

Medicaid Expansion in Alabama

Background

A significant portion of the landmark Patient Protection and Affordable Care Act (“PPACA” or “Obamacare”) dealt with a substantial expansion of Medicaid. All states would be required to expand Medicaid to all able-bodied adults under the age of 65 with incomes up to 138% of the federal poverty limit. The federal government agreed to pay all new costs for the first three years followed by reductions until 2020, when the federal government has promised to pay 90% of the costs.¹ If states refused the expansion, all Medicaid funding would be revoked by the federal government. In *NFIB v. Sebelius*, the Supreme Court struck down that requirement as being unconstitutionally coercive.² The Court ruling in effect placed the decision to expand is solely within the individual state’s leadership.

As of January 2014, twenty-five states and the District of Columbia have decided to expand Medicaid. In Alabama, Governor Robert Bentley has repeatedly decided against expanding, despite pressure to do so.³ Medicaid already makes up the largest line item in Alabama’s budget, after education-related spending.⁴ However, pressure continues to mount on the Governor to reconsider. Studies commissioned by the Alabama Hospitals Association (“AHA”) were conducted by both UAB and the University of Alabama and released in 2013. Both studies concluded that expanding Medicaid in Alabama would bring a host of benefits.⁵ Since that time, Troy University has concluded in its own non-commissioned study that the AHA studies are flawed and that the perceived benefits of expansion would not come to fruition.⁶

ISSUE SNAPSHOT

Expanding Medicaid would encompass all able-bodied adults making up to 138% of the Federal Poverty Line, adding 300,000 Alabamians to the system.

In an uncommissioned study, Troy University researchers proved that Medicaid expansion would negatively impact Alabama.

Troy’s research pointed out a severe shortage of doctors in rural areas, where expansion would disproportionately affect already overburdened healthcare resources.

Policy Consideration

The Troy study points out that the increased revenue that the AHA studies conclude will benefit Alabama misapplies the tax structure. The increase in federal spending, made up of expanded medical care, is not taxed in Alabama. As such, the Troy study concluded that indirect benefits would not outpace the increased costs of expansion.⁷

Proponents argue that expansion would increase the overall health of Alabamians. However, recent studies from Oregon show that expanding Medicaid increased emergency room visits made by the newly insured adults by 40%.⁸ Additionally, the number of doctors needed for the influx of new patients is absent, especially in Alabama’s rural areas where a higher percentage of uninsured citizens reside.⁹ The shortage would only be exacerbated by expansion.

GUIDE TO THE ISSUES

As the Troy study notes, demand for healthcare will immediately increase, but the number of doctors will not.¹⁰ Normal economics would dictate that doctors will be paid more when there is more demand, thus creating an incentive for more doctors to accept Medicaid. However, Medicaid reimbursement rates are only about 55-56% the amount paid by private insurance.¹¹ The logic follows that it is unlikely expansion can create a system where more doctors want to accept Medicaid and this, in turn, would funnel the 300,000 newly insured Alabamians to a small network of doctors.

Conclusion

The Troy study makes clear that Governor Bentley's resolve on holding the line against expansion must continue. The money promised by the federal government represents wishful thinking for those who believe money grows on trees. Unfortunately, future generations will bear the brunt of the explosion in debt caused by expansions around the country.

It will be extremely difficult to institute effective and lasting reform to our healthcare system in order to make it cost-effective while improving access and quality. As the largest line item in the State's General Fund Budget, Medicaid should also command most of the Legislature's attention. State leaders must find Alabama solutions for Alabama problems and create lasting reforms that rein in costs and provide quality care and access.

¹ MEDICAID.GOV, AFFORDABLE CARE ACT, *available at* <http://www.medicaid.gov/AffordableCareAct/Affordable-Care-Act.html>

² National Federation of Independent Business v. Sebelius, 567 U.S. ___, 132 S. Ct. 2566, *available at* <http://www.supremecourt.gov/opinions/11pdf/11-393c3a2.pdf>

³ Brendan Kirby, *Governor Bentley offers unapologetic defense of decision to reject Medicaid expansion*, AL.COM, (Jan. 14, 2014) http://blog.al.com/wire/2014/01/governor_bentley_offers_unapol.html

⁴ STATE GENERAL FUND COMPARISON SHEET: FY 2014 (June 6, 2013), *available at* <http://www.lfo.state.al.us/pdfs/FY%202014%20Spreadsheets/SGF/SGF%20FY%202014%20Enacted.pdf>

⁵ Kim Chandler, *Study: Expanding Medicaid would create 30,700 jobs*, AL.COM, (Oct. 9, 2013) http://blog.al.com/wire/2013/10/study_expanding_medicaid_would.html

⁶ Dr. Scott Beaulier & Dr. Phillip Mixon, *Feasibility of Medicaid Expansion in Alabama*, (2014), TROY UNIVERSITY, *available at* http://business.troy.edu/JohnsonCenter/Data/Sites/1/media/beaulier_mixon_feasibility-of-medicaid-expansion-in-alabama_2014_johnson-center-at-troy-university.pdf

⁷ *Id.* at 5-9.

⁸ Avik Roy, *New Oregon Data: Expanding Medicaid Increases Usage of Emergency Rooms, Undermining Central Rationale for Obamacare*, FORBES, (Jan. 2, 2014), <http://www.forbes.com/sites/theapothecary/2014/01/02/new-oregon-data-expanding-medicaid-increases-usage-of-emergency-rooms-undermining-central-rationale-for-obamacare/>

⁹ *Supra* note 4, at 3.

¹⁰ *Id.*

¹¹ Robert Moffit, *Obamacare: Impact on Doctors*, HERITAGE FOUNDATION, (May 11, 2010), <http://www.heritage.org/research/reports/2010/05/obamacare-impact-on-doctors>