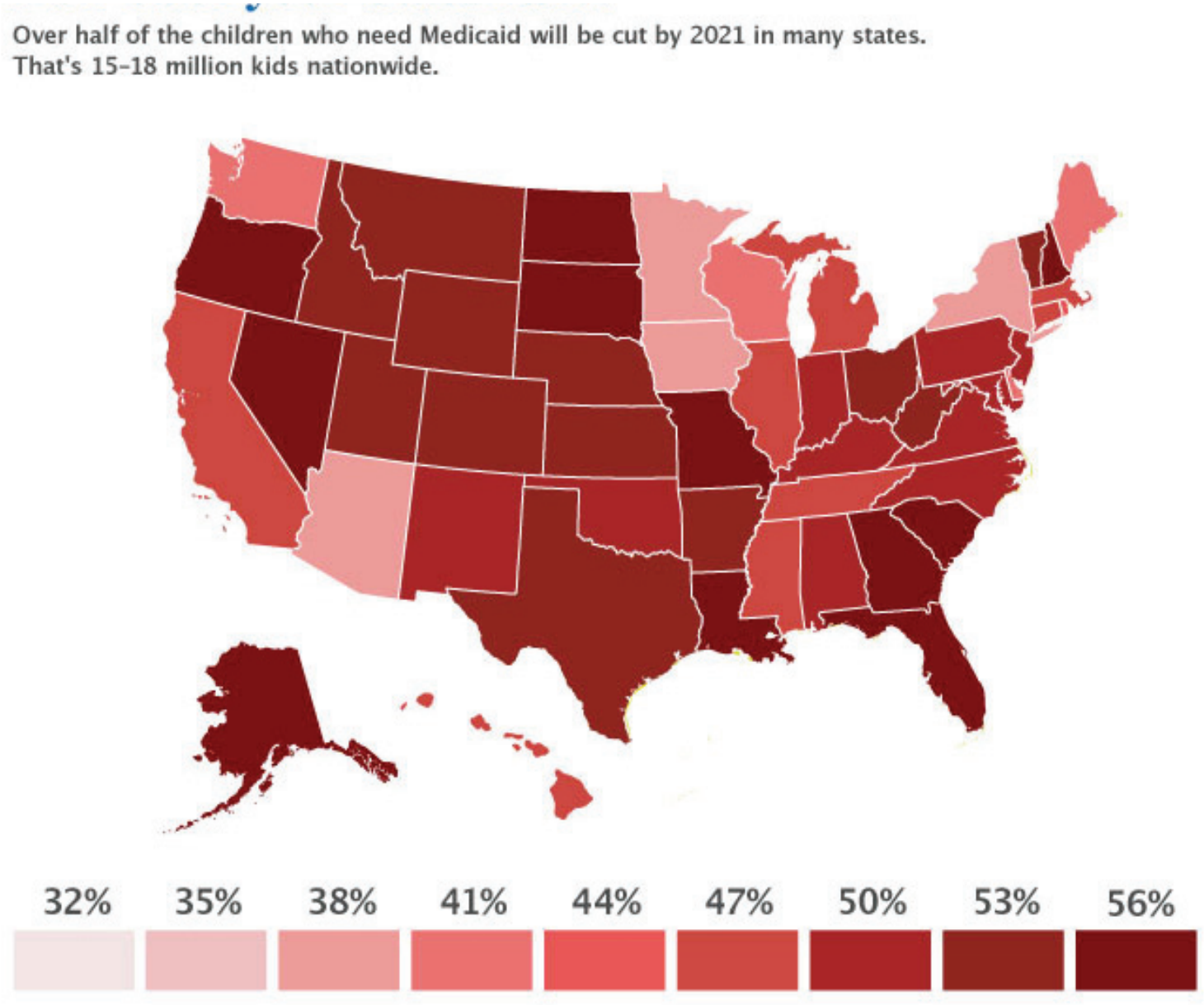
Goals

We want to get the Medicaid expansion passed. Short of that, we want to:

- Take the governor up on her position that community health care centers are a better alternative than "Obamacare," and push for a recurring budget and increased funding for the centers.
- Use the opportunity to identify allies and broaden our base of support for movement for rational change in South Carolina.

If you have questions or need help, contact the SC Progressive Network for a consultation. Call 803-808-3384 or email network@scpronet.com.

For more about the SC Progressive Network, see www.scpronet.com. Find us on Facebook and Twitter.



scha medicaid expansion q&a

1. Who will gain coverage under Medicaid expansion?

According to the South Carolina Department of Health and Human Services (DHHS), Medicaid expansion under the Affordable Care Act (ACA) will extend coverage to an estimated 250,000 uninsured individuals making at or below 138% of the Federal Poverty Level (FPL). For a single adult, that's around $15,000 a year. For a married couple, the annual income limit increases to just $20,879. These vulnerable South Carolinians simply cannot afford health insurance and Medicaid expansion is the most cost-effective way to provide them coverage.

2. How will the insured benefit from Medicaid expansion?

Employers and families with health insurance are currently paying inflated premiums to cover the costs of uncompensated care provided to the uninsured. By expanding coverage, the rate of increase in health insurance premiums for the privately and commercially insured will decelerate as the amount of unreimbursed care declines.

3. What is the cost for Medicaid expansion in the 2014 State budget?

There are virtually no state expenses for expanding Medicaid to the newly eligible during the first three years of expansion (2014-2016), as the Federal government pays 100% of the cost. In fact, a significant portion of DHHS's 2014 budget request stems from the tens of thousands of individuals and families who are already eligible for Medicaid, but have not enrolled in the program.

4. How is the Federal Government paying for Medicaid expansion?

The Federal Government is significantly cutting Medicare reimbursement and other federal hospital funding that helps cover the costs of uncompensated care for the uninsured. The ACA sought to offset these cuts with increased coverage through Medicaid expansion and newly-created health exchanges. These cuts remain in place whether or not the State decides to expand Medicaid and will cost South Carolina's hospitals more than $2.6 billion from 2014-2020.

5. What happens to South Carolina's hospitals if we refuse Medicaid Expansion?

Hospitals will be forced to continue shifting more costs of the uninsured to the insured as they absorb the more than $2.6 billion in federal cuts to Medicare and other healthcare cuts that fund the ACA from 2014-2020. Urban hospitals will balance their budgets by increasing costs to make up for lost revenue, while rural hospitals face even more tremendous financial pressures.

6. What is South Carolina's incentive to expand Medicaid?

The Federal Government will fund 100% of the cost for the newly eligible Medicaid population for the first three years (2014 – 2016). Gradually the federal match will decline to 90% in 2020 and beyond. And while South Carolina currently recognizes a 70/30 Federal/State match on Medicaid dollars, Medicaid expansion will result in a permanent 90/10 Federal/State match on newly eligible Medicaid enrollees.

7. Will South Carolina subsidize the ACA in other states?

The ACA significantly cuts Medicare reimbursements and uncompensated care funding for South Carolina's hospitals to pay for Medicaid expansion and other aspects of the law. By refusing Medicaid expansion, our hospitals will pay for "Obamacare" in other states without receiving the full benefits of the law.

8. What is the economic impact of Medicaid expansion in South Carolina?

According to a recent study conducted by the USC Moore School of Business, the annual economic impact of the $11.2 billion in new federal funding tied to Medicaid expansion will result in $1.5 billion labor income and nearly 44,000 new jobs for South Carolina from 2014-2020. The surge of increased federal dollars into South Carolina's economy will generate enough state tax revenue to offset all of state's initial costs and fund a significant portion of the state's permanent 10% Medicaid match in 20 and beyond.

9. How will our neediest citizens be affected by rejecting Medicaid expansion?

Because the ACA was passed with the understanding that all states would expand Medicaid up to 13 of the Federal Poverty Level (FPL), rejecting expansion means that federal insurance subsidies will b available to uninsured South Carolinians with incomes between 100% and 400% of FPL, while those living in poverty receive no coverage and no access to federal subsidies to afford healthcare.

10. How will Medicaid expansion affect South Carolina's workforce?

Countless studies show that insured employees are healthier and more productive on the job. Therefore, investing in Medicaid expansion will make South Carolina's workforce healthier and more productive. DHHS Director Tony Keck said it best when explaining his agency's reasoning for expanding Medicaid to more children in South Carolina in 2012, "by connecting children to a medical home we will help to ensure they get the preventative care they need to stay healthy and excel in school." It's safe to say that that same philosophy can be applied to South Carolina's workforce.

11. How will Medicaid expansion impact mental health in South Carolina?

Recent tragedies have brought attention to our nation's mental health epidemic, and South Carolina has recognized the steepest drop in mental health funding in America in the last four years (40%). Medicaid expansion would expand access to care for South Carolina's mentally ill while recognizing savings for the Department of Mental Health.

12. How will Medicaid expansion benefit employers?

The ACA requires large employers to provide affordable healthcare coverage to full time employees face financial penalties when those employees access health exchanges because affordable coverage is not offered. Refusing Medicaid expansion will drive more low-income employees to health exchanges, putting employers at risk of financial penalties, while Medicaid expansion would qualify these employees for health coverage at no cost to the employer.

www.BetterPlanSC.org

HEALTHCARE FAIRNESS FOR SOUTH CAROLINA
A Better Plan

"S.C. cannot afford to reject expanding the Medicaid Program"
Editorial in the *Orangeburg Times & Democrat*, 7/22/2012

"Try as we might, the [Affordable Care Act] was upheld by the United States Supreme Court. [It] is not going anywhere," said Conservative Arizona Republican Governor Jan Brewer on accepting the additional funding. It was reported that she said, "**Arizona would be worse off turning down the federal dollars that will come with broadening Medicaid."**
According to the *Huffington Post*, 1/14/13

"My decision to opt in **assists the neediest Nevadans**," said Republican Governor Brian Sandoval in announcing his decision to accept the broadened health coverage. The state's Medical Association called the governor's decision "**a politically courageous step."**

It is "**very clear that *[individuals] are much better off with Medicaid than [they] are without insurance"*** and **"the state budget would, on balance, come out ahead."**
Stan Dorn, senior fellow, Urban Institute on Health Policy, commenting on his study of the impact on Ohio of broadening health coverage under the Affordable Care Act.*

Overview

One of the most hotly debated issues in the South Carolina legislature this year will – **if passed** – improve the state's overall health, strengthen the healthcare delivery and create a fairer cost structure for the public. Every corner of the state and every taxpayer would be affected by:

- **Using our money wisely.**
- **Expanding jobs** by increasing economic activity.
- **Strengthening hospitals** in our communities by controlling health care costs.
- **Reducing the impact of the uninsured** on hospital budgets.
- **Tackling basic health care concerns** for many working families that currently diminishes the quality of life in South Carolina.

To achieve these goals, the **legislature <u>should approve</u> an expansion of health coverage for low-income families** that is part of the broader federal health care reform Affordable Care Act.

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Using Our Money Wisely

Under the Affordable Care Act, the **federal government is offering to return $800 million of our money in 2014** – and a total of $11.2 billion between now and 2020. The funds would **pay 100% of the cost** of expanding Medicaid Coverage for the first 3 years. From 2016 to 2020, it would drop to a 90% match, still a **better plan** than the current plan, which offers only a 70% federal match.

If South Carolina does NOT accept this money, **$11.2 billion of our money over 6 years could go to another state or states.** Some other state is likely to use the monery to fix their health care system.

These additional funds would be used to expand Medicaid providing health coverage for families with income up to 133% of the federal poverty level.

An individual making 133% of the poverty level is making only $15,282 a year. For a family of 3, that's only $29,975.

These newly eligible people could be hard-working individuals, who have a full-time job or may have several part-time jobs – but no health coverage. Their employer doesn't offer it or they just can't afford it after covering basic family expenses. It's likely we all have a family member, friend or acquaintance that find themselves in this situation.

Accepting the $11.2 billion already allocated by the Affordable Care Act for South Carolina would cover an additional 517,000 people in the state. In the 12 counties covered by McLeod Health, this would cover an additional 115,000 people.

Expanding Jobs

Bringing our money from Washington, DC, back to South Carolina to expand health coverage will expand jobs and enhance employment in several ways.

First, accepting the **additional funding would create 44,000 NEW jobs in South Carolina**, according to a study by the Moore School of Business at USC. Most of these jobs would be in the health sector with about 15,000 of them occurring outside health care due to the economic multiplier effect.

Health care services for the additionally covered families would require more health care workers – from clinical to cleaning personnel. Companies that provide supplies and service to the health care system would see increased business.

The state is projected to generate a $9 million surplus over the first seven years of the program, according to a study by the Moore School of Business study. The study takes into account the costs of administering an expanded Medicaid program and the additional revenue generated by jobs created to meet the larger health care need.

A similar study conducted about Ohio by the Urban Institute Health Policy Center in Washington, DC finds basically the same impact for that state. More people gain health coverage and thousands of jobs are created by the broadened health coverage.

Additionally, when people are sick, they can't work. Families suffer when the breadwinner can't work. Their economic condition worsens.

Finally, when people are sick – but have no health coverage – they often go to work even when they are ill, possibly spreading their infection to others. This year's flu epidemic is a good example.

Failing to accept the ACA funds and broaden health coverage will damage hospitals and may threaten the existence of some health systems.

Strengthening Hospitals

Not all elements of the Affordable Care Act are positive. Hospitals will see lower reimbursements from Medicare, which covers patients over 65. Whether or not SC accepts the funds to broaden health coverage under Medicaid, hospitals lose $2.6 billion through 2020 from lower Medicare payments.

Today, about half of the money collected by hospitals comes from two government programs – Medicaid and Medicare.

When revenues fall, hospitals continued existence is threatened. Some could be forced to sell out or merge, with a resulting reduction in services such as Obstetrics or Emergency Care. Some could even be forced to close their doors. One example is the closing of Bamberg County Hospital in 2012.

Reducing the Impact of the Uninsured on Hospitals

Under federal law, hospital emergency rooms are required to see any patient – no matter whether they have health coverage. As a result, the uninsured often use the hospital Emergency Rooms for their primary medical care. Worse still, many people often wait until their untreated diabetes, heart disease or other illness is so severe that they have no choice but to show up at the emergency room – and are then admitted to the hospital.

Our STATE HEALTH MONEY

www.BetterPlanSC.org

"Uninsured individuals are less likely to seek preventive care, are more likely to be hospitalized for preventable medical conditions, and are more likely than those with insurance to die in the hospital," according to the Kaiser Health Foundation.

Accepting the Affordable Care Act's $11.2 billion would make more than 500,000 South Carolinians eligible for coverage. It will generate revenue that is important to maintaining the quality of our healthcare and for the survival of our hospitals.

Tackling Basic Healthcare Concerns

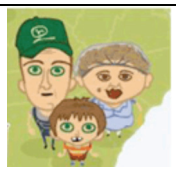
South Carolina has some of the highest incidence of diabetes, heart problems and stroke in the nation. South Carolina ranked 46th in 2012 among all states in health and the state's ranking has been declining during the last 3 years, according to the United Health Foundation. We are 48th out of 50 in children living in poverty. We are 49th – next to last – in the percent of the adult population that has diabetes.

South Carolina currently has more than 700,000 people who have no health coverage -- 1 out of 5 residents, according to the Kaiser Family Foundation.

Ongoing care offered through a doctor's office can often control these diseases, keeping people working and preventing costly hospital visits. Expanding health coverage will help make South Carolina a better place for all residents and businesses.

How Broadened Coverage will Affect Low-Income Adults

The Kaiser Family Foundation has developed profiles of how various individuals and families will be affected by the expansion of Medicaid eligibility. Here are two:

 Family with 1 child Employed full-time Annual Income: $21,200	The Perry family struggles to make ends meet. Larry works full-time as a farm hand for a large, corporate farm and Mary prepares meals at a nursing home. Neither employer offers health coverage. Because of their low income, their son Jerry is covered by Medicaid; however, due to different eligibility levels for parents and children, Larry and Mary do not qualify for Medicaid. Because the family's income is below 138% poverty level, Larry and Mary will qualify for Medicaid, along with Jerry.
 62-year-old single adult No children Self-employed Annual income: $10,000	Jo Cohen is a self-employed musician. He had a heart attack last year and has had to scale back his work. He is uninsured and unable to purchase coverage in the individual market due to his medical condition and lack of resources. He's facing significant medical bills and is having a hard time paying for medications. Because his income is below 138% poverty level, Jo will eligible for Medicaid.

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Other profiles are available at http://healthreform.kff.org/profiles.aspx?source=QL

How Will This Affect McLeod & Our Region

Under the Affordable Care Act, McLeod will experience payment reductions of more than $217 million from government payers, largely due to cuts in Medicare reimbursements over the next 7 years.

It was the intent of those crafting the ACA that these cuts would be balanced by a new infusion of money from Medicaid expansion. Without this expansion, McLeod Health faces a serious dilemma.

For 15 years, McLeod has been involved in continuous improvement. "Lean" methodology, where we work to take the waste out of process is one of the cornerstones of these efforts. However, there is no way to cut $31 million a year using "lean" and other continuous improvement techniques. That leaves McLeod with only two choices: 1) cut programs or 2) attempt to shift the burden of uncompensated care to local business partners, such as Sonoco, Honda, QVC, OTIS and others.

As a not-for-profit hospital, McLeod has numerous programs we provide to meet our mission to improve the health and well being of patients in the region. While we feel these programs are "necessary" for our communities, they are a financial burden. These include specialized trauma care, the region's only neonatal and pediatric intensive care units and a cancer clinic for those without funds for care. Imagine what loss of these regional assets would mean for each of us and our families.

If the burden falls to local businesses to pay for uncompensated care through excess rates for their commercial insurance plans, some may find it more economically efficient to move to another state that has received the federal funds for Medicaid expansion.

There is No Real Alternative for Healthcare Fairness

In the end, the choice for our state legislators is simple – either we accept the $11.2 billion or we reject it and our money goes to another state.

The healthcare system in the United States is imperfect. Experts, health officials, and taxpayers will agree that there are many changes needed to improve the way that Medicaid, Medicare and even private commercial insurance work. Yet, while we can talk about refinements, controlling costs, and improving quality, there is only one question for the state legislature to answer: Is it better for South Carolinians to accept the $11.2 billion or send it to another state?

There is no state or other government option to this plan. There is no private alternative to this plan.

In life, there are no perfect choices. In this situation, the benefits clearly outweigh the disadvantages. **South Carolina should accept the $11.2 billion for broadening healthcare coverage. It's good for our State. It's Good for Jobs. It's good for our Health.**

Medicaid Expansion: Costs or Savings for South Carolina?

Posted August 10, 2012 by theruoffgroup.com

Will a Medicaid expansion under the Affordable Care Act (ACA) cost South Carolina $1.085 billion or save us somewhere between $59 million and $679 million. Those are two numbers on the table as South Carolina begins a debate on whether to expand its Medicaid program to cover all adults up to 138 %[1] of the Federal Poverty Level (FPL). And we need to understand what those numbers mean to truly debate the future of healthcare for the least prosperous of our state.

The SC Department of Health & Human Services (SCDHHS) contracted with the actuarial firm, Milliman, to estimate the net cost of expanding Medicaid under the Affordable Care Act. The projected cost to South Carolina was $1.085 billion through State Fiscal Year 2019-2020 (SFY '20). However, a July 2011 study by researchers at The Urban Institute suggests that South Carolina could save between $59 million and $678 million from 2014 through 2019 because of the same Medicaid expansion. Those are big differences with significant policy implications for the state.[2]

Why so different? Milliman estimates include half of calendar year 2020 when state costs for the expansion population will go up a little. From 2014 through 2016, the federal government will pay 100 % of those costs, declining to 90 % from 2020 on.

Good news is that more people will be covered under the program, and though it will cost more in Medicaid, it will mean savings elsewhere for South Carolina. Although the Milliman report includes significant state savings from increased drug rebates ($335.5 million), lowered costs for uncompensated hospital care ($217.5 million) and four years of enhanced federal match for the Children's Health Insurance Program (CHIP) ($130.2 million), it does not look at state savings outside the SCDHHS budget. Those would include significant increases to the number of Department of Mental Health patients made eligible for Medicaid, meaning that the feds would pick up at least 90% of costs now paid by state dollars. Nor does it address eliminating coverages for those currently eligible at above 138 % of FPL. That includes pregnant women who would be eligible for subsidized private insurance through the Health Benefits Exchange, so no longer need Medicaid coverage

Much of the difference in calculation is because we have to estimate how many people will sign up for Medicaid—especially among those currently eligible. Two-thirds of the added costs posited by Milliman are for folks who could walk into SCDHHS tomorrow and sign up regardless of whether South Carolina expands Medicaid. Milliman estimates twice as much cost from currently eligible families ($1.032 billion) as from the newly eligible ($429 million). The federal government will only cover the current match rates for those currently eligible, roughly 70 % for adults and 80 % for children eligible under the Children's Health Insurance Program (CHIP).

There is a large body of academic research on participation rates, discussed here. The Milliman estimates are, to be generous, at the high end of the evidence on actual participation rates. Milliman asserts: "… the participation rates were reviewed for consistency with participation in the Medicare program which exceeds 95% and the Medicaid / CHIP programs for children which exceeds 85%." In Medicare a large portion of enrollees are automatically enrolled as seniors eligible based on age, so these take-up rates are largely irrelevant to the more stigmatized Medicaid program. Child take-up rates will exceed those of adults.

Milliman argues (more strongly in public presentations than in their written report) that the personal responsibility requirement, the mandate, will drive eligible persons to sign up. But what is frequently ignored is that the mandate the Supreme Court dubbed a tax will not apply to persons who are not required to file federal income tax returns—which is just about anyone who is a parent with children living at below 50 % of FPL.

Yes, there will be a welcome mat effect which will see many currently eligible parents and children enroll because they are made aware of their eligiblility and enrollment is made easier. The high levels of already-eligible children enrolled when we opened our CHIP program were the result of very intensive outreach efforts. Any welcome mat effect here is likely to be more a product of consumer education efforts through the Health Benefits Exchange than through a Medicaid expansion—a cost of the ACA but not of an expansion. If we eliminate costs for those currently eligible, the multiyear Milliman estimate drops to $53.5 million.

And there will be some "crowd out" as newly eligible persons who currently have private insurance opt for Medicaid cover-

age. The research literature is pretty clear that there is practically no crowd out below 100 % of FPL. People paying below poverty wages (aside from public employers) don't provide health coverage and private coverage is completely unaffordable. But Milliman shows large crowd out effects for those currently eligible.

Taking welcome mat and crowd out effects into account and relying on the available empirical research on participation rates, The Urban Institute estimates that Medicaid costs will increase by $570 million from 2014-2019, not the $1.8 billion asserted by Milliman.

South Carolina's report is one of a series which Milliman issued across the country. Those reports have come under attack for a number of failings, including especially unrealistic participation estimates. See, for example, health policy researcher Leighton Ku's analysis of the Milliman report on Nebraska. Milliman estimates that 85 % of expansion uninsured parents and 80 % of expansion childless adults will enroll. The Urban Institute coverage model, based on "take-up rates consistent with the empirical literature," "achieves an average take-up rate of about 73 percent for the uninsured who are newly eligible." This is higher than a 60 – 70 % "baseline rate due to outreach and enrollment simplification provisions in the ACA."

A recent study "… suggest[s] that when Medicaid is expanded in 2014, take-up may be less than anticipated because new enrollees will be offered a more restrictive set of benefits—known as 'benchmark coverage'—compared to those in traditional Medicaid, and the majority of newly eligible adults will be in groups with traditionally low take-up (primarily non-disabled adults)." (Benjamin D. Sommers et al, Reasons For The Wide Variation In Medicaid Participation Rates Among States Hold Lessons For Coverage Expansion In 2014, Health Affairs, 31, no.5 (2012) 909-919.) Although the low take-up rates (just above 50 percent in 2007-2009) for those currently eligible in our state create greater potential budget exposure, those low rates suggest that, without major changes in outreach and enrollment, South Carolina will never reach the very high participation rates assumed by Milliman and costs will be much lower than they suggest.

Two additional points. First, keep in mind these estimates cover several years, not just a single fiscal year. The highest yearly estimate by Milliman shows an additional $278.4 million in state costs on the Medicaid budget from the Affordable Care Act in SFY20. That is not chump change, but it is within the range of annual increases in the last decade for the Medicaid budget. Secondly, if Milliman's estimates are correct, the return on South Carolina's investment is $13.3 billion dollars in federal matching funds, or 1229 %, by SFY20. That is not even counting the multiplier effects of injecting an additional two billion federal dollars a year into our state's economy in SFY20 and every year thereafter. Nor does it include a calculation of the benefit to small employers being better able to afford group health insurance because some employees are eligible for Medicaid.

In sum, the estimates for costs of a Medicaid expansion being advanced by SCDHHS are higher than those supported by empirical data and fail to take into account additional savings to the State, if not to SCDHHS. We have not begun to address the beneficial effects of expanding Medicaid to as many as half a million South Carolinians. As the General Assembly explores a Medicaid expansion, it should do so with realistic numbers based on empirical research and taking into account all costs and savings directly attributable to an expansion and not just SCDHHS costs and savings. To date, SCDHHS has failed to provide estimates of those other savings.

[1] The Affordable Care Act expands Medicaid coverage for all persons up to 133 % of the Federal Poverty Level, but the calculation of that income includes a 5 % disregard making the effective level 138 %. Base eligibility for the Low-Income Families Program (basic Medicaid) in South Carolina is currently 50 % of the Federal Poverty Level but only available to parents with children.

[2] For a discussion of why estimates of costs vary so much, see The Urban Institute's report for the Kaiser Commission on Medicaid and the Uninsured at http://kff.org/healthreform/upload/8149.pdf.

The Ruoff Group provides the state's most indepth progressive analysis of state policy available. Information about Medicaid expansion is available at www.TheRouffGroup.com. A subscription service to their weekly "Policy Updates" is a must for serious policy work. Contact Dr. John Ruoff at 803-603-3224 or JRouff@TheRouffGroup.com.

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Monday, Feb 11, 2013

Posted on Wed, Jan. 16, 2013

SC's poorest left out if Medicaid expansion turned down

By JOEY HOLLEMAN
jholleman@thestate.com

INSIDE

COLUMBIA, SC If South Carolina's Legislature turns down federal Medicaid expansion, the state's poorest residents will be left out of the health insurance provisions of the Affordable Care Act.

How many of them — whether 210,000 or more than 700,000 — and how hard the absence of coverage will hit them is the subject of disagreement between state officials and advocates for the poor.

House Democrats on Tuesday urged Gov. Nikki Haley and Republican leaders not to turn down Medicaid expansion. House Republican leaders responded that they will oppose "the implementation of Obamacare."

Under provisions of the Affordable Care Act, anyone earning less than 138 percent of federal poverty level — about $15,000 — would be covered by an expanded Medicaid program.

If the state opts out of Medicaid expansion, those making between $11,000 and $15,000 still would be eligible for subsidized health insurance. But those making less than $11,000 wouldn't be covered by Medicaid or be eligible for the subsidized private insurance. No provisions were included in the ACA for states to turn down Medicaid expansion, which only became an option with last summer's Supreme Court ruling.

Children and adults who are disabled now already are covered by Medicaid. Seniors 65 and older fall under Medicare provisions. The ACA aimed Medicaid expansion at the working poor adults ages 18-64.

"Poor people, once again, will be thrown under the bus," said Robert Greenwald, director of the Harvard Center for Health Law and Policy Innovation. "If you turn down Medicaid expansion, you don't just lose, you're worse off than you were before."

Greenwald fears for the 284,000 uninsured people in

In the past two years, thousands have turned up for free medical care at Mission SC events at the Carolina Coliseum.

- Gerry Melendez /gmelendez@thestate.com

Uninsured in South Carolina

Statistics from the S.C. Department of Health and Human Services.

Total uninsured in 2012: 731,000

Uninsured making less than $11,000: 284,000

Uninsured making $11,000 to $15,000: 106,000

Uninsured making $15,000 to $43,500: 258,000

Uninsured making more than $43,500: 83,000

S.C. Democrats push for Medicaid expansion

COLUMBIA, SC As S.C. House budget writers

the state currently making less than $11,000. In addition, tens of thousands working poor, who are eligible for subsidized health insurance, would struggle to pay for it while people in similar financial situations in other states would be eligible for Medicaid.

The federal government will pay most of the cost of Medicaid expansion, 100 percent in the first three years starting in 2014 and gradually dropping to 90 percent in 2020. States that opt out of the expansion will be sending tax dollars to Washington for the program without receiving the benefits, Greenwald and others say.

Tony Keck, director of the state's Medicaid agency, and Gov. Nikki Haley want the state to opt out of further Medicaid expansion. They say the existing Medicaid program is wasteful and expanding it will crowd out the state's ability to spend on other important issues.

During the legislative debate, Keck will try to defuse the argument that the poorest of the poor are being left out if expansion is turned down. He says there are programs already aimed at the poor without health insurance, such as federally qualified health centers, rural clinics and free clinics.

"There is a current 'safety net' of health care resources for the uninsured that will continue to operate in South Carolina and nationwide," Keck said. "In some cases, as a result of (the Affordable Care Act), new funds flow directly to these safety-net programs."

The S.C. Primary Health Care Association, which represents the state's 19 federally qualified health centers, sees it differently.

Those centers, which offer free or low-cost health care, say they were bursting at the seams with 326,000 patients last year. They don't want more patients, they want healthier patients. And people with health insurance are healthier.

"Stop making health care about politics," Lathran Woodard, executive director of the association, said at a gathering of health care advocates for the poor. "Make it about us."

Dr. Stuart Hamilton — chief executive of the Eau Claire Cooperative Health Centers, which will be counted on to handle many of those left out of Medicaid expansion in the Midlands — also is wary of the oncoming wave of needy patients.

"If the capacity of the safety net was there, I would say great," Hamilton said. "But the capacity is not there."

prepare to debate the state's Medicaid budget this week, House Democrats made a push Tuesday to expand the joint federal-state health insurance program.

The federal government wants to give South Carolina $11.2 billion to allow more people to use Medicaid, the health insurance program for the poor and disabled.

Most Republicans, including Gov. Nikki Haley and the GOP legislators who control the S.C. House and state Senate, oppose the expansion, saying the state can't afford it.

But Democrats said, because the federal government will pay for 100 percent of the expansion's cost for three years, the state has time to come up with the money.

"Just as we came up with money to bring Boeing and BMW and all these other people here, we think the people of South Carolina are just as worthy," state Rep. Gilda Cobb-Hunter, D-Orangeburg, said during a news conference. "We propose ... the leadership in both the House and the Senate and (the governor) do what they have not done in the past – and that is think long term."

Arizona's Republican Gov. Jan Brewer surprised many Monday by saying she would support Medicaid expansion in her state, saying if Arizona turned down the money it would just go to insure citizens of other states.

S.C. House Minority Leader Todd Rutherford, D-Richland, said he hopes Haley will make the same decision, noting South Carolina can accept the expansion money and back out of the program in three years when the federal money runs out.

"What we're hoping is the Republicans in this chamber can do simple math," Rutherford said. "We know that most South Carolinians if offered a raise for the next three years would take that raise even if their boss told them that after three years I don't know if we're going to be able to do it or not."

But House Majority Leader Bruce Bannister, R-Greenville, quashed any notion that House Republicans would support expanding Medicaid.

"This is not a good deal, this is the Nanny State run amok," Bannister said in a news release. "The Democrats have provided no explanation as to how

Some federally qualified health centers are working at 95 percent of capacity already, Hamilton said.

"If there is a surge, there is no place to care for the surge," Hamilton said.

But Keck contends other provisions of the Affordable Care Act, including the availability of subsidized insurance, will lead to a huge drop in the uninsured in South Carolina — to 210,000 from 731,000 — and thus a drop in patients at low-cost clinics. The "decrease in the uninsured relieves the burden on these safety-net programs so their remaining funds may be spent on fewer people — thus strengthening their financial position," Keck said.

to pay for this, or if there is any path to get these people off of government dependence in the future.

"House Republicans remain committed to opposing the implementation of Obamacare."

Adam Beam

When Keck made a presentation to the Senate Medical Affairs Committee in November, he used that 210,000 figure, drawing jeers from health care advocates in the audience.

Weeks later, those advocates still had trouble with Keck's math.

They contend Milliman, the actuarial firm hired by the state, took some giants leaps of faith to arrive at that number. The reduction in the uninsured was based on everyone eligible for subsidized insurance, under the Affordable Care Act, signing up for the insurance. That's everyone earning $11,000 to $43,500.

Milliman also projected all of the 83,000 uninsured making more than $43,500 would buy insurance rather than pay a penalty for being uninsured. Also, it predicted tens of thousands of the poorest of the poor who are eligible for Medicaid, but for some reason don't sign up now, would sign up when the major Affordable Care Act programs begin in 2014.

"These numbers are quite a stretch," said Rozalynn Goodwin, director of policy research at the S.C. Hospital Association, which is favors expansion of Medicaid.

The Congressional Budget Office estimates more than half of uninsured Americans subject to the mandate to have health insurance will choose to pay a penalty instead of buying insurance, Goodwin said.

Saying only 5 percent of South Carolinians will be uninsured even if the state does not expand its Medicaid program "makes light of the coverage gap S.C. will create by not opting in to the expansion," Goodwin said. "Seventy to 80 percent of our uninsured citizens who would become eligible for Medicaid under the expansion will not have access to subsidies because they are below poverty."

That means 150,000 to 185,000 people earning less than $11,000 per year will not be eligible for federal health insurance assistance or Medicaid but a family of four making up to $92,000 can get federally subsidized insurance.

The Hospital Association has a vested interest in the expansion. One of the major funding mechanisms for the Affordable Care Act involves sending less federal money to hospitals because they will have to treat fewer uninsured patients. If South Carolina rejects that expansion, Palmetto State hospitals will lose that money while still having to treat many uninsured patients.

If South Carolina rejects Medicaid expansion, the state's hospitals will lose $2.7 billion over the next seven years, Goodwin said.

"That cannot and will not be absorbed without some kind of negative effect," she said. "Hospitals will take care of the uninsured. We can either let other states pay 90 percent of the costs or we will absorb it and pass it along to private insurers."

South Carolina has more to gain than most states.

Not only is the state near the top in incidence of most chronic diseases, but it also is near the bottom in percentage of residents covered by health insurance. The most recent accounting indicates 17 percent of South Carolinians are uninsured. That's an improvement from the 20 percent rate used in a Kaiser Family

Foundation report on state-by-state uninsured rates last year.

In the Kaiser report, only three states have higher rates of uninsured than South Carolina — Texas at 24 percent, Nevada at 22 and New Mexico at 21. Tied with South Carolina are California, Florida, Georgia and Maine.

Leaders in Georgia, Maine and Texas have said they plan to turn down expanding Medicaid. California, Nevada, New Mexico have said they plan to accept the program's expansion. Many national observers already put South Carolina in the non-expansion category, though Keck and Haley don't have the final say in this Legislature-controlled state.

Advocates say rejecting the expansion could defeat one of the premises of the Affordable Care Act that when more people are insured, more people will go to doctors for preventative care and early intervention, which will improve their health and save the system money in the long term.

One example Greenwald gave: In Massachusetts, which adopted a state health reform similar to the federal law, health care reform prompted more people with HIV/AIDS to seek early intervention. That allowed them to control their conditions with drug treatment rather than hospitalization. A Massachusetts Department of Health estimated the state saved $1.5 billion in 10 years on HIV/AIDS care.

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Scoppe: Medicaid expansion will create SC jobs, increase tax revenue

By CINDI ROSS SCOPPE
Associate Editor

IT'S LEGITIMATE to argue that Medicaid shouldn't be treated as a jobs generator, as Gov. Nikki Haley's Medicaid director does.

But at least as long as our tax dollars help pay for expanded Medicaid coverage in other states, whether we accept our share of that funding or not, it's not legitimate to ignore the jobs that an expansion would create — or the extra tax revenues those jobs would generate to offset the cost.

Money doesn't just disappear when it's spent on "government" or government programs. It might not be spent as efficiently as we'd like, but it's spent, and that spending reverberates through the economy.

Pumping an extra $1.8 billion in federal Medicaid funds into our state every year will create more jobs, for doctors and nurses and pharmacists and all the support people who work in doctor's offices and hospitals and rehab centers, and that will produce spin-off jobs when those people with new jobs buy groceries and clothing and houses and other goods and services.

And our state will collect more money in income and sales taxes when those additional people are employed and purchasing more taxable goods.

As a study for the S.C. Hospital Association explains: "The benefits from an increase in federal funding can be likened to the benefits resulting from recruiting any other new spending activity to the state, such as increases in tourism spending or manufactured exports."

So we can reject out of hand state Health and Human Services Director Tony Keck's out-of-hand rejection of the hospitals' study, which said the Medicaid expansion would generate tens of thousands of new jobs and pay for itself over the first seven years.

The report, prepared by a USC economist, projects that accepting the federal money to cover everyone who makes up to 138 percent of the federal poverty would produce 44,000 new jobs by 2020; this would result in $9 million more in increased tax collections than it would cost the state over the first seven years, as the federal government's share of the cost drops from 100 percent to 90 percent, where it will remain unless the Congress changes the law. That's not much of a surplus a $7 billion state budget, but it's better than having to pay more.

The study says the extra $1.8 billion in annual federal funding would increase our state's gross domestic product by 1 percent and increase our health-care employment by about 15 percent, from 188,000 jobs to 217,000. The other jobs — and this is where economic projections get really squishy — would be concentrated in the retail, food services, private household operations and real estate sectors. All told, the new jobs would result in an additional $105 million in annual state tax collections, or a little more than half of the extra $200 million the state would have to spend on the program once we start picking up our full 10 percent.

Does the Hospital Association have a "shocking" amount of "pure self-interest" on the question of whether South Carolina expands its Medicaid program, as Mr. Keck charges? Perhaps not "shocking," but certainly

there's self-interest at play.

Might its figures be overly optimistic? Certainly. Just as the projections on how much the expansion will cost might have been overly pessimistic in a report produced for Mr. Keck, who has been unabashed in his opposition to an expansion.

And figuring out just how solid all those numbers are should be an important part of the debate as lawmakers grapple with whether to expand Medicaid, as the federal health law mandated but the U.S. Supreme Court has allowed each state to decide.

Indeed, unless the Legislature decides that it has an obligation to provide medical care to the poor regardless of the cost — which it's not going to do and probably shouldn't do — there are lots of practical questions that need to be asked:

If legislators reject Gov. Haley's rejection of the expansion and opt in, how would we afford the extra cost, projected at $28 million in 2014 and rising to $200 million by 2020?

If they fall in behind the governor, what would happen to people who can't afford to purchase health insurance but by law must have it, because that law intended for them to be covered by Medicaid? And this one is huge: What would happen to the cost for the rest of us at those hospitals that by law must provide care to anyone who walks into their emergency rooms, but whose federal offsets for some of that care are set to dry up, because the law intended for everyone to have some type of insurance?

What's the chance that the Congress will pull a bait-and-switch, reducing the promised 9-to-1 federal match once states agree to expand the program, potentially locking themselves into that expanded coverage regardless of how the reimbursement rate changes?

But two questions that do not need to be asked — that cannot even legitimately be asked — are whether the expansion would create more jobs in our state, and whether that would result in more tax revenues to offset part of the cost of the expansion.

Even if the hospitals' projection is inflated, the indisputable fact is that injecting an extra $1.8 billion a year into our state will create a significant number of new jobs, and that will generate additional tax revenues.

And that means that our state would not have to raise taxes or cut services by that full $200 million a year in order to provide $2 billion worth of medical care, much of which we're going to end up paying for anyway, with or without the federal government picking up the other 90 percent of the cost.

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