JAN 16, 2018

How the ObamaCare dependency crisis could get even worse — and how to stop it

AUTHORED BY:

Nic Horton
Research Director

Jonathan Ingram
Vice President of Research

TheFGA.org

KEY FINDINGS

1

STATES HAVE ENROLLED **MORE THAN TWICE AS MANY ABLE-BODIED ADULTS** IN OBAMACARE'S MEDICAID EXPANSION AS PROJECTED.

2

THIS OBAMACARE ENROLLMENT EXPLOSION IS **PUTTING RESOURCES FOR THE TRULY NEEDY AT RISK.**

3

IF THE REMAINING NON-EXPANSION STATES EXPAND OBAMACARE, AT LEAST

11.4 MILLION

MORE ABLE-BODIED ADULTS WOULD BE ADDED TO WELFARE...

4

...AND TAXPAYERS WOULD SPEND AT LEAST **$676 BILLION ON NEW EXPANSIONS**.

5

EXPANSION STATES SHOULD WORK TO **UNWIND EXPANSION**; NON-EXPANSION STATES SHOULD **CONTINUE TO HOLD THE LINE**; AND CONGRESS SHOULD ACT SWIFTLY TO **STOP NEW EXPANSIONS**.

BOTTOM LINE:
OBAMACARE'S EXPANSION HAS FAILED TAXPAYERS AND THE TRULY NEEDY. POLICYMAKERS SHOULD ENSURE IT BECOMES PART OF THE PAST, NOT THE FUTURE.

FGA

An overview of the ObamaCare dependency crisis

Lured by the false promise of free money, states across the country that chose to expand Medicaid to able-bodied adults through ObamaCare are now paying the price. As a result of a 2012 Supreme Court ruling on the Affordable Care Act, states were given the option to expand their Medicaid programs to a new class of able-bodied, working-age adults.[1] Thirty-one states and the District of Columbia took the bait.[2]

Although the federal government promised to cover all of the initial costs of expansion, states began paying a share of those costs in 2017, with that share growing over time.[3] Given that one out of every three dollars in state budgets already goes to Medicaid, these additional costs are like gasoline on an already out-of-control wildfire.[4] Unless states change course, the pain will only worsen.

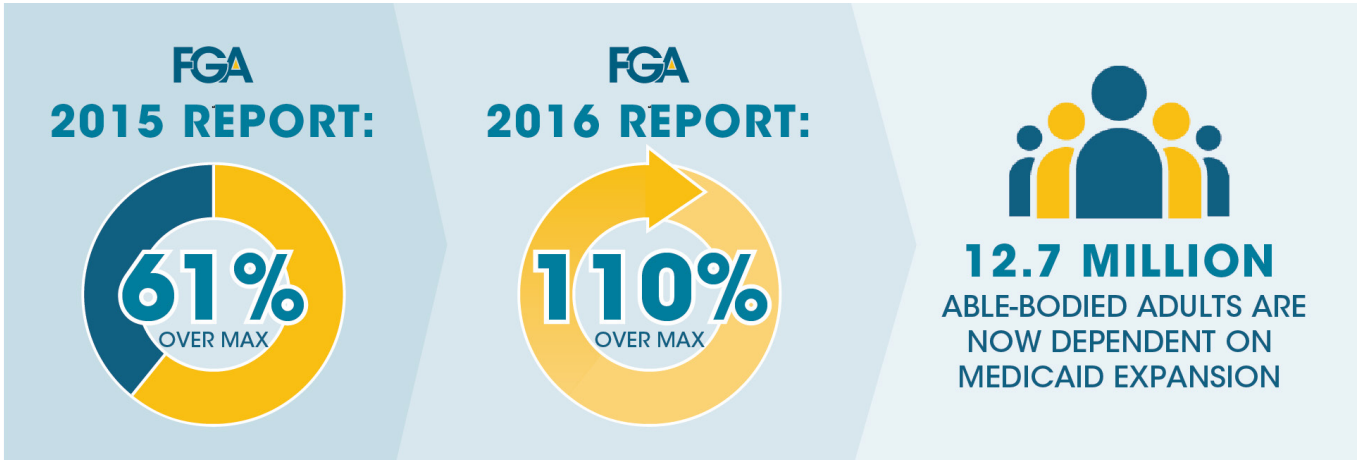
Even more troubling, states that have expanded Medicaid are signing up far more able-bodied adults than expected.[5] This means states are not only having to deal with higher costs, but they are scrambling to find funds for more than twice as many adults as anticipated.[6]

Just how wrong were expansion enrollment projections?

The Foundation for Government Accountability began tracking ObamaCare expansion enrollment since the program's initial implementation and has released multiple reports that scrutinize state projections against actual enrollment.[7-8-9]

Barely one year into the expansion, states with available data were already exceeding their maximum enrollment projections by 61 percent, on average.[10] By the end of 2016, states had enrolled more than twice as many able-bodied adults than they said would ever enroll.[11]

To date, more than 12.7 million able-bodied adults are now dependent on Medicaid as a result of 31 states' decisions to expand ObamaCare.[12]



States are signing up millions of new able-bodied adults through ObamaCare

ObamaCare Medicaid expansion enrollment, by state, as of the most recently available date

STATE	ENROLLMENT	AS OF
Alaska	38,388	11/2017
Arizona	399,078	11/2017
Arkansas	322,472	3/2017
California	3,828,401	7/2017
Colorado	458,099	9/2017
Connecticut	217,000	3/2017
Hawaii	21,648	9/2017
Illinois	655,307	3/2017
Indiana	419,662	10/2017
Iowa	152,174	6/2017
Kentucky	466,193	12/2016
Louisiana	451,643	12/2017
Maryland	291,044	12/2016
Michigan	665,057	12/2017
Minnesota	206,774	5/2017
Montana	83,882	9/2017
Nevada	220,582	5/2017
New Hampshire	51,887	9/2017
New Jersey	546,662	12/2016
New Mexico	259,537	12/2016
New York	277,769	12/2016
North Dakota	21,331	7/2017
Ohio	725,504	5/2017
Oregon	388,046	12/2016
Pennsylvania	705,911	11/2017
Rhode Island	65,749	12/2016
Washington	607,298	6/2017
West Virginia	181,105	12/2016
TOTAL	**12,728,205**	

The practical impact of these expansions and their accompanying enrollment explosions is simple: **states have fewer and fewer resources available to help the truly needy, including the nearly 650,000 individuals nationwide who are trapped on Medicaid waiting lists.**[13]

What could non-expansion states expect if they expanded ObamaCare?

States that opted into ObamaCare's Medicaid expansion underestimated enrollment by 110 percent on average.[14] It is safe to say that the remaining non-expansion states would face a similar enrollment surge if they were to change course and expand ObamaCare. But exactly how bad would it be?

States used a variety of methodologies to make their enrollment projections. Some states also contracted with third-party consultants for their projections, whom no doubt used a variety of methodologies and assumptions as well. This makes it difficult to simply take the 110 percent enrollment overrun and extrapolate it out over non-expansion states.

However, multiple organizations—including the Kaiser Family Foundation, Urban Institute, and Lewin Group—published independent enrollment projections for all states, using consistent methodology.[15-16-17] This provides a baseline that can be used for non-expansion state projections.

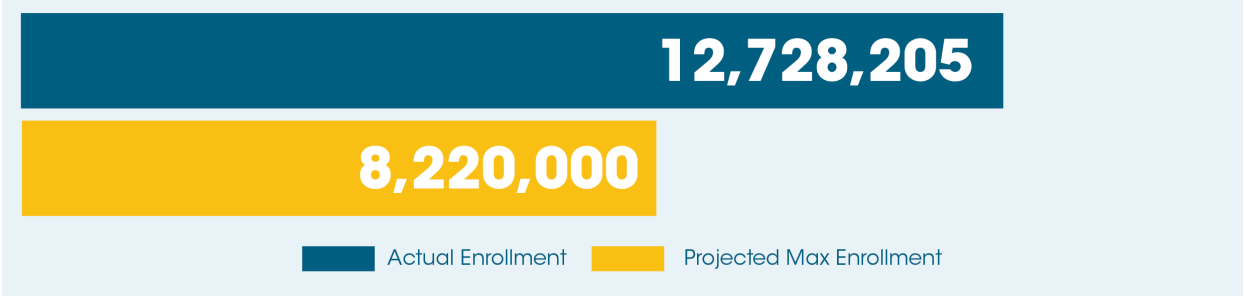
DID YOU KNOW...

NEARLY 650,000 INDIVIDUALS ARE STUCK ON MEDICAID WAITING LISTS NATIONWIDE

Based on actual expansion enrollment data, states have already enrolled 55 percent more able-bodied adults than the Kaiser Family Foundation projected would sign up by 2022.[18] Similarly, states have already signed up nearly 60 percent more able-bodied adults than the Urban Institute estimated made up the uninsured newly eligible population.[19] Even the Lewin Group, whose actuaries contracted with some states to provide enrollment projections, underestimated actual enrollment by nearly 42 percent.[20]

Actual expansion enrollment has exceeded third-party projections by 55 percent

Expansion enrollment compared to projections, in millions



Extrapolating this 55 percent enrollment overrun out over the remaining non-expansion states does not paint a pretty picture: **if these states expanded ObamaCare, at least 11.4 million new able-bodied adults would be added to welfare.**[21-22-23]

ObamaCare expansion would unleash an enrollment explosion in the remaining non-expansion states

Updated enrollment projection in non-expansion states, based on actual enrollment in expansion states

STATE	ORIGINAL PROJECTED ENROLLMENT	REVISED PROJECTED ENROLLMENT
Alabama	313,000	485,000
Florida	1,276,000	1,976,000
Georgia	698,000	1,081,000
Idaho	88,000	136,000
Kansas	169,000	262,000
Maine	45,000	70,000
Mississippi	231,000	358,000
Missouri	383,000	593,000
Nebraska	88,000	136,000
North Carolina	568,000	880,000
Oklahoma	204,000	316,000
South Carolina	312,000	483,000
South Dakota	44,000	68,000
Tennessee	363,000	562,000
Texas	1,805,000	2,795,000
Utah	189,000	293,000
Virginia	327,000	506,000
Wisconsin	211,000	327,000
Wyoming	27,000	42,000
TOTAL	**7,341,000**	**11,367,000**

Actual enrollment overruns could be even higher in some states. For example, California's enrollment has exceeded Kaiser's projections by more than 320 percent.[24] Colorado, Kentucky, Maryland, and Washington have all exceeded Kaiser's projections by more than 100 percent.[25]

But the bottom line is simple: **third-party and state projections have consistently understated the full impact of expansion.**

If additional states open the ObamaCare door, they should expect their welfare rolls to be flooded with far more able-bodied adults than anticipated—and far more than states can afford to cover.

How much would ObamaCare expansion cost in the remaining non-expansion states?

As part of its report, the Kaiser Family Foundation also projected total taxpayer costs for expansion, based on its enrollment projections. It projected that, over a ten-year window, taxpayers would spend nearly half a trillion dollars on ObamaCare expansion in the remaining non-expansion states, should they choose to expand.[26-27]

But the experience of ObamaCare expansion suggests taxpayer costs will be much higher than initially anticipated by Kaiser and states. In fact, assuming a 55 percent enrollment overrun, taxpayer costs in these states would exceed $676 billion—$676 billion that could instead be spent on the truly needy, education, infrastructure, or other important budget priorities.[28-29]

Actual ObamaCare expansion costs could exceed $676 billion in non-expansion states

Revised 10-year spending projections based on state enrollment overruns, in billions

STATE	ORIGINAL PROJECTED COST	REVISED PROJECTED COST
Alabama	$18.0	$27.9
Florida	$83.2	$128.8
Georgia	$42.2	$65.3
Idaho	$4.1	$6.4
Kansas	$6.7	$10.4
Maine	$3.0	$4.6
Mississippi	$18.1	$28.0
Missouri	$22.5	$34.9
Nebraska	$3.9	$6.0
North Carolina	$49.7	$77.0
Oklahoma	$10.8	$16.7
South Carolina	$19.8	$30.6
South Dakota	$2.6	$4.1
Tennessee	$28.3	$43.8
Texas	$83.0	$128.5
Utah	$6.6	$10.2
Virginia	$18.6	$28.8
Wisconsin	$14.0	$21.6
Wyoming	$1.7	$2.7
TOTAL	**$436.7 BILLION**	**$676.2 BILLION**

What is the solution?

Solving the ObamaCare dependency crisis will require swift, serious action from states and Congress.

1. Congress should eliminate enhanced funding for ObamaCare expansion.

ObamaCare instituted a perverse funding formula for Medicaid expansion. Under this formula, states are not only enticed into expanding their programs to able-bodied adults—they are also incentivized to prioritize spending on these able-bodied adults over the truly needy.[30] Congress can solve this problem by eliminating the enhanced funding for expansion.

House Speaker Paul Ryan has long signaled that the enhanced funding was unsustainable and near the top of his list for significant changes.[31] Phasing out the enhanced match has also been included in all major proposed legislation to repeal and replace ObamaCare.

Ideally, Congress should repeal ObamaCare expansion's enhanced funding for all states, including current expansion states. After all, every single dollar spent on ObamaCare's Medicaid expansion is a dollar that cannot be spent on the truly needy.

But at a minimum, Congress should ensure that no new states can receive enhanced funds, in order to protect taxpayers and the most vulnerable.

SOLUTION SNAPSHOT:

CONGRESS NEEDS TO STOP NEW OBAMACARE EXPANSIONS

2. Non-expansion states should continue to hold the line.

The remaining non-ObamaCare states continue to be vindicated. ObamaCare expansion's enrollment explosion is putting taxpayers on the hook for more than twice as many adults as expected ever to enroll, crowding out funding for the truly needy and other critical priorities.

Policymakers in these states should take pride in what they have accomplished. As a result of their decisions, nearly half of the ObamaCare expansion population has been saved from the welfare trap and limited resources have been preserved for public safety, education, and infrastructure.

Although the pressure to expand welfare may intensify from special interest groups and welfare lobbyists, policymakers need to look no further than the experience of ObamaCare states for a daily reminder of the nightmare they have spared their states from. For the sake of the truly needy, it is imperative that they continue to do so.

3. Expansion states should pursue enrollment freezes and work requirements to roll back ObamaCare.

While states currently have limited flexibility to trim enrollment—Congress should give them more—there are some actions states can take to start to turn the tide. In fact, many states are already moving forward with significant reforms that will free up resources for the truly needy.

DID YOU KNOW...

11.4 MILLION NEW ABLE-BODIED ADULTS WOULD BE ADDED TO WELFARE IF THE REMAINING STATES EXPANDED OBAMACARE

First and foremost, states should freeze enrollment in their failed expansions. Several states are already pursuing this commonsense reform, including Arkansas, Ohio, and Michigan.

States have successfully used this approach in the past to reduce enrollment in Medicaid expansions without removing individuals from the program overnight. Instead, new able-bodied adults would not be able to sign up for the expansion and existing enrollees would cycle off the program as their incomes rise. This would immediately begin freeing up resources for the truly needy.

Second, ObamaCare expansion states should pursue Medicaid work requirements. Numerous expansion states—including Arizona, Arkansas, Indiana, Kentucky, Ohio, and New Hampshire—have taken significant steps towards this commonsense reform to move able-bodied adults from welfare to work, including legislative authorization and submission of Medicaid waivers to implement the requirements.

These reforms are tried-and-true ways to help individuals out of the welfare trap and into better lives of self-sufficiency.

ObamaCare's Medicaid expansion is a proven disaster. The 19 states that rejected it have been vindicated time and time again. They should continue to stand firm and policymakers in ObamaCare states and Washington D.C. should make unwinding expansion a top priority. Taxpayers and the truly needy have suffered enough.

REFERENCES

1. National Federation of Independent Businesses v. Sebelius, 567 U.S. 519 (2012), https://www.supremecourt.gov/opinions/boundvolumes/567BV.pdf.
2. Centers for Medicare and Medicaid Services, "Medicaid eligibility levels," U.S. Department of Health and Human Services (2016), https://www.medicaid.gov/medicaid/program-information/medicaid-and-chip-eligibility-levels/index.html.
3. 42 U.S.C. § 1396d(y)(1) (2016), https://www.gpo.gov/fdsys/pkg/USCODE-2016-title42/pdf/USCODE-2016-title42-chap7-subchapXIX-sec1396d.pdf.
4. Nicholas Horton and Jonathan Ingram, "The future of Medicaid reform: Empowering individuals through work," Foundation for Government Accountability (2017), https://thefga.org/wp-content/uploads/2017/11/The-Future-of-Medicaid-Reform-Empowering-Individuals-Through-Work.pdf.
5. Jonathan Ingram and Nicholas Horton, "ObamaCare expansion enrollment is shattering projections," Foundation for Government Accountability (2016), https://thefga.org/wp-content/uploads/2016/12/ObamaCare-Enrollment-is-Shattering-Projections-1.pdf.
6. Ibid.
7. Jonathan Ingram and Nicholas Horton, "The ObamaCare expansion enrollment explosion," Foundation for Government Accountability (2015), https://thefga.org/wpcontent/uploads/2015/04/ExpansionEnrollmentExplosion.pdf.
8. Jonathan Ingram et al., "ObamaCare's Medicaid enrollment explosion: A looming fiscal nightmare for states," Forbes (2015), https://www.forbes.com/sites/theapothecary/2015/07/30/obamacares-medicaid-enrollment-explosion-a-looming-fiscal-nightmare-for-states.
9. Jonathan Ingram and Nicholas Horton, "ObamaCare expansion enrollment is shattering projections," Foundation for Government Accountability (2016), https://thefga.org/wp-content/uploads/2016/12/ObamaCare-Enrollment-is-Shattering-Projections-1.pdf.
10. Jonathan Ingram and Nicholas Horton, "The ObamaCare expansion enrollment explosion," Foundation for Government Accountability (2015), https://thefga.org/wp-content/uploads/2015/04/ExpansionEnrollmentExplosion.pdf.
11. Jonathan Ingram and Nicholas Horton, "ObamaCare expansion enrollment is shattering projections," Foundation for Government Accountability (2016), https://thefga.org/wp-content/uploads/2016/12/ObamaCare-Enrollment-is-Shattering-Projections-1.pdf.
12. Authors' calculations based upon enrollment data collected from state Medicaid agencies and the U.S. Department of Health and Human Services.
13. Kaiser Commission on Medicaid and the Uninsured, "Waiting list enrollment for Medicaid section 1915(c) home and community based services waivers," Kaiser Family Foundation (2016), https://www.kff.org/health-reform/state-indicator/waiting-lists-for-hcbs-waivers.
14. Jonathan Ingram and Nicholas Horton, "ObamaCare expansion enrollment is shattering projections," Foundation for Government Accountability (2016), https://thefga.org/wp-content/uploads/2016/12/ObamaCare-Enrollment-is-Shattering-Projections-1.pdf.
15. John Holahan et al., "The cost and coverage implications of the ACA Medicaid expansion: National and state-by-state analysis," Kaiser Family Foundation (2012), https://kaiserfamilyfoundation.files.wordpress.com/2013/01/8384.pdf.
16. Genevieve M. Kenney et al., "Opting in to the Medicaid expansion under the ACA: Who are the uninsured adults who could gain health insurance coverage?" Urban Institute (2012), https://www.urban.org/sites/default/files/publication/25706/412630-Opting-in-to-the-Medicaid-Expansion-under-the-ACA.PDF.Authors' calculations based upon data provided by the Ohio Department of Medicaid.
17. Randy Haught and John Ahrens, "Cost of the future newly insured under the Affordable Care Act," Society of Actuaries, https://www.soa.org/Files/Research/Projects/research-cost-aca-excel-v3.pdf
18. Authors' calculations based on the projected incremental impact in Medicaid enrollment in the states that have already expanded eligibility under ObamaCare compared to the most recent enrollment figures for Medicaid expansion in those states.
19. Authors' calculations based on the projected uninsured newly eligible population in the states that have already expanded eligibility under ObamaCare compared to the most recent enrollment figures for Medicaid expansion in those states.
20. Authors' calculations based on the projected newly eligible Medicaid enrollees in the states that have already expanded eligibility under ObamaCare compared to the most recent enrollment figures for Medicaid expansion in those states
21. Authors' calculations based upon adjusting state enrollment projections published by the Kaiser Family Foundation for non-expansion states to reflect the higher enrollment occurring in expansion states than the Kaiser Family Foundation originally projected.
22. Adjusting state enrollment projections published by the Lewin Group and Urban Institute for non-expansion states to reflect the higher enrollment occurring in expansion states than those groups originally projected produces similar results.
23. This estimate is also in line with the estimate of potential enrollment if all states expanded Medicaid produced by actuaries at the Centers for Medicare and Medicaid Services.
24. Authors' calculations based upon the projected incremental impact in Medicaid enrollment in California compared to the most recent enrollment figures for Medicaid expansion.
25. Authors' calculations based upon the projected incremental impact in Medicaid enrollment in Colorado, Kentucky, Maryland, and Washington compared to the most recent enrollment figures for Medicaid expansion in those states.
26. Authors' calculations based upon the ten-year incremental impact in Medicaid expenditures in the states that have not

yet expanded eligibility under ObamaCare.

27. The Kaiser Family Foundation initially published a 10-year budget window of 2013 through 2022. This window only includes nine years of Medicaid expansion spending, which began in 2014. As a result, these estimates were adjusted to add an additional year of spending to capture an entire 10-year window. In order to make this adjustment, the incremental impact on Medicaid expenditures in 2016 and 2022 were used to create state-by-state expenditure trends, which were then carried forward one year to 2023.
28. Authors' calculations based upon the adjusted ten-year incremental impact in Medicaid expenditures in the states that have not yet expanded eligibility under ObamaCare.
29. This revised estimate only incorporates enrollment adjustments based on prior experience. It does not incorporate higher spending that may result from continued enrollment growth, higher than expected per-person costs, or other factors.
30. Jonathan Ingram, "Who is on the Obamacare Chopping Block," Foundation for Government Accountability (2014), https://thefga.org/wp-content/uploads/2014/07/WhosOnTheObamacareChoppingBlock.pdf.
31. Rick Pearson, "Rep. Paul Ryan warns governors on Obama health care plan," Chicago Tribune (2013), http://www.chicagotribune.com/news/local/politics/chi-rep-paul-ryan-warns-governors-on-obama-health-care-plan-20130422-story.html.

TheFGA.org
@TheFGA

15275 Collier Boulevard | Suite 201-279
Naples, Florida 34119
(239) 244-8808