December 27, 2009

States With Expanded Health Coverage Fight Bill

By KATE ZERNIKE

States that have already broadly expanded health care coverage are pushing back against the Senate overhaul bill, arguing that it unfairly penalizes them in favor of states that have done little or nothing to extend benefits to the uninsured.

With tax revenues down and budgets breaking, the states — including Arizona, California, New Jersey, New York and Wisconsin — say they cannot afford to essentially subsidize other states' expansion of health care.

The bill passed by the Senate on Thursday would move toward universal health insurance coverage in large part by expanding Medicaid, a program whose costs have traditionally been shared by the states and the federal government.

But the roughly 20 states that have already expanded coverage in some form will pay a greater proportion of their new Medicaid costs under the bill than those states, largely in the South, that until now have covered relatively few of their poorest residents.

Medicaid covers about 60 million Americans, mostly low-income families and pregnant women, though some states have expanded eligibility to include childless adults under 65. It accounts for about one-fifth of state budgets, on average.

States that have expanded coverage have generally broadened eligibility to include parents with relatively higher income levels and a greater number of childless adults. Even governors in some states without expanded coverage are suggesting that their budgets cannot afford a widened program without additional federal assistance.

"There is always an issue with Medicaid that different states are in different places," said Diane Rowland, the executive director of the Commission on Medicaid and the Uninsured at the Kaiser Family Foundation. "Do you reward the leader states as well as the laggard states, the good states versus the bad? How do you equalize the assistance? That's at the heart of this."

The states with expanded coverage would get more relief from the cost-sharing provisions of the health care bill passed by the House in November.

In memorandums explaining the legislation, the drafters of the Senate bill argued that states without expanded coverage would need more help from the federal government to defray the costs of broadening their programs. But governors in the states that have done more to broaden coverage are now lobbying their Congressional delegations to eliminate the discrepancies as the two chambers reconcile the bills.

"We are, in a sense, being punished for our own charity," Gov. David A. Paterson of New York said last week.

Wendy Saunders, New York's deputy secretary for health, Medicaid and oversight, estimated that it would cost about $30 billion over 10 years to adjust the financing formula so that the Senate bill matches the more generous provisions of the House bill.

"Because it's not a huge cost in the context of what is happening, we're optimistic that it can be worked out," Ms. Saunders said.

Massachusetts and Vermont, the states providing the broadest coverage, have already received some relief for the anticipated Medicaid costs in the negotiations that led to the passage of the Senate bill.

To secure the crucial 60th vote from Senator Ben Nelson, Democrat of Nebraska, Senate leaders permanently exempted his state from paying to expand Medicaid. But other states, many of them strong supporters of an overhaul, have been left in the lurch.

Existing Medicaid coverage varies widely. Arkansas, for example, extends Medicaid to working parents who earn up to 17 percent of the federal poverty level, and Alabama offers coverage for those making up to 24 percent of that level. Minnesota covers working parents making up to 215 percent of the federal poverty level, and New York, up to 150 percent. New York also covers childless adults up to 65 making up to 100 percent of the federal poverty level.

In Arizona, where state revenues are down 31 percent, the governor called an emergency cabinet meeting last week as the Senate bill was advancing and ordered the state to stop accepting applicants to its children's health insurance program. The state, where voters approved an expansion of Medicaid in 2000, projects that in the first seven years of an overhaul, its share of Medicaid would be $17 billion under the Senate bill. Had Arizona not expanded coverage, the state's share would have been $1.4 billion, the state estimates.

"You'll have taxpayers in Arizona raising taxes on themselves not only to support their program, but to cover all the other states expanding," said Thomas J. Betlach, the Medicaid director in Arizona. "I work for an insolvent entity; we can't afford the program we have."

The House bill would take effect in 2013 and expand Medicaid to cover Americans earning up to 150 percent of the federal poverty level, currently about $29,300 for a family of four and $14,400 for an individual. The Senate bill would begin in 2014 and extend Medicaid to Americans making up to 133 percent of the federal poverty level.

Under the Senate bill, the federal government would pay the entire cost of expanding Medicaid to those not already eligible under state coverage for the first two years of the program. The following three years, states that do not now have expanded coverage would be reimbursed at a higher rate than those states that do — in general, the states without expanded coverage would be paid back 95 percent of their costs, while those that have already expanded coverage would be reimbursed between 80 percent and 95 percent. Medicaid reimbursement rates are based on per capita income; wealthier states have smaller shares of their costs paid back.

The biggest hit to states that have already expanded will be in covering the people who are eligible now but have not signed up for coverage under the state's current program. They are expected to enroll because the new legislation will require almost all Americans to have insurance.

States that have expanded already would not get any new matching funds for those people. The Senate bill provides additional money only for those who are "newly eligible."

For example, the federal government would pick up the entire cost for the first two years and 95 percent of the cost for the next three years for newly covered working parents in Alabama, which now covers only those making up to 24 percent of the federal poverty level.

But it would pay just 50 percent of the cost for most of those newly enrolled in California, because California already makes eligible working parents earning up to 106 percent of the poverty level and its Medicaid assistance is set at 50 percent. California would get a more generous reimbursement, about 83 percent, only for parents earning from 106 percent to 133 percent of the federal poverty level.

“We support the policy, but we need to make sure the financial reality aligns with the policy,” said Toby Douglas, the Medicaid director in California.

New York expects nearly one million people who are currently eligible for Medicaid under a state expansion to sign up under the federal legislation.

Because the state has expanded coverage, the federal government would pay just 50 percent of the cost for all but about 100,000 of those people, Ms. Saunders said. The Senate bill would cost the state $1 billion a year, while the House bill would provide an additional $4 billion a year.

The House bill largely eliminates the problem of signing up people who are now eligible under state programs by counting anyone who signs up as “newly eligible.”

The recession has swelled Medicaid rolls already.

“We’d be having a very different discussion if the economy was humming and everyone was back to work,” said Carol Steckel, Alabama’s Medicaid director and the chairwoman of the National Association of State Medicaid Directors. “But I still think you’d see the different philosophies about who is responsible for the costs. There has to be a balance.”