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## Medicaid Expansion Would Strain State Budgets

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State governments are bracing for the effects of the most-prominent congressional health care proposals, all of which would expand Medicaid and increase the burden on state funding.

Sen. Max Baucus's (D-MT) plan would expand Medicaid eligibility to cover all U.S. citizens with incomes up to 133 percent of the federal poverty level starting in 2014. Federal taxpayers would be required to cover more of the cost than they currently do for newly eligible people—but less than 100 percent. States would have to make up the difference.

Grace-Marie Turner, president of the Galen Institute in Alexandria, Virginia, noted the Baucus plan and others would further strain already-tight state budgets.

“The health reform bills making their way through Congress were supposed to lower costs and reduce the burden on the states. Now that we see the details, it is clear the legislation will do just the opposite,” Turner says.

### Straining State Budgets

“At more than 20 percent, Medicaid is the largest component of state budgets,” said Devon Herrick, a senior fellow at the National Center for Policy Analysis in

Dallas, Texas. “Provisions in the Baucus bill increase the burden on taxpayers as well as requiring higher federal taxes.”

John LaPlante, editor of StateHouseCall.org, warns the federal government will eventually cut back on its share.

“Expanding Medicaid can't be good for state budgets, even if Congress allocates some extra money for a few years,” LaPlante said. “What happens when the federal money goes away? State legislators will have to make up the difference or suffer the consequences.”

Turner agreed, saying, “Costs will soar, and states will be forced to add millions more people to their Medicaid rolls. Any promise of federal funds to help pay for the expansion will quickly vanish as Congress sees it cannot possibly pay for all of the promises it has made in its sweeping health reform plan.”

### Crowding Out Competition

Private insurers could be crowded out of the market as Medicaid rolls expand, Herrick warns.

“Past research has found when eligibility is expanded, about 60 percent of those who enrolled had dropped private coverage. Thus

it is possible to expand Medicaid without covering a significant number of the uninsured,” Herrick said. “Current proposals might expand eligibility for Medicaid up to 400 percent of the federal poverty level. Of newly eligible families, between 75 percent and 90 percent already have private coverage.”

Turner added, “The people who will suffer the most are the neediest citizens who either do not have a doctor or rely on Medicaid and often have no place else to go for coverage, but must now compete with millions more people for services.”