



Testimony of Sharon Ward
House Health Committee Hearing on Medicaid Expansion
June 20, 2013

Chairman Baker, Chairman Fabrizio, committee members, thank you for inviting me to participate in this hearing. I am Sharon Ward, the Director of the Pennsylvania Budget and Policy Center, a nonprofit, nonpartisan research and advocacy organization which focuses on the impact of state budget and tax policies on low-income and working families.

The Medicaid expansion is an integral part of the goal of making health coverage available and affordable to millions of Americans. It will help to move Pennsylvania and the nation from a system that is riddled with coverage gaps, where individuals get necessary health care at the last minute and at the highest cost to themselves and health care institutions, to one which emphasizes health, wellness and prevention.

This coverage expansion is made available with financial support from the federal government, which has been a partner with the state in the Medicaid program for more than 50 years. It will strengthen Pennsylvania's already robust health care industry (both the service and manufacturing sectors), improve the health of the citizens of the commonwealth, and over the long run help to lower health care expenditures which are the highest in the world.

The expansion will benefit a large number of working Pennsylvanians across all age and demographic groups. Between 2001 and 2010, there was a decline in employer-sponsored coverage across the nation, as insurance costs increased, largely a result of the rising costs of pharmaceuticals and new therapies. Pennsylvania was second in the nation during this period in the loss of employer-based coverage.

The Pennsylvanians who will gain coverage under an expansion are people with whom we interact every day. The majority work; they cut our hair and pour our coffee. They are the people who are toileting our children in child care centers and toileting our parents in nursing homes. They are not the "undeserving" but workers in industries that typically do not offer health insurance benefits in the standard compensation package. They may earn too little to afford insurance when it is offered or have health conditions that make coverage on the individual market prohibitively expensive.

They are parents. About 131,000 additional parents would receive health coverage under an expansion, offering long-term benefits to the parents and to their children. Women with insurance, who are able to receive preventive health care services between pregnancies, are healthier and at reduced risk of infant mortality and premature births. They are more likely to enroll their children in health insurance programs and to get them to the doctor for preventive care. With health coverage, parents are able to work more, have improved mental health and are better role models for their children.

They are rural residents. 3.4 million Pennsylvanians, 27% of the population, live in rural areas and more than 400,000 of them were uninsured in 2011. Rural dwellers have more serious health care needs,

including higher rates of chronic conditions, and are more likely to be uninsured and remain uninsured for longer periods of time than their urban counterparts.

Rural residents are more likely than urban dwellers to be covered by public insurance programs, such as Medicare, Medicaid and CHIP, than private insurance. In 2012, of the ten counties where more than one in five residents was enrolled in Medicaid (Blair, Cameron, Clearfield, Erie, Fayette, Greene, Jefferson, Mercer, Philadelphia and Venango), eight were rural.

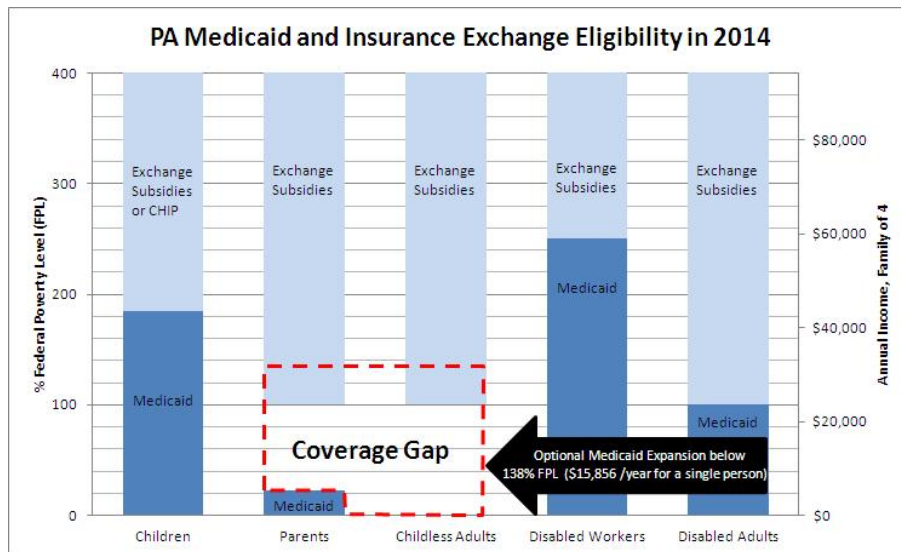
In addition to offering access to health care, Medicaid provides financial support to struggling rural hospitals, which are often the largest employers in the community. It is also critical for rural doctors: almost one in three rural physicians derive 25% or more of their patient revenue from Medicaid, compared to only one in five in urban areas. A 2009 study commissioned by the Center for Rural Pennsylvania found that one in four rural hospitals in Pennsylvania were financially distressed. New enrollment through the Medicaid expansion would strengthen these institutions.

They are veterans. Despite putting their health and lives at risk in the armed forces, 1.3 million U.S. veterans — including 47,000 in Pennsylvania — lack health insurance. Almost half of those veterans would qualify for coverage under an expanded Medicaid — close to 23,000 in Pennsylvania. Leaving individuals who have served our country without basic health care coverage is a national disgrace; by moving forward with the expansion, we honor their service.

A different picture in Pennsylvania than the nation. The demographics of potential new enrollees in Pennsylvania differ from the nation as a whole. About 74% of the newly eligible in the commonwealth are white, compared to 54% for the nation. The share of eligible Hispanics is 7.8% in Pennsylvania and 19.1% nationally. For African Americans, Pennsylvania is closer to the national average, 5.1% compared to 7%. Only American citizens and legal immigrants are eligible for Medicaid coverage. In Pennsylvania, 97.6% of those eligible are citizens and 2.4% are legal immigrants compared to 93.9% and 6.1%, respectively, for the nation as a whole. Women are as likely to benefit as men, and there will be significant coverage gains for older individuals between 55 and 64 as well as for working-age adults.

Medicaid expansion is the only option for many families. If Pennsylvania does not adopt the Medicaid expansion, it will leave some of the poorest individuals without an affordable health care option. Families with incomes of less than 100% of the federal poverty guidelines (\$23,550 for a family of four) will not be eligible for tax credits to buy private coverage on the insurance exchange that goes online in 2014. Single women, men and families at half the poverty level will be unable to afford insurance out of pocket. An expansion of Medicaid is their only hope for health coverage.

By participating in the expansion, we can put an end to this patchwork hit-or-miss health insurance system that leaves so many without coverage – and all the rest of us paying more, through uncompensated care payments to hospitals and in our own insurance premiums. It is smarter and more cost effective to move to a system that gives people access to less expensive primary and preventive care, and the Medicaid expansion will do just that.



Source: PA Health Law Project

The expansion also has significant economic benefits. An average of \$4 billion a year in new federal dollars will flow into the state if Pennsylvania opts for the expansion. Three independent studies have concluded the Medicaid expansion will create jobs and increase state economic activity. This is consistent with findings from other states. The projections for new jobs range from 35,000 to 42,000 by 2016. I have to point out this is twice the number of jobs than the Corbett administration estimates would come from its business tax reductions, and would occur in half the time.

Pennsylvania has done a good job diversifying its economy during the last 20 years and, starting with Governor Ridge, has made strategic decisions to support the growth of the health care sector, one of Pennsylvania's strengths. We are therefore well positioned to take advantage of this opportunity, which will increase demand for pharmaceuticals and durable medical equipment, two industries with a strong presence in the commonwealth.

Several studies have also confirmed that there are cost savings from the Medicaid expansion, particularly in the early years. These include savings from General Assistance and a small share from Mental Health services as new individuals and services become Medicaid eligible. The largest reductions are in 2014 and 2015, and phase down from there, according to the Independent Fiscal Office analysis.

The administration has disputed these findings, but their analysis conflates new ACA costs with new Medicaid costs.

The choice is simple: Pennsylvania can incur the new ACA-related costs (exchanges, increased numbers of currently eligible enrolled), or it can incur those costs and get the savings and economic benefit of the Medicaid expansion. It is fiscally responsible to take the latter course. About 25% of the new Medicaid enrollment will consist of individuals who will come into the system regardless of whether there is an expansion, so it makes sense to draw down the dollars and take the savings the expansion would bring.

Almost one half of states have signed on the dotted line. To date, 23 states and the District of Columbia have legislation that has been signed by the Governor, an Executive Order, or have included the Medicaid expansion funding in the budget. A bipartisan group of governors have supported the expansion.

By expanding Medicaid you will improve coverage for your constituents, bring billions of dollars into the state, grow new businesses, create jobs and stabilize the finances of rural and urban hospitals. All of our neighboring states are opting to expand, and Governor Kasich of Ohio has been a strong supporter of expansion. Why send the dollars already allocated to expand Medicaid and the jobs that come with it to other states when we need them here?

I want to address some of the claims that have been made about the Medicaid program and the expansion.

Some have tried to argue that Medicaid coverage produces worse health outcomes for enrollees, but that is not the case. Since 2011, the *New England Journal of Medicine* has published two studies by Harvard researchers showing the opposite, that expanding Medicaid coverage improves health outcomes for enrollees. One study compared three states that expanded Medicaid between 2000 and 2005 with three similar, neighboring states (including Pennsylvania) that did not, finding that expanding health coverage reduced the death rate among enrollees by 6.1%. The second study, of Oregon's 2008 Medicaid expansion, showed that Medicaid enrollees have better health and financial security than non-enrollees.

The economic impact studies have been conducted by reputable, independent organizations, including the Rand Corporation, Economy League of Pennsylvania, Econsult, and the Independent Fiscal Office. Three independent studies by three different entities have had remarkably similar findings with respect to jobs, tax revenue, and economic growth.

Some children will have to be moved from CHIP to Medicaid, but that is a requirement of the Affordable Care Act, and will happen regardless of the state's choice on the expansion. Medicaid has a more robust benefit package and the move will reduce some of the churn that exists between the two programs.

To end, I would like to quote Governor Jan Brewer of Arizona, who just this week signed a law to expand Medicaid in her state. She said this when announcing her support for the Medicaid expansion in Arizona:

"With this move, we will secure a federal revenue stream to cover the costs of the uninsured who already show up in our doctor's offices and emergency rooms ... Weigh the evidence and do the math. With the realities facing us, taking advantage of this federal assistance is the strategic way to reduce Medicaid pressure on the state budget. We can prevent health care expenses from eroding core services such as education and public safety, and improve Arizona's ability to compete in the years ahead."

Thank you and I am happy to answer any questions.