

DEBUNKING MYTHS ABOUT HEALTH REFORM DOLLARS FOR MAINE

by Christy Roix Daggett, Maine Center for Economic Policy

Last year, Maine legislators voted by a large majority to accept federal funds to extend health insurance coverage to 69,500 low-income Mainers, but they fell a few votes shy of reaching the two-thirds margin needed to override a veto from Governor Paul LePage. Why are the governor and a minority of legislators determined to turn down these new federal funds for Medicaid that would help tens of thousands of citizens as well as health care providers throughout Maine?

Resistance is largely grounded in overall ideological opposition to President Obama's Affordable Care Act, which aims to expand health insurance coverage and improve care for tens of millions. Fierce and unremitting political and legal battles over this 2010 law have spread many myths. As Maine lawmakers once again debate accepting federal health care dollars to expand Medicaid, dubious claims cry out for careful consideration in light of the facts.

Maine's Medicaid Spending Does Not Wreck the State Budget

Opponents of going forward with the expansion of Medicaid under the Affordable Care Act argue that it will place too great a burden on the state budget. In fact, the federal government will fund almost the entire expanded Medicaid program through 2020 and 90% thereafter.

At present, Maine Medicaid spending for each beneficiary is the lowest in New England and 26th nationally. Costs for this vital program that protects the poor, the disabled, and many older people in nursing homes have grown at little more than the rate of inflation since 2003. Last year, Maine Medicaid cost no more than it did in 2009. Clearly, this program is not "cannibalizing" the state's General Fund, as Governor LePage and his allies contend.

Expanding Medicaid Offers Vital Help to the Poor, Seniors, and Disabled

No one can credibly claim that new federal Medicaid dollars are not needed – because they will help some of the state's most vulnerable people.

- The new funds would speed needed services to elderly and disabled Mainers who qualify for Social Security Disability benefits but must now wait two years to receive Medicaid.
- Some claim that Mainers not helped by expanded Medicaid could take advantage of other reforms that offer people with modest annual incomes tax credits to purchase private insurance plans on an exchange marketplace. But in fact, 36,000 Maine people with incomes below the federal poverty level of \$11,670 a year will not have any chance to get insurance if the state refuses to expand Medicaid, because they earn too little to qualify for the federal tax credits.
- In addition, tens of thousands more Maine residents with incomes just over the poverty line will not be able to afford the premiums for purchases on the exchange. The original law solved

this dilemma by including such people in the Medicaid expansion – and if Maine refuses that option, many of these workers and families will also go uninsured.

Rejecting Medicaid Funds Will Not Reduce the Federal Budget Deficit

Claims that refusing to expand Medicaid in Maine will reduce the federal deficit are unfounded. The health reform law dedicates expansion dollars strictly to Medicaid. Rejecting funds meant for Maine will not re-direct them to reduce the federal deficit. The money will simply go to other states. Maine taxpayers will buy health care for people living elsewhere!

Delay is costly, too, because states stalling on Medicaid expansion will not recoup all the back funds that would have been sent to their state. Each day, week, and month that lawmakers continue to debate expansion, Maine is losing federal funds that it can never recover – by some calculations as much as a million dollars every day. Avoiding such losses to their citizens, taxpayers, and businesses is why the Republican governors of states such as Arizona, Michigan, Utah, Pennsylvania and Ohio have already expanded Medicaid or are pushing to do so soon.

Accepting Federal Dollars Would Boost Business and the Maine Economy

Healthy employees are good for business and community prosperity, and this is why the Maine Hospital Association and many local Chambers of Commerce support Medicaid expansion.

- The 69,500 uninsured Mainers utilize cost-effective preventive care less often. Research shows uninsured people are more likely to develop expensive chronic diseases and die prematurely.
- Medicaid expansion will stimulate the creation of 4,400 jobs new jobs and add an estimated \$500 million in annual income across Maine.
- Refusal to expand Medicaid puts health care providers in a fiscal bind. The original health reform law assumed that Medicaid would be expanded nationwide, and to pay for that, it made some cuts to Medicare health care providers and trimmed reimbursements to hospitals previously serving large numbers of uninsured patients. The arithmetic works in states that expand Medicaid, but in Maine hospitals will experience the cutbacks without getting payments from the newly insured. There is no way for Maine hospitals, especially small rural hospitals serving a disproportionately older population, to recoup these cuts unless state policymakers go ahead with the Medicaid expansion.
- Medicaid expansion would shield Maine businesses from fines. Under the national law, if a business does not offer affordable health coverage and its low-income employees enroll in expanded Medicaid, there is no penalty. But starting in 2015, employers will have to pay a fine of up to \$3,000 for each low-income employee who buys subsidized insurance on the exchange. A recent report by the tax firm Jackson-Hewitt estimates there are 1,000 such low-income, uninsured people working full-time in Maine. If all of them apply for tax subsidies – as some policymakers suggest as an alternative to Medicaid expansion – Maine business owners will have to pay \$3 to \$4 million in fines they could otherwise avoid.

Lawmakers are considering a new, bipartisan bill to accept federal health care funding to help 69,500 Mainers. With hundreds of millions in federal dollars that Maine could claim in the balance, it is time to discard party politics, rancor, and myths. Legislators should take the money to do the best thing for Maine people, hospitals, owners, and workers.