Three Reasons States Should Reject Biden's ObamaCare Bait

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KEY FINDINGS

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THE BIDEN OBAMACARE BAIT IS A SHORT-TERM PATCH THAT WILL CREATE LONG-TERM DEPENDENCY.

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REASON 2:

OBAMACARE EXPANSION COSTS EXCEED THE BIDEN BAIT BY MORE THAN $43 BILLION.

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REASON 3:

FEDERAL TAXPAYERS ARE NOW FINANCING "FREE" PRIVATE INSURANCE TO MANY POTENTIAL EXPANSION ENROLLEES.

THE BOTTOM LINE:

STATES SHOULD REJECT RENEWED FEDERAL EFFORTS TO EXPAND OBAMACARE.

Overview

ObamaCare's Medicaid expansion has been an abject disaster. In virtually every state that implemented it, enrollment and cost estimates have shattered expectations. On average, states have signed up twice as many enrollees as promised, while experiencing average cost overruns of 157 percent.[1] Promised hospital jobs never materialized, with Medicaid expansion states reporting severe hospital financial shortfalls due to more individuals receiving care at lower Medicaid reimbursement rates.[2-3] Meanwhile, the truly vulnerable have been left to wait for care.[4]

ON AVERAGE, STATES HAVE SIGNED UP TWICE AS MANY ENROLLEES AS PROMISED, WHILE EXPERIENCING AVERAGE COST OVERRUNS OF 157 PERCENT.

If the remaining non-expansion states were to implement Medicaid expansion, **it would shift more than 9.9 million able-bodied, working-age adults onto welfare at a cost of more than $600 billion over the next 10 years.**[5] At least $60 billion of this would be picked up by state taxpayers.[6]

In an effort to entice states into expanding welfare—despite the serious risk and chaos it would bring them—the Democrat-controlled federal government has devised a new "incentive" or bait.

This incentive—or Biden ObamaCare bait—would provide a temporary bump in federal funding for states that expand ObamaCare (five-percentage point increase in the Federal Medical Assistance Percentage [FMAP] for eight quarters).[7] This comes despite the fact that all states—regardless of Medicaid expansion status—are already receiving a 6.2 percent bump in federal funding through at least March 2022.[8]

Not only would the federal bait expire after two years—but it also fails to cover anywhere near the total long-term costs of ObamaCare's massive welfare expansion.

In addition, because of new increases in federal premium tax credits, a significant portion of the potential Medicaid expansion population will now qualify for free-to-them health insurance—regardless of whether or not a state expands Medicaid. This significantly undercuts the "need" for expansion as millions of these individuals will now be eligible for coverage at no cost to themselves.

REASON 1: The Biden ObamaCare Bait is a Short-Term Patch that will Create Long-Term Dependency

Under the new federal law, the Biden bait—increased federal funding for *traditional* Medicaid populations—will last for a maximum of two years if states give in to expansion.[9] After that, this small amount of enhanced funding will evaporate, leaving states fully on the hook.

This is a classic trap: The federal government will have no reason or obligation whatsoever to extend the federal incentive beyond the two-year period. They will have gotten what they wanted—millions more dependent on welfare—and they will happily dump more of the costs back onto states.

And states will be stuck holding the bag: Once implemented, the Medicaid expansion population becomes a mandatory coverage group.[10] While the Supreme Court declared that states had a choice of whether or not to expand Medicaid under ObamaCare, it never said that states would have the option to come and go as they please.[11]

Indeed, states seeking to make eligibility changes to the expansion group have been met with numerous legal challenges.[12] In these cases, plaintiffs argued that once a state expands Medicaid to a new class of able-bodied adults, that category becomes a "mandatory" population for Medicaid purposes.[13] Under federal law, states may not eliminate eligibility for mandatory populations without exiting the Medicaid program entirely.[14]

AFTER TWO YEARS, THIS SMALL AMOUNT OF ENHANCED FUNDING WILL EVAPORATE, LEAVING STATES FULLY ON THE HOOK.

Courts that have reviewed these cases have echoed this language, noting that once a state voluntarily chooses to expand Medicaid, the expansion group becomes a mandatory population under the law.[15] While a future Supreme Court could reverse these holdings, states considering expansion face massive legal uncertainty over whether they would ever be able to end expansion.

And legal uncertainty aside, unwinding expansion would be a massive political undertaking—a worthy undertaking, but a significant lift, nonetheless.

In short, it would be silly for any state to think of ObamaCare expansion as a short-term venture. While the Biden ObamaCare bait is temporary, the increased dependency and subsequent costs are likely permanent.

REASON 2: ObamaCare Expansion Costs Far Exceed the Biden Bait

Not only is the temporary nature of the new federal incentive a poor reason to expand Medicaid, but so is the small amount of fiscal relief provided by the incentive relative to the costs of expansion.

If all 13 remaining non-expansion states implemented expansion in FY2022, they could expect to receive $17.6 billion in temporary extra federal revenues over a two-year period.[16] However, the cost of expanding ObamaCare far outweighs the value of the federal incentive.

The state-only costs of expansion over the next decade would exceed the temporary fiscal benefits by nearly $43.2 billion.[17] Indeed, in many states, the incentive becomes cost-ineffective immediately after it expires.

This of course ignores the all too frequently forgotten fact that state taxpayers pay federal taxes, as well. State taxpayers in each of the remaining non-expansion states would be on the hook for both the federal incentive and a portion of the federal share of the Medicaid expansion costs as well, further increasing the burden on state taxpayers.

The new incentive to expand Medicaid is dwarfed by the astonishing cost it would take to implement the program on an ongoing basis. They certainly do not offset the additional costs to hospitals and the most vulnerable, either.

States would be better positioned to take advantage of a new federal provision that covers a significant portion of potential enrollees regardless of whether or not a state expands Medicaid.

THE COST OF OBAMACARE EXPANSION FAR OUTWEIGHS FEDERAL BAIT

Receipts and Outlays Over 10 Years

STATE	INCREASED FEDERAL FUNDS	STATE-ONLY EXPANSION COST	NET EFFECT ON STATES
Alabama	$740 million	-$2.79 billion	-$2.05 billion
Florida	$3.08 billion	-$12.88 billion	-$9.80 billion
Georgia	$1.36 billion	-$6.53 billion	-$5.17 billion
Kansas	$450 million	-$1.40 billion	-$950 million
Mississippi	$690 million	-$2.80 billion	-$2.11 billion
Missouri	$1.15 billion	-$3.49 billion	-$2.34 billion
North Carolina	$1.70 billion	-$7.70 billion	-$6 billion
South Carolina	$790 million	-$3.06 billion	-$2.27 billion
South Dakota	$110 million	-$410 million	-$300 million
Tennessee	$1.26 billion	-$4.38 billion	-$3.12 billion
Texas	$5.02 billion	-$12.85 billion	-$7.83 billion
Wisconsin	$1.14 billion	-$2.16 billion	-$1.02 billion
Wyoming	$70 million	-$270 million	-$200 million
TOTAL	**$17.56 BILLION**	**-$60.72 BILLION**	**-$43.16 BILLION**

Source: Kaiser Family Foundation, Author's Calculations

REASON 3: Federal Taxpayers are Now Financing "Free" Private Insurance to Millions of Potential Expansion Enrollees

For the first time ever, individuals earning between 100 and 150 percent of the federal poverty level (FPL) will be eligible for federally-paid-for health insurance—up to the silver benchmark level—without having to pay a dime in premiums.[18-19] These enhanced premium tax credits are offered to individuals in all states, regardless of expansion status.[20] While the enhanced tax credits are scheduled to last for at least two years, Congress would be hard-pressed to roll back these subsidies, as it would considerably increase the price tag of insurance for millions of Americans.

Since ObamaCare expansion would extend Medicaid coverage to those earning between 100 and 138 percent FPL, there is significant overlap between expansion and the enhanced tax credits.

In fact, nearly two million individuals who already have insurance, plus another more than 1.8 million without insurance, are now eligible to purchase private insurance at no cost to them.[21-22]

NEARLY 3.8 MILLION POTENTIAL EXPANSION ENROLLEES NOW QUALIFY FOR "FREE" PRIVATE INSURANCE

Estimated Number of Exchange and Uninsured Enrollees in Non-Expansion States with Incomes Between 100 and 138 Percent FPL

STATE	CURRENT EXCHANGE ENROLLEES	CURRENT UNINSURED ADULTS	TOTAL POTENTIAL EXPANSION ENROLLEES QUALIFYING
Alabama	60,416	77,000	137,416
Florida	855,285	375,000	1,230,285
Georgia	189,737	184,000	373,737
Kansas	22,924	37,000	59,924
Mississippi	46,626	64,000	110,626
Missouri*	69,965	—	69,965
North Carolina	158,645	161,000	319,645
South Carolina	67,436	84,000	151,436
South Dakota	6,172	11,000	17,172
Tennessee	60,742	108,000	168,762
Texas	395,832	662,000	1,057,832
Wisconsin	36,146	30,000	66,146
Wyoming	4,190	8,000	12,190
TOTAL	**1,974,116**	**1,801,000**	**3,775,116**

Source: Foundation for Government Accountability, author's calculations, Kaiser Family Foundation
**Uninsured estimates unavailable for Missouri*

If these states expand Medicaid, current exchange enrollees will lose access to premium tax credits and be shoved into Medicaid instead.[23] In total, the nearly two million Americans currently on the exchange would be kicked off of their private insurance and forced onto Medicaid.[24]

NEARLY TWO MILLION AMERICANS CURRENTLY ON THE EXCHANGE WOULD BE KICKED OFF OF THEIR PRIVATE INSURANCE AND FORCED ONTO MEDICAID.

This leaves non-expansion states with a simple choice. Option one is to allow the federal government to pay for the private insurance of these potential expansion enrollees—who will be reimbursing state providers at higher reimbursement rates—without any direct cost to the state. Option two is to expand Medicaid with the state picking up millions in direct costs each year, kicking millions of these individuals onto Medicaid and off of private insurance at lower reimbursement rates. The choice is clear.

The Bottom Line: States Should Reject the Biden ObamaCare Bait

The Biden ObamaCare bait is a thinly veiled attempt by the Left in Washington, D.C. to snooker more states into massively expanding welfare and then pull the rug out from underneath them. These incentives are temporary and simply do not come close to offsetting the cost of Medicaid expansion. Their lure is diminished even further by the fact that millions of potential expansion enrollees will now automatically qualify for free-to-them private insurance, regardless of their state's expansion status. States cannot and should not fall for the latest attempt to trap millions on welfare, drive up costs for taxpayers, hurt hospitals and providers, and leave the truly vulnerable behind.

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