

# Medicaid expansion missing from Bentley's proposals

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Gov. Robert Bentley brought many proposals to improve health care access at the State of the State Tuesday. But one program seemed conspicuous by its absence.



Gov. Robert Bentley gives his State of the State Address at the State Capitol Building in Montgomery, Ala. on Tuesday evening February 2, 2016. (Photo: Mickey Welsh / Advertiser)

Despite a recent recommendation from one of his task forces to put it in place, Bentley did not mention Medicaid expansion in the hourlong speech.

The governor in an interview Monday appeared to rule out expansion in the short-term without shutting the door on it. Bentley said for now, he wanted to complete the implementation of Regional Care Organizations (RCOs). The RCOs aim to shift Medicaid delivery from a fee-for-service model to one that allocates money based on health care outcomes. The hope is that the move will encourage more preventive care and less hospital use, slowing the growth of costs in the program.

"We've been putting in place right now a redevelopment and revitalization of Medicaid, and we're halfway through with that with the regional care organizations," he said.

Bentley also said the Legislature's mood against new taxes and the difficulties paying for the current Medicaid program, which takes up about 38 percent of the General Fund, would scotch expansion. That's a feeling shared by Sen. Trip Pittman, R-Montrose, the chairman of the Senate Finance and Taxation General Fund Committee, who introduced a resolution last year expressing the chamber's opposition to expansion.

"I think that was a good decision," he said. "The governor's made a wise decision based on the consequences and the cost of Medicaid expansion."

Expansion advocates stressed last week that not expanding meant no economic gain for the state, and no health care for hundreds of thousands of people who fail to qualify for Medicaid or private Affordable Care Act plans.

"We've reached a point that we need to bite the bullet and do this," said Jim Carnes, policy director for Alabama Arise and a member of the Bentley-created Alabama Health Care Improvement Task Force, [which recommended expansion in November](#)

</story/news/politics/southunionstreet/2015/11/18/bentley-task-force-expand-medicaid-alabama/75992648/>). "It's an opportunity at hand, and it's foolish to keep pushing it back while our economy suffers and our families suffer."

### Limited access

Medicaid recipients in Alabama are, for the most part, children, nursing home residents and the disabled. Childless adults almost never qualify. Parents of children who qualify for Medicaid can only receive benefits if they make 18 percent of the federal poverty line -- \$2,867 a year for a family of two, or less than \$56 a week.

Medicaid expansion offered under the Affordable Care Act would open the program to anyone making up to 138 percent of the poverty level -- about \$16,394 a year for an individual, and \$33,534 for a family of four. The median annual household income in Alabama, according to the U.S. Census Bureau, was \$43,511 in 2014.

As written, the Affordable Care Act required states to expand Medicaid and did not envision the Medicaid-eligible buying Affordable Care Act plans offered through federal and state exchanges. But a 2012 U.S. Supreme Court decision said the federal government could not force states to offer the expansion. Bentley announced later that year he would not do so.

The Kaiser Family Foundation, a Washington DC based nonprofit that studies health care issues, estimates there are 139,000 Alabamians in a "coverage gap" -- unable to get Medicaid or tax credits needed to buy an Affordable Care Act plan. Expansion would give those people insurance. A 2012 UAB study pegged the number of people benefitting from expansion at 292,000. The number would include some people with group insurance.

The federal government pays the full cost of Medicaid expansion through the end of the year. After this year, states will kick in a growing share of the costs, though the feds will never pay less than 90 percent of the cost of expansion. There has been talk about extending the three-year federal coverage to entice more states to opt in.

It could also help the state's bottom line, Carnes said, by shifting health costs currently borne by the state to the federal government. A study released last week found that expansion [slashed uncompensated care bills](/story/news/2016/02/01/hospitals-boosted-medicaid-expansion/79518870/) (</story/news/2016/02/01/hospitals-boosted-medicaid-expansion/79518870/>) for hospitals in Indiana.

"There are substantial savings we would get automatically by switching the care to Medicaid," he said. "There are economic benefits projected for Alabama, but they're proven in states that have gone ahead with expansion."

### Rural hospitals

State hospitals have been pushing for expansion, in part because of changes coming to disproportionate share hospital (DSH) payments. DSH payments help hospitals cover the cost of treating patients without insurance. Many Alabama hospitals, especially in rural areas, need the payments to keep their doors open.

The ACA cuts DSH payments in 2018, which would leave many rural hospitals -- who have large populations of uninsured patients -- on the brink.

"That's a huge hit," said Jeff Brannon, CEO of Monroe County Hospital in Monroeville.

The Alabama Hospital Association is preparing a report that Danne Howard, executive vice president and chief policy officer for the AHA, said would show a way for the state to expand Medicaid without adding "significant revenue," in part by shifting populations covered by the state into the expansion population.

"If we could expand by July, there would still be six months of 100 percent funding available," she said. "We also think that could go a long way toward helping the Medicaid budget for the year."

Bentley suggested Monday that without Medicaid expansion, some rural hospitals could become urgent care centers, which could have more limited hours than hospitals. Howard said she wasn't sure that move would be "financially viable."

"They're not open 24/7," she said. "It still leaves a void if there's not a hospital with an emergency room that's open 24/7."

Howard did praise Bentley's proposal to create incentives to bring doctors to rural areas. Both Howard and Brannon support [the moves to RCOs](#) ([/story/southunionstreet/2014/12/18/alabama-takes-step-toward-overhauling-medicaid-delivery/20591077/](#)), saying preventive care would lead to better outcomes and reduce utilizations of emergency rooms, a primary driver of costs.

"I think it leads to the ultimate expansion of Medicaid," Brannon said. "It's regionalized to the degree we talked about, somewhat of a patient care home type situation. I think care managers can guide patients to the appropriate place for care."

## Politics

While Democrats [have long pushed for Medicaid expansion](#) ([/story/southunionstreet/2015/04/28/senate-democrats-pass-medicaid-expansion-resolution/26544735/](#)), Republicans in the Legislature, including Pittman, [have opposed it](#) ([/story/news/politics/southunionstreet/2015/04/21/senate-comes-halt-medicaid-resolution/26147647/](#)). The Alabama Legislature would have to approve funding and enabling legislation for Medicaid expansion.

Pittman, who said he had not seen studies touting expansion's benefits, said he wants to see RCO implementation move forward. The health care sector, he said, needs to re-evaluate a system he said lay on a "foundation of sand."

"I think everyone that operates hospitals and health care entities needs to look at the way they've been capturing funding streams," he said. "I think they need to manage their way through that."

Bentley did not rule out Medicaid expansion entirely on Monday. The governor said Monday two reasons to expand Medicaid were the hospital issue and allowing rural doctors to see more covered patients.

Against that, the governor said, was his feeling "voters don't want to pay for an entitlement" and the cost of getting the state's share.

The 2012 UAB study estimated the costs of Medicaid expansion to Alabama per year would reach \$222 million by 2020. The study said the figure did "not consider potential savings from reduced spending on uncompensated care, mental health care and other services currently provided to the expansion population." It estimated a total economic impact of almost \$20 billion from expansion.

But Bentley and other lawmakers, citing the perpetual troubles in the General Fund and legislators' unwillingness to add new revenues, have said the cost is not workable.

"This is why I did not include it," Bentley said Monday. "We simply cannot afford to expand Medicaid."

The state is currently waiting on the U.S. Department of Health and Human Services to grant a waiver that would allow the RCOs to go into effect. Getting that in place, he said, is his priority. Bentley's [General Fund budget proposal](#) ([/story/news/politics/southunionstreet/2016/02/03/bentleys-budgets-raises-school-money---and-cuts/79772512/](#)) called for a \$100 million increase to Medicaid next year, less than the \$157 million officials [said they need to maintain current services](#) ([/story/news/politics/southunionstreet/2016/01/13/alabama-medicaids-157-million-request-stirs-debate/78743286/](#)). The request includes \$35 million for RCOs.

"We are having trouble paying for the present Medicaid system," he said. "They need an extra \$157 million in the system next year and I doubt very seriously they're going to get that. If they don't get that, I'm not sure we will be able to put in our RCOs."

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