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# Some States Find Burdens in Health Law

By MICHAEL LUO

Because of the new health care law, Arizona lawmakers must now find a way to maintain insurance coverage for 350,000 children and adults that they slashed just last week to help close a \$2.6 billion budget deficit.

Louisiana officials say a reduction in federal money to [hospitals](#) that treat the uninsured under the bill could be a death knell for their state-run charity hospital system.

In California, policymakers estimate they will have to come up with an additional \$500 million a year to make necessary increases in payments to [Medicaid](#) providers.

Across the country, state officials are wading through the minutiae of the health care overhaul to understand just how their governments will be affected. Even with much still to be digested, it is clear the law may be as much of a burden to some state budgets as it is a boon to uninsured consumers.

States with the largest [uninsured populations](#), like Texas and California, might be considered by its backers the biggest winners to emerge from the law, because so many additional residents will have access to [health insurance](#). But because those states are being required to significantly expand their Medicaid programs, they are precisely the ones that will face the biggest financial strains, in many cases magnified by existing budget shortfalls.

“The federal government has to account for states’ inability to sustain our current programs, much less

expand,” said Kim Belshé, secretary of [California’s Health and Human Services Agency](#).

In contrast, states like Massachusetts and Wisconsin, which already have extensive health care safety nets, do not expect to spend much more money, while still taking in billions in federal grants.

In Massachusetts, for example, which already has a form of universal coverage, the federal government will wind up taking over from the state a significantly larger share of the costs of Medicaid coverage for adults without children, officials said.

“On balance, it’s definitely a gain,” said JudyAnn Bigby, secretary of the Massachusetts [Office of Health and Human Services](#).

Supporters of the new law have argued that states will benefit from efforts to slow health care inflation and billions of dollars in new federal spending on subsidies for the uninsured and on an array of programs like community health centers.

But even with more federal help, the challenge for states like Alabama, Arkansas and Texas that now offer only limited Medicaid coverage will be substantial. In these states, Medicaid has been mostly restricted to low-income families with children, pregnant women, certain people with disabilities and some elderly. The income cutoffs have also been extremely low.

Beginning in 2014, however, anyone with an income of up to 133 percent of the federal poverty level, or \$29,300 for families of four, will be eligible for coverage under Medicaid. For the first three years, the federal government will pick up the entire cost of these new enrollees, but the state share then gradually increases until it reaches 10 percent in 2020.

Texas, which has some of the most restrictive Medicaid eligibility rules in the country for adults, currently covers working parents only if they do not earn more than roughly 20 percent of the federal poverty level. The program does not cover childless adults.

Anne Dunkelberg, associate director of the [Center for Public Policy Priorities](#), a research group in Austin that strongly supported the health care law, estimated that if the legislation went into effect today, an additional one million adults would qualify for Medicaid, at a cost of \$370 million a year if Texas were to pay its full 10

percent share.

In addition, Ms. Dunkelberg said, many children who are currently eligible but are not enrolled in Medicaid and the state [Children's Health Insurance Program](#) will emerge and want to join, potentially costing the state several hundred million dollars.

Some states, like Arizona, face an immediate fiscal conundrum because of stipulations in the law that prohibit them from rolling back their existing Medicaid programs before the required expansion takes effect.

About a decade ago, voters in Arizona approved a measure to expand Medicaid to include childless adults whose incomes were at or below the federal poverty limit. As part of an effort to close a \$2.6 billion budget gap next year, state officials recently decided to end that program, along with the state's Children's Health Insurance Program. Gov. Jan Brewer, a Republican, signed the cuts into law last week.

Now, however, the state must come up with the money to restore the programs, estimated at a billion dollars annually.

"Any flexibility we used to have is gone with the new mandate," said Tom Betlach, director of the [Arizona Health Care Cost Containment System](#), which runs Medicaid.

Because the circumstances of the states are so varied, the challenges facing them under the legislation diverge considerably. In Louisiana, there is particular concern about what the statute will mean for the future of the state's charity hospital system, which has a long and storied history of treating the poor in the state. The state-run hospitals are heavily dependent on special federal payments to institutions that treat large numbers of the uninsured. The new health care legislation cuts those payments significantly, though some of that could be offset by in the increase in insured patients.

California's fiscal woes have been particularly devastating and unrelenting. The state is now facing a \$20 billion shortfall. Besides the anticipated flood of new enrollees to Medicaid, an equally urgent concern there has to do with increases to the reimbursement rate for Medicaid providers, which are currently among the lowest in the country.

Under the new health care legislation, states will have to raise the Medicaid rates paid to primary-care doctors

to the same level the federal government sets under **Medicare**, the program for the elderly. For the first two years, the federal government will pay the difference. After that, it is left up to the states whether to continue paying the higher rates, which could mean an additional \$500 million in costs a year for California, officials said.

But California officials said they also believe they will have to significantly raise rates for other outpatient Medicaid providers to ensure an adequate supply of providers for all the newly insured. They believe this will cost an additional \$2 billion a year.

Supporters of the health care overhaul argue that states will wind up getting a huge economic injection from the billions of dollars in new federal money pouring into Medicaid. States could also save money as hospitals that treat the uninsured become less needy, although many of these institutions are also heavily supported by localities.

In the end, supporters say, the ledger ends up in the black for states.

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