

SB 5163 to not count the possible loss of federal funding for Medicaid expansion in the four-year state budget outlook

By Dr. Roger Stark, MD, FACS, Policy Analyst, Center for Health Care

February 2017

Key findings

1. **Voters in last November's election clearly showed they want a different direction for the country, including a repeal of the ACA and a replacement based on meaningful health care reform.**
2. **Governor Inslee and Insurance Commissioner Kreidler say that the cost to Washington state taxpayers of ACA repeal would be \$3 billion in 2018 and \$3.2 billion in 2019.**
3. **SB 5163 would exclude funding for the Medicaid expansion from the Washington state four-year budget outlook process until Congress has passed health care reform legislation.**
4. **Without a formal vote, the legislature expanded Medicaid by simply placing the expansion in the 2013-2015 state budget.**
5. **Rather than defer budgeting, elected officials should start planning now for the eventual withdrawal of federal funds.**
6. **SB 5163 irresponsibly "kicks the can down the road" by violating the state's four-year balanced budget law. Under the bill, the full cost of Medicaid expansion would remain, but it would not be accounted for in the budget outlook.**

Introduction

The Affordable Care Act (ACA), also known as Obamacare, became law in 2010. Taxes to pay for the law were imposed starting that year, although benefits did not start until 2014. After taking out approximately five percent for administrative costs, the majority of money in the ACA goes toward taxpayer subsidies in the federal and state health insurance exchanges and to pay for the expansion of the Medicaid entitlement program.¹

Background

To date, only 17 states have set up their own exchange.² The remaining states use the federally-managed exchange. Thirty one states chose to expand Medicaid, along with its higher costs, while the remaining states did not.³ Washington state officials were very aggressive about expanding the Medicaid program and establishing a state health benefit exchange as allowed under the ACA. Early on, state elected officials decided to make Washington an "early adopter" of the national Obamacare law.

Voters in last November's election clearly showed they want a different direction for the country, including a repeal of the ACA and a replacement based on meaningful health care reform. President Trump has already signed an executive order to repeal or change as much

1 The impact of the Affordable Care Act in Washington state," by Roger Stark, MD, Policy Brief, Washington Policy Center, January 21, 2014 at <http://www.washingtonpolicy.org/publications/detail/the-impact-of-the-affordable-care-act-in-washington-state>

2 "State health insurance marketplace types, 2017," The Henry Kaiser Family Foundation, at <http://kff.org/health-reform/state-indicator/state-health-insurance-marketplace-types/?currentTimeframe=0>

3 "Current status of state Medicaid expansion decisions," The Henry Kaiser Family Foundation at <http://kff.org/health-reform/slide/current-status-of-the-medicaid-expansion-decision/>

of the ACA as the executive branch can legally do. The Republican-majority Congress is now actively pursuing detailed repeal-and-replace legislation.

Governor Inslee and Insurance Commissioner Kreidler say that the cost to Washington state taxpayers of ACA repeal would be \$3 billion in 2018 and \$3.2 billion in 2019.⁴

In 2012, the Washington legislature passed a law to require that the state enact a budget that would balance over a four-year period.⁵ Even though the state budget is created on a two-year cycle, starting with the 2013-2015 budget, lawmakers must provide an “outlook” that balances spending and revenue on a four-year basis.

Summary of SB 5163

SB 5163 would exclude funding for the Medicaid expansion from the Washington state four-year budget outlook process until Congress has passed health care reform legislation.⁶ The bill specifically excludes proposed funding for the Medicaid expansion from the 2017-2019 and 2019-2021 budgets.

Policy Analysis

Washington state officials decided to establish a state exchange as allowed under the Affordable Care Act, based on their choice to make Washington an early adopter state. Without a formal vote, the legislature also expanded Medicaid by simply placing the expansion in the 2013-2015 state budget.

Supporters of the ACA refuse to believe that when Republicans gained control of the presidency and Congress, they would repeal

the law. Our state officials are now faced with the definite possibility of the repeal of the federal financing of the Medicaid expansion. Governor Inslee and Insurance Commissioner Kreidler admit that if federal funding is withdrawn, Washington state taxpayers would be forced to pay an additional \$3 billion in 2018 and \$3.2 billion in 2019. This is an outcome they had not anticipated when they put Washington in a financially-dependent position in the first place.

The four-year budget outlook was put in place as a method to balance the state budget. SB 5163 would defer consideration of the added \$3 billion per year to pay for the Medicaid expansion.

SB 5163 irresponsibly “kicks the can down the road” by violating the state’s four-year balanced budget law. Under the bill, the full cost of Medicaid expansion would remain, but it would not be accounted for in the budget outlook. That means Washington taxpayers would be required to bear the full cost of Medicaid expansion (the federal government currently pays 90 percent), but lawmakers would not be able to adjust enrollment or other costs of the program within the normal budget process.

Conclusion

Rather than defer budgeting, Washington elected officials should start planning for the eventual withdrawal of federal funds. They should actively promote insurance reform that would give individuals and small groups the ability to purchase low-cost, mandate-light catastrophic health insurance with accompanying health savings accounts.⁷ At the same time, they should reform Medicaid so that it functions as a temporary safety-net for low-income people.

Making sure Washington residents have access to affordable, high-quality health coverage options should be the top priority of state leaders, not desperately trying to cling to unsustainable provisions of the Affordable

4 Letter to the Washington state Congressional delegation, January 2017.

5 “From near last to almost first on state balanced budget requirement,” by Jason Mercier, blog, Washington Policy Center, April 17, 2012 at <http://www.washingtonpolicy.org/publications/detail/from-near-last-to-almost-first-on-state-balanced-budget-requirement>

6 “SB 5163 - Addressing unknown changes to the federal Affordable Care Act and the four-year balanced budget requirement,” Washington state legislature, Bill information, 2017-18 at <http://app.leg.wa.gov/bills/summary?BillNumber=5163&Year=2017>

7 “Health care reform: lowering costs by putting patients in charge,” by Roger Stark, MD, Policy Brief, Washington Policy Center, July 6, 2015 at <http://www.washingtonpolicy.org/publications/detail/health-care-reform-lowering-costs-by-putting-patients-in-charge>

Care Act as Congress moves to repeal it. With repeal of the ACA, state officials should at all times consider the impact to Washington taxpayers of continuing the Medicaid expansion.

Health care reform will soon take place at the federal level. Washington state officials should seize the opportunity for reform at the state level.

*Dr. Roger Stark, MD, FACS is
Washington Policy Center's
Health Care Policy Analyst.*

*Nothing here should be
construed as an attempt to
aid or hinder the passage of
any legislation before any
legislative body.*

*Published by
Washington Policy Center
© 2017*

*Visit washingtonpolicy.org
to learn more.*