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The Problem with Expanding Medicaid in Nebraska

The Patient Protection and Affordable Care Act (PPACA), otherwise known as Obamacare, had two provisions that require states to make a decision about participation. The first was whether the state should set up a state-based healthcare exchange, which Nebraska wisely declined to do. The second decision is still pending in Nebraska - whether or not to drastically expand Medicaid to those individuals below 138 percent of the federal poverty level.

Under PPACA the federal government, funded in part by Nebraska taxpayers, would cover the full cost of this Medicaid expansion for three years, after which time more of the cost is transferred directly to Nebraska taxpayers in the Nebraska state budget. In both cases, spending increases and taxes will increase - leaving small businesses and farmers with less money to expand their business and families with less discretionary income.

Nebraska is one of five states currently leaning towards rejecting the Medicaid expansion,[\[1\]](#) with Governor Dave Heineman issuing a statement that Nebraska cannot afford the Medicaid expansion, but stopping just short of saying whether the State of Nebraska would join nine others rejecting the expansion. [\[2\]](#)

The 103rd Nebraska legislative session is expected to take up the issue of Medicaid expansion. If Nebraska moves forward with the expansion, the Unicameral would either have to raise taxes, cut funding to other priorities like roads and education, or both. None of which are good for Nebraska taxpayers.

According to the Heritage Foundation's Health Insurance Micro-simulation Model, Medicaid expansion will pressure state budgets as early as 2019 and could cost individual states up to \$3.4 billion a year.[\[3\]](#)

The Foundation for Government Accountability estimates that if Nebraska rejects Medicaid expansion, taxpayers will save at both the federal and state levels with federal savings estimated at \$2.2 billion over the next ten years,[\[4\]](#) and state budget savings of \$157 million in the same time frame. In the case of many government programs, actual costs can be more than initial estimates - meaning more money out of taxpayer pockets. The federal deficit is at a historic level (\$16 trillion) and Congress will face the debt ceiling issue again soon, so any expansion of Medicaid in Nebraska will mean more spending and debt, and more pressure on Nebraska taxpayers at both the federal and

state level.

The Heritage Foundation's Model outlines multiple funding scenarios for Medicaid expansion and how it would impact Nebraska taxpayers at both the federal and state level between 2014 and 2022. The amount added to the Nebraska State Budget over this time period ranges from \$157 Million to \$608 Million and the amount added to the federal budget ranges from \$1.8 Billion to \$2.3 Billion.

Whether the lion's share of the spending is done at the federal or state level, Nebraska taxpayers are still footing the bill. Medicaid expansion will increase federal spending by roughly \$642 billion once implemented, according to the Congressional Budget Office.^[5] On the state level, Nebraska is already facing a projected \$195 million budget shortfall over the next two years.^[6] The costs of a massive Medicaid expansion could be devastating on both levels.

The Platte Institute believes that because Medicaid expansion will lead to higher deficits for both federal and state governments, and ultimately higher taxes for Nebraska taxpayers at both the federal and state level, it would be fiscally irresponsible. Ultimately, Medicaid expansion will leave small businesses, farmers, and Nebraska families with less money in their pockets. This means less business expansion in the state, less savings for farmers for future droughts, and smaller college funds for Nebraska families.

[1] Where each state stands on ACA's Medicaid expansion, The Advisory Board Company, <http://www.advisory.com/Daily-Briefing/2012/11/09/MedicaidMap#lightbox/1/>

[2] Nebraska Governor Says the State Can't Afford the Medicaid Expansion Law, Reuters, <http://www.reuters.com/article/2012/07/11/us-usa-health-nebraska-idUSBRE86A0XC20120711>

[3] Medicaid Expansion Will Become More Costly to States, The Heritage Foundation, http://thf_media.s3.amazonaws.com/2012/pdf/ib3709.pdf

[4] ObamaCare Slush Fund's Clever Name Masks Millions in Waste, Foundation for Government Accountability, <http://www.floridafga.org/2012/11/release-obamacare-slush-fund%E2%80%99s-clever-name-masks-millions-in-waste/>

[5] Estimates for the Insurance Coverage Provisions of the Affordable Care Act Updated for the Recent Supreme Court Decision, Congressional Budget Office, <http://www.cbo.gov/sites/default/files/cbofiles/attachments/43472-07-24-2012->

[CoverageEstimates.pdf](#)

[6] Nebraska Lawmakers Say Tough Budget Talks Ahead, Grand Island Independent, http://www.theindependent.com/news/state/nebraska-lawmakers-say-tough-budget-talks-ahead/article_a0a25833-ea0e-537f-adbc-20d926cc62a5.html



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