



## Medicaid Expansion Is the Wrong Prescription for Nebraska

By Dick Clark

Senator Kathy Campbell has proposed legislation this session that would expand Medicaid in Nebraska, create a special legislative committee, and implement a new premium assistance program in the state. Although the bill purports to maximize “Nebraska’s access to federal funding during the period the federal government will pay one hundred percent of the cost,” it does not sunset the new programs when federal funding falls below program expense levels. Instead, LB 887 provides that “if federal funding... falls below ninety percent, the Legislature... shall review [the law] to determine how to mitigate the impact” on the state’s budget.[1]

According to the Heritage Foundation's Health Insurance Micro-simulation Model, Medicaid expansion will seriously pressure state budgets as early as 2019 and could cost individual states up to \$3.4 billion a year.[2]

The scheduled tapering off of federal funds between now and 2020 will predictably increase the financial burden on states that expand Medicaid. Nebraska taxpayers would be on the hook for the additional dollars necessary to make up the difference. Those are potential dollars for schools or roads that will instead be going to pay for Medicaid.

What’s more, the state’s own cost estimates are an educated guess. They cannot be rigorously projected because plan premiums will fluctuate year to year. And the predictable over-utilization incentivized by these programs will almost certainly drive those premiums up.

Senator Campbell and other proponents of the bill argue that the cost-sharing required in the legislation would prevent over-utilization. Unfortunately, these cost-sharing requirements will likely be rendered ineffective by federal Medicaid rules.

They would likely be waivable for anyone who self-attests to facing a financial hardship. A self-attestation rule was set by HHS with Iowa. Since LB 887 features identical language to Iowa’s law, the same rule will likely apply.

Those above 100% FPL must be given at least a 90-day grace period after failing to pay contributions—another rule set by HHS with Iowa based on nearly identical language.

Those between 50% FPL and 100% FPL cannot be disenrolled for failure to pay contributions, even if they never pay a single contribution during the entire year. This disenrollment rule was set by HHS with Iowa based on similar language.

Regardless of what rules the federal government sets, in the first year, there is no cost-sharing under this bill. In the second year, those above 50% FPL are asked to pay monthly contributions as their cost-

share. However, these contributions may be waived by getting an annual physical or other preventive care.

As the Legislative Fiscal Office states in the fiscal note, there is a great deal of uncertainty about how much this bill will cost, in part because it is impossible to know how many people will participate. Senator Campbell's statement of intent projects 55,000 newly covered, but this is much lower than other published estimates for Medicaid expansion in Nebraska. The January 2013 iteration[3] of the Milliman study projected somewhere between 117,000 and 158,000 newly eligible participants, and predicted that over 100,000 would enroll within three years. The Urban Institute estimates the number to be approximately 99,000.[4] The Department of Health and Human Services estimated in their initial fiscal note[5] that about 95,000 additional people would get coverage under the expanded program by 2016, and at the legislative hearing announced that latest draft of the Milliman study projects approximately 113,000 by 2020.[6]

The costs of this bill are indeterminate but they will be substantial. This is a major expansion of Medicaid. Currently about thirteen percent of Nebraskans are enrolled. According to the 2013 version of the Milliman study, an additional six to nine percent will enroll with expansion, increasing participation in Medicaid to approximately one in five Nebraskans.[7] Let's be mindful of the experiences of other states that have voluntarily expanded Medicaid to learn the lesson for Nebraska. Actual costs always exceed initial estimates.

And however expensive this program will be, there is no good evidence that it will actually make Nebraskans healthier. The Oregon Health Insurance Experiment, conducted between 2008 and 2013 by a multidisciplinary team of researchers from institutions including Harvard, Columbia, and MIT, analyzed the results of an expanded Medicaid program in Oregon. Because the state of Oregon selected program participants by lottery, researchers had the opportunity to study randomly selected control and test populations to scientifically evaluate the impact of Medicaid coverage on health outcomes. While expanding Medicaid increased utilization of healthcare services, the study showed that "Medicaid has no statistically significant effect on measured blood pressure, cholesterol or glycated hemoglobin (a measure of diabetic blood sugar control), or on the diagnosis of or medication for blood pressure or cholesterol," all important measures of health.[8]

Hospital admissions increased by thirty percent, but not due to emergency room admissions. Although emergency room visits went up significantly, it was not because people with emergencies went more often. The twenty percent increase in emergency room utilization by the test group was attributable to "non-emergent," "primary care treatable," and "emergent, preventable" cases.[9]

It is clear that this bill will drive up health care costs in Nebraska. It is clear that this will result in more tax dollars being spent on Medicaid. What is not clear is that there will be any benefit in terms of making Nebraska a healthier state.

***More comprehensive analysis of LB 887 is offered in the Platte Institute's 2014 policy study, [Medicaid Expansion: A Bad Prescription for Nebraska.](#)***

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[1] "Adopt the Wellness in Nebraska Act." Legislative Bill 887. Nebraska Legislature. 2014. [[http://nebraskalegislature.gov/bills/view\\_bill.php?DocumentID=21586](http://nebraskalegislature.gov/bills/view_bill.php?DocumentID=21586)]

[2] "Medicaid Expansion Will Become More Costly to States." The Heritage Foundation. 2012.

[[http://thf\\_media.s3.amazonaws.com/2012/pdf/ib3709.pdf](http://thf_media.s3.amazonaws.com/2012/pdf/ib3709.pdf)]

[3] Damler, Robert. "Patient Protection and Affordable Care Act Medicaid Fiscal Analysis - Update." Milliman. January 8, 2013.

[<http://dhhs.ne.gov/medicaid/Documents/AffordableCareActFiscalAnalysis2013.pdf>]

[4] "Opting Out of the Medicaid Expansion under the ACA: How Many Uninsured Adults Would not Be Eligible for Medicaid?" July 5, 2012. Urban Institute.

[<http://www.urban.org/UploadedPDF/412607-Opting-Out-of-the-Medicaid-Expansion-Under-the-ACA.pdf>]

[5] Fiscal note: LB 887. Legislative Fiscal Office. Nebraska Legislature. Revision 00. January 28, 2014.

[[http://nebraskalegislature.gov/FloorDocs/Current/PDF/FN/LB887\\_20140128-154313.pdf](http://nebraskalegislature.gov/FloorDocs/Current/PDF/FN/LB887_20140128-154313.pdf)]

[6] Damler, Robert. Nebraska ACA Fiscal Impact Estimate. Milliman. January 28, 2014.

[<http://dhhs.ne.gov/medicaid/Documents/AffordableCareActFiscalAnalysisDRAFTJan2014.pdf>]

[7] Damler 2013, p. 5.

[8] "Primary Findings to Date." The Oregon Health Insurance Experiment.

[<http://www.nber.org/oregon/index.html>]

[9] *Ibid.*

