

Blue-state governors rip Senate health-reform bill

10 comments by **Alex Isenstadt** - Dec. 29, 2009 05:35 PM
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The governors of the nation's two largest Democratic states are leveling sharp criticism at the Senate health care bill, claiming that it would leave their already financially strapped states even deeper in the hole.

New York Democratic Gov. David Paterson and California GOP Gov. Arnold Schwarzenegger are urging congressional leaders to rework the Medicaid financing in the Senate-passed bill, warning that under that version their states will be crushed by billions in new costs.

After the Senate passed the bill in a Christmas Eve vote, Paterson said the expansion would leave New York \$1 billion in the lurch. The state faces a \$6.8 billion budget shortfall heading into the 2010 fiscal year.

"[I] am deeply troubled that the Senate version of the bill worsens what was already an inequitable situation for New York and I will continue to be an advocate on behalf of New Yorkers to ensure we are treated fairly by this critical federal legislation," Paterson said in a statement.

In a letter to House Speaker Nancy Pelosi, Schwarzenegger wrote that the legislation would create a "crushing new burden" for a state with a whopping \$20.7 billion budget deficit.

"When asked for my support, I was assured that federal legislation would not increase costs to California or include new unfunded mandates," Schwarzenegger wrote. "Unfortunately, under nearly every scenario we can predict, the federal health care reform legislation being debated would cost California's General Fund an additional \$3 billion to \$4 billion annually."

The resistance from the governors of two Democratic megastates underscores the anxieties facing states as they grapple with the prospect of a massive expansion of the Medicaid program.

The problem is that New York and California, both of which already have expansive Medicaid programs, will pay a higher share of the new expansion costs than many other states that have traditionally limited coverage.

"The inequity built into the bill puts hardship on states and would put them in the position of making cuts to providers," said Susan Van Meter, vice president of federal relations for the Healthcare Association of New York State.

Schwarzenegger warned that the Senate health care legislation could sink his state.

"As the partner responsible for implementing this program, I am telling you that our Medicaid program is already at the breaking point, and if federal health care reform is passed without addressing the underlying faults in the system, health care reform will fail," Schwarzenegger wrote in his letter to Pelosi. "[I]f Congress fails to address the existing unfunded mandates and adds yet another layer, federal health care reform could collapse the very safety net system it seeks to expand."

Both governors' criticisms are notable because they are distinct from the opposition to the health care bill voiced by many Republican governors. Neither Paterson nor Schwarzenegger has opposed Democratic health care reform efforts in general and both have been largely supportive of President Barack Obama's domestic agenda.

Schwarzenegger has embraced Obama and singled him out for his "great leadership" in a joint appearance in Los Angeles in March. Obama returned the favor by calling the California governor an "outstanding partner." And in an interview with CNN as recently as last week, Schwarzenegger said Obama "should get a straight A" for his first year in office "when it comes to effort."

While Paterson's relationship with Obama has been cool since the White House asked him earlier this year not to pursue a bid for a full term in 2010, he is not philosophically at odds with the administration.

"The bottom line here is money," Rep. Eliot Engel (D-N.Y.) told POLITICO on Monday, adding that bill the House passed in November was far more generous to New York. "I think that if a state like mine is doing what it is supposed to be doing we should be praised and not punished."

In a Christmas Day op-ed that appeared in the Buffalo News, Paterson wrote, "New York taxpayers are being used to pay for handouts to other states."

"New York was an early leader in covering its citizens, with limited assistance from the federal government. The Senate bill will fund Medicaid expansions for states that lagged far behind New York while depriving New York of the same funding. We are being punished for our leadership," Paterson wrote.

Paterson has an ally in another prominent officeholder who is considered a presidential ally: New York City Mayor Michael Bloomberg, who has enjoyed a mutually beneficial political relationship with Obama.

Last week, Bloomberg called the Senate-passed bill a "disgrace," and warned that if it could result in city health clinic closings if it were enacted as passed.

Paterson also carries the backing of the majority of the New York House delegation, which last week wrote a letter to Pelosi and Senate Majority Leader Harry Reid asking them to correct the inequities as the bill moves into conference negotiations.

New York Democratic Sens. Chuck Schumer and Kirsten Gillibrand said they were receptive to Paterson's concerns.

"We agree that states that have already expanded their Medicaid programs should be rewarded for their generosity, and we are going to work very hard to make sure that happens in conference," Schumer said in a statement.

Brendan Daly, a Pelosi spokesman, told POLITICO that the speaker intended to address Schwarzenegger's concerns in the upcoming conference negotiations.

"While the House health insurance reform bill is more favorable to California than the Senate bill, we understand the governor's concerns, and we will work with the Senate to address them when we reconcile the two bills. Our goal is to ensure that all states are treated fairly," Daly said.

Health care reform: Unintended consequences for AZ?

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By Howard Fischer
Capitol Media Services

The 2000 decision by Arizona voters to provide free health care to more people could come around and bite state taxpayers in the financial butt.

Tom Betlach, director of the Arizona Health Care Cost Containment System, the state's Medicaid program, said Monday the U.S. Senate version of health reform penalizes this state and a handful of others for being generous with who gets coverage. And now that Congress is following suit, Betlach said, Arizona won't get the same extra federal aid being offered to states with more limited plans.

But it's even worse than that.

Betlach said Congress is moving to mandate that everyone have health care coverage. That, he said, will create a "woodwork" effect, bringing out people who are now eligible for AHCCCS but, until now, have not bothered to enroll.

Put into financial terms, these factors will put the cost to Arizona taxpayers in the first seven years of the Senate version of the program at \$17 billion. By comparison, if Congress does nothing to expand health coverage, the state will spend just \$15.4 billion over the same period.

And if voters had never expanded AHCCCS -- and Arizona was eligible for all those extra federal dollars going to other states with less generous programs -- the price tag for providing health care from 2014 through 2020 in the Senate bill would drop to just \$1.4 billion.

The situation is far different, though, if the U.S. House version becomes law. That \$15.4 billion "baseline" price tag drops to \$6.7 billion over eight years -- the House plan starts in 2013 -- even with Arizona having a more expansive plan than most other states.

Here, too, though, there is a price to be paid for voter approval of an expanded AHCCCS program: If that 2000 ballot measure had gone down to defeat, the cost to Arizona under the House plan would drop to just \$3.8 billion.

The problem relates to the fact that one key element in the congressional plans for universal health care is expansion of Medicaid.

Medicaid provides federal money for states to cover those who meet certain income standards, a figure Betlach said is around 22 percent of the federal poverty level. But that doesn't include adults without children.

In 2000 Arizona voters agreed to cover everyone up to the federal poverty level, with no exceptions. That figure now is \$10,830 for a single person and \$18,310 for a family of three.

Betlach estimates that about 320,000 of the nearly 1.3 million people now enrolled in AHCCCS are there solely because of the ballot measure.

Federal dollars make up about two-thirds of the cost of the program.

The House bill proposes to expand Medicaid to 150 percent of the federal poverty level; the Senate figure is 133 percent. And both propose to provide federal cash above that traditional 2-1 match for those who are "newly eligible."

Betlach said the definition in the House bill of "newly eligible" means Arizona will get full federal cash until 2015 for not only those above 100 percent of federal poverty but those AHCCCS covers but Medicaid does not mandate like childless adults. The federal subsidy then drops to 91 percent.

The bottom line, said Betlach, is that Arizona would spend \$6.7 billion less if the House bill passes over that eight-year period than if there is no federal health care bill.

The Senate version, however, provides federal funds only for those "not currently eligible." That, said Betlach, creates a special problem for Arizona where there are probably 200,000 residents who could enroll in AHCCCS but never did.

Under the Senate plan, the federal government will continue pick up its two-thirds share for both current and future enrollees. But Betlach said if just half of these 200,000 resident come out of the "woodwork" because of that to get health coverage, the state's share of the costs, even after that 2-1 federal match still will be an additional \$2.6 billion over seven years, above and beyond not having a federal health care plan at all.

In other states where fewer people now qualify, the federal government will pick up the entire cost of those who can enroll under the higher income limits.

Betlach said Congress needs to understand what it is proposing is not only unfair but illogical.

"Why are you punishing a state like Arizona that pursued basically the policy that you're trying to adopt," he said.

The disparity has caught the attention of state Rep. Kyrsten Sinema, D-Phoenix, who has been working with the White House to push expanded health care. She said it's not fair to penalize Arizona and other states who have provided better health coverage than the federal government has required until now.

"We should be rewarded or, at the very least, held harmless, because we've done a good job of taking care of people, more so than other states," she said.

The problem, said Sinema, is political: It took some time and some political horse-trading for the Senate to come up with the necessary 60 votes for its plan. That, she said, will

make it virtually impossible for the Senate to swallow the House plan -- the one that treats Arizona better -- when it goes to a conference committee.

But Sinema said she believes there is no way a majority of House members will support the Senate plan. And she said the White House will exert pressure to ensure that the final plan is fairer to Arizona and other states in a similar situation.

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States With Expanded Health Coverage Fight Bill

By KATE ZERNIKE

States that have already broadly expanded health care coverage are pushing back against the Senate overhaul bill, arguing that it unfairly penalizes them in favor of states that have done little or nothing to extend benefits to the uninsured.

With tax revenues down and budgets breaking, the states — including Arizona, California, New Jersey, New York and Wisconsin — say they cannot afford to essentially subsidize other states' expansion of health care.

The bill passed by the Senate on Thursday would move toward universal health insurance coverage in large part by expanding Medicaid, a program whose costs have traditionally been shared by the states and the federal government.

But the roughly 20 states that have already expanded coverage in some form will pay a greater proportion of their new Medicaid costs under the bill than those states, largely in the South, that until now have covered relatively few of their poorest residents.

Medicaid covers about 60 million Americans, mostly low-income families and pregnant women, though some states have expanded eligibility to include childless adults under 65. It accounts for about one-fifth of state budgets, on average.

States that have expanded coverage have generally broadened eligibility to include parents with relatively higher income levels and a greater number of childless adults. Even governors in some states without expanded coverage are suggesting that their budgets cannot afford a widened program without additional federal assistance.

“There is always an issue with Medicaid that different states are in different places,” said Diane Rowland, the executive director of the Commission on Medicaid and the Uninsured at the Kaiser Family Foundation. “Do you reward the leader states as well as the laggard states, the good states versus the bad? How do you equalize the assistance? That's at the heart of this.”

The states with expanded coverage would get more relief from the cost-sharing provisions of the health care bill passed by the House in November.

In memorandums explaining the legislation, the drafters of the Senate bill argued that states without expanded coverage would need more help from the federal government to defray the costs of broadening their programs. But governors in the states that have done more to broaden coverage are now lobbying their Congressional delegations to eliminate the discrepancies as the two chambers reconcile the bills.

“We are, in a sense, being punished for our own charity,” Gov. David A. Paterson of New York said last week.

Wendy Saunders, New York’s deputy secretary for health, Medicaid and oversight, estimated that it would cost about \$30 billion over 10 years to adjust the financing formula so that the Senate bill matches the more generous provisions of the House bill.

“Because it’s not a huge cost in the context of what is happening, we’re optimistic that it can be worked out,” Ms. Saunders said.

Massachusetts and Vermont, the states providing the broadest coverage, have already received some relief for the anticipated Medicaid costs in the negotiations that led to the passage of the Senate bill.

To secure the crucial 60th vote from Senator Ben Nelson, Democrat of Nebraska, Senate leaders permanently exempted his state from paying to expand Medicaid. But other states, many of them strong supporters of an overhaul, have been left in the lurch.

Existing Medicaid coverage varies widely. Arkansas, for example, extends Medicaid to working parents who earn up to 17 percent of the federal poverty level, and Alabama offers coverage for those making up to 24 percent of that level. Minnesota covers working parents making up to 215 percent of the federal poverty level, and New York, up to 150 percent. New York also covers childless adults up to 65 making up to 100 percent of the federal poverty level.

In Arizona, where state revenues are down 31 percent, the governor called an emergency cabinet meeting last week as the Senate bill was advancing and ordered the state to stop accepting applicants to its children’s health insurance program. The state, where voters approved an expansion of Medicaid in 2000, projects that in the first seven years of an overhaul, its share of Medicaid would be \$17 billion under the Senate bill. Had Arizona not expanded coverage, the state’s share would have been \$1.4 billion, the state estimates.

“You’ll have taxpayers in Arizona raising taxes on themselves not only to support their program, but to cover all the other states expanding,” said Thomas J. Betlach, the Medicaid director in Arizona. “I work for an insolvent entity; we can’t afford the program we have.”

The House bill would take effect in 2013 and expand Medicaid to cover Americans earning up to 150 percent of the federal poverty level, currently about \$29,300 for a family of four and \$14,400 for an individual. The Senate bill would begin in 2014 and extend Medicaid to Americans making up to 133 percent of the federal poverty level.

Under the Senate bill, the federal government would pay the entire cost of expanding Medicaid to those not already eligible under state coverage for the first two years of the program. The following three years, states that do not now have expanded coverage would be reimbursed at a higher rate than those states that do — in general, the states without expanded coverage would be paid back 95 percent of their costs, while those that have already expanded coverage would be reimbursed between 80 percent and 95

percent. Medicaid reimbursement rates are based on per capita income; wealthier states have smaller shares of their costs paid back.

The biggest hit to states that have already expanded will be in covering the people who are eligible now but have not signed up for coverage under the state's current program. They are expected to enroll because the new legislation will require almost all Americans to have insurance.

States that have expanded already would not get any new matching funds for those people. The Senate bill provides additional money only for those who are "newly eligible."

For example, the federal government would pick up the entire cost for the first two years and 95 percent of the cost for the next three years for newly covered working parents in Alabama, which now covers only those making up to 24 percent of the federal poverty level.

But it would pay just 50 percent of the cost for most of those newly enrolled in California, because California already makes eligible working parents earning up to 106 percent of the poverty level and its Medicaid assistance is set at 50 percent. California would get a more generous reimbursement, about 83 percent, only for parents earning from 106 percent to 133 percent of the federal poverty level.

"We support the policy, but we need to make sure the financial reality aligns with the policy," said Toby Douglas, the Medicaid director in California.

New York expects nearly one million people who are currently eligible for Medicaid under a state expansion to sign up under the federal legislation.

Because the state has expanded coverage, the federal government would pay just 50 percent of the cost for all but about 100,000 of those people, Ms. Saunders said. The Senate bill would cost the state \$1 billion a year, while the House bill would provide an additional \$4 billion a year.

The House bill largely eliminates the problem of signing up people who are now eligible under state programs by counting anyone who signs up as "newly eligible."

The recession has swelled Medicaid rolls already.

"We'd be having a very different discussion if the economy was humming and everyone was back to work," said Carol Steckel, Alabama's Medicaid director and the chairwoman of the National Association of State Medicaid Directors. "But I still think you'd see the different philosophies about who is responsible for the costs. There has to be a balance."