

THE UNFINISHED DEBATE OVER EXPANDING MEDICAID IN VIRGINIA

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Many states have formally agreed to expand their Medicaid programs as part of the Affordable Care Act, but Virginia is not one of them – at least not yet. The state’s unwillingness to expand coverage is not entirely surprising. Republicans hold the governor’s office and claim a large majority in the House of Delegates and effective control of the state Senate. Some of these officials are *very* conservative. Politically speaking, Virginia resembles other states that have so far refused to accept federal dollars to expand Medicaid – including Alabama, Kansas, North Carolina, Texas, and Wisconsin.

But the argument in Virginia is far from over. Several groups have been working to persuade state officials that expanding Medicaid is worthwhile. Groups pressing the case include the Commonwealth Institute for Fiscal Analysis, the Virginia Poverty Law Center, and the Virginia Hospital and Healthcare Association. How do they make the case? Rather than portray expansion as a moral issue or a matter of human compassion, proponents stress economic and electoral benefits. They are pursuing a *realpolitik* strategy – which shows signs of working.

Persuasion by the Numbers

When President Obama first pushed for health reform in 2008 and 2009, he noted “the extraordinary hardships that are placed on the uninsured, who live every day just one accident or illness away from bankruptcy.” Aiming to influence the American people as much as members of Congress, he promised “the kind of health care that every American deserves.”

Recent debates in Virginia have had a very different tenor. The chief executive, Governor Bob McDonnell, has been a vocal critic of extending Medicaid, yet neither he nor groups that support expansion have done much to mobilize the general public. And neither side has spent much time talking about rights, obligations, equal treatment, or empathy. Instead, Governor McDonnell and other critics assert that new coverage for the uninsured will be too costly, while supporters of expansion try to meet Republican officials on their own ground with facts and figures.

- In 2012, Governor McDonnell repeatedly slammed Medicaid expansion as “a \$2.2 billion unfunded mandate” on Virginia. After the Supreme Court ruled that expansion was an option for each state to accept or decline, the Governor and other Republicans still claim that moving forward conditionally would impose a huge cost on the state budget.
- The Commonwealth Institute worked behind the scenes with legislative staff and Democratic lawmakers to challenge the Governor’s numbers. Medicaid is a complicated program, and it takes work to identify all the direct and indirect effects of expansion. It is also important to consider how costs might go up if Medicaid is not expanded – and when the Commonwealth Institute ran those numbers, the cost of inaction turned out to be substantial.

- In January of 2013, the McDonnell administration revised its cost estimate downward to \$137 million over ten years – a far cry from \$2.2 billion in costs it had originally claimed. The administration now recognizes, for example, that expanded Medicaid coverage would significantly lower how much Virginia has to reimburse hospitals that care for the uninsured.

Overall Economic Benefits

Virginia's state hospital association has encouraged lawmakers to think about the economic impacts of the Medicaid expansion even more broadly, and when they track down the indirect as well as direct effects, there turn out to be a lot of additional economic payoffs – some of which help to explain why the state Chamber of Commerce favors expansion:

- Medicaid expansion would lead to the creation of thousands more health care jobs in Virginia – and more jobs lead to more taxpayers and additional revenue for the state budget.
- Health insurance premiums in the private sector would not rise as fast because there would be fewer uninsured people arriving in hospital emergency rooms. They get care, but the cost is passed on, in part, to other citizens who have private health insurance and to employers who provide coverage to their employees.

In short, there is a strong argument that Medicaid expansion would be good for business in Virginia. To make the numbers that spell this out more credible, the hospital association shrewdly contracted with an economic consulting firm in Richmond that has strong ties to the McDonnell administration. Let the Governor hear it from advisors he already trusts.

Advocates have highlighted the interests of military veterans, a large and sympathetic constituency in Virginia, by pointing out Medicaid expansion would help thousands who live far from Veterans Administration facilities or do not have benefits to cover all the help they need.

The Commonwealth Institute has also developed an interactive map that shows exactly how many Virginians would gain coverage in every city and county. Now legislators voting on the issue can see exactly what Medicaid expansion would mean in places ranging from rural Scott County (where 1,129 would gain coverage), to a small town like Winchester (where 1,846 would gain), and to a big city such as Virginia Beach (where the potential beneficiaries number 14,562). Voters can also see the facts – as can future candidates who might challenge today's legislators.

Signs of Change

By January of 2013, Virginia's Republican Lieutenant Governor began to give qualified support for expansion; and in March, Governor McDonnell himself agreed to consider expansion if Democratic officials move ahead on a transportation bill he wanted. State lawmakers agreed in April to expand Medicaid conditional on certain reforms in the existing Medicaid program, and set up a special legislative commission to determine whether those conditions are met. Mandated reductions in spending will not be easy to achieve, and the new commission includes both Senate Republicans genuinely open to the Medicaid expansion and House Republicans who oppose ObamaCare and don't trust the federal government to keep its promises.

Much work remains to be done – and Virginia may not accept the Medicaid expansion right away for 2014. However, the state is certainly closer than it was a year ago to extending health insurance to over 300,000 of its neediest residents.