MEMO

Six Things They Won't Tell You About Medicaid Expansion in Kansas

Introduction

Health care costs continue to rise. The number of providers continues to fall. And quality of care, clarity in billing, and gaps in coverage continue to mystify patients and policymakers. Some in Kansas say the solution is to expand Medicaid to able-bodied adults under ObamaCare. But Kansas's policymakers deserve to hear what those advocates aren't willing to say.

Kansas deserves the full story when it comes to Medicaid expansion. This includes the inevitable loss of private coverage, less access to care, and the alternative options for more affordable and less government-centered health care.

Policymakers in Kansas likely already know the biggest catch when it comes to Medicaid expansion—the real cost. By now, we know that the promises of advocates about enrollment and cost are consistently wrong. In Arkansas, for example, policymakers were told that **215,000 able-bodied adults would enroll**.[1] **More than 343,000 able-bodied expansion adults are on Medicaid today** in Arkansas.[2]

All told, if Kansas expanded Medicaid, it could expect to see **328,000 able-bodied adults enrolled at a state-only cost of $1.3 billion** over the next decade.[3]

But policymakers may not know these other seven key facts about Medicaid expansion under ObamaCare:

#1: Low-income Kansans will lose their private coverage if Kansas expands Medicaid

In Kansas, tens of thousands of potential expansion enrollees already have access to private coverage.[4] This does more than negate one of the leading arguments for expansion—that its primary purpose is to insure the uninsured. The way ObamaCare is set up, it actually means that if Kansas expands Medicaid, it will involuntarily remove many Kansans from their private health insurance coverage.

Why? A significant proportion of individuals with private coverage who would be eligible for Medicaid under ObamaCare expansion already receive heavy subsidies for private plans through the ObamaCare exchange.[5] But these individuals will become ineligible for these subsidized plans if Kansas expands Medicaid.[6] As a result, Kansas would kick these individuals off their private

plans and shift them needlessly into inferior, state-funded Medicaid plans. It is also worth noting that because individuals are only eligible for these exchange subsidies if they have incomes higher than 100 percent of the federal poverty level, Kansas's current coverage structure has created something of "backdoor" work requirement for able-bodied adults who want to receive taxpayer-funded health care coverage. Kansas will lose that requirement if it expands Medicaid under ObamaCare.

#2: Medicaid is not the solution to health care problems it promises to be

Beyond budgetary impact and market distortions, there is good reason for policymakers to be more broadly skeptical about expansion advocates' promises of improved health outcomes. Why?

A study conducted in Oregon after its unique experience with expansion is instructive. In 2008, Oregon had an abundance of residents who qualified for Medicaid, but limited funding and availability in the program. As a result, the state determined enrollment by means of a lottery. Following the lottery, researchers tracked the residents that were enrolled to determine the effect Medicaid had on health care utilization, health outcomes, etc.

The results showed that Medicaid coverage increased outpatient visits, hospital stays, and emergency room visits—but **it did not actually produce improved physical health outcomes** for those enrolled.[7] A more recent study confirmed these results, finding "**no evidence that Medicaid expansions affect any of the [health] outcomes in any of the treated states or all of them combined."**[8] Medicaid is not the same thing as health care. And it certainly is not the same thing as a quality health care.

#3: Expansion would undercut Kansas's growing competitive advantage

Kansas's legislative leaders know the state is in a battle with states like Texas for residents, workers, and businesses. One of Kansas's advantages in that struggle is its comparative edge in managing its state budget because the state has not expanded Medicaid to able-bodied adults. Even before the COVID-19 pandemic, Kansas spent a low percentage of its budgetary expenditures on Medicaid— about 21 percent.[9]

Why is that an advantage? It means that, like Texas, Kansas **has a unique ability to make other investments in education, infrastructure, and public safety because it has not expanded Medicaid**. And Kansas can focus its limited Medicaid dollars on the truly needy— individuals with disabilities, seniors, and kids— rather than able-bodied adults. This is a win for the truly needy and Kansas's economic future.

#4: Kansas is already paying the price for an involuntary Medicaid expansion due to federal legislation

Medicaid enrollment is surging in Kansas, with an increase of 33.8 percent since the beginning of the COVID-19 pandemic.[10] This is a direct result of federal legislation that is requiring all states to

keep any Medicaid enrollees added during the pandemic on the program—**even if these individuals become ineligible**—which is commonly referred to as "continuous coverage requirements" or, more appropriately, "the Medicaid handcuffs".[11]

As a result, even without ObamaCare expansion to able-bodied adults, **Kansas is getting a sneak preview of what that expansion would look like in terms of both cost and control.** And, of course, the longer Kansas keeps the handcuffs on, the longer and more expensive the state's administrative backlog will become.

#5: Medicaid is broken and the Biden administration is making it worse

Even before the COVID-19 pandemic and the federal government's Medicaid handcuffs, the program was fundamentally broken. More than one in five dollars spent through Medicaid is spent improperly—more than $100 billion annually—driven primarily by eligibility errors.[12] In fact, in Kansas, roughly 28 percent of all Medicaid spending was improper prior to the pandemic, virtually all of which was due to eligibility errors.[13]

But the Biden administration is doubling down on Medicaid's waste. It recently proposed a regulation to water down the program's already loose eligibility verification standards by banning states from conducting more frequent eligibility reviews, forcing states to disregard mail showing an address change, eliminating in-person interviews, creating unnecessary "reconsideration periods," prohibiting states from asking follow-up questions on resources and citizenship, eliminating requirements to seek other supports, and barring meaningful enforcement of statutory state options.[14]

#6: Kansas has better options to increase coverage

The choice Kansas's policymakers face is not one of Medicaid expansion or status quo. Despite the federal government's control, state-based reforms are available to make health care more affordable and accessible.

- **Increase hospital price transparency**: Unlike most markets, consumers of health care often have no idea what their real choices and ultimate payment responsibilities are because there is no transparency about options or pricing. The Trump administration passed a rule to fix this by requiring hospitals to provide more price transparency to patients.[15] But most hospitals are not meeting this requirement because the fines for non-compliance are so minimal.[16] **In Kansas, 43 percent of all hospitals are not complying with the requirement.**[17] Kansas can fix this dynamic by adopting stronger state-level sanctions for hospitals who continue to fail to comply with these consumer-friendly rules.
- **Increase access to short-term plans**: Short-term plans allow consumers to access low-cost insurance for a limited period of time, such as during a time of unemployment, while waiting to become eligible for Medicare, after leaving one's parents health plan, or a number of other circumstances.[18] These plans are, on average, 59 percent less expensive than individual market plans.[19] The Trump administration expanded short-term plans by

allowing consumers to remain on them for up to 364 days, and renew them annually for up to three years.[20] However, Kansas law prevents consumers from renewing these plans, due to vetoes from Governor Laura Kelly.[21] Kansas can continue to build momentum for short-term plans by expanding renewability.

- **Allow out-of-network costs to count toward deductibles**: The lack of clarity about what care and providers are considered in network or out of network by insurance companies is one of voters' top complaints about health care. What is clear is what patients think: Getting the care that works for them is more important than insurance networks, especially when out-of-network providers offer low-cost services. Kansas can make that happen by requiring insurers to allow patients to count services provided by out-of-network providers toward their deductible if the services are offered at a lower cost than in-network options.

- **Give public employees the right to shop in health care:** One innovation in reducing the cost of health care is shared savings—incentivizing patients to shop for providers and services partly on price by allowing them to share some of the resulting savings. This is especially powerful for public employees in their health care plans because savings get shared between both patients and taxpayers. States like Kentucky and New Hampshire have taken this approach and saved millions.[22-23]

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