Louisiana Budget Project

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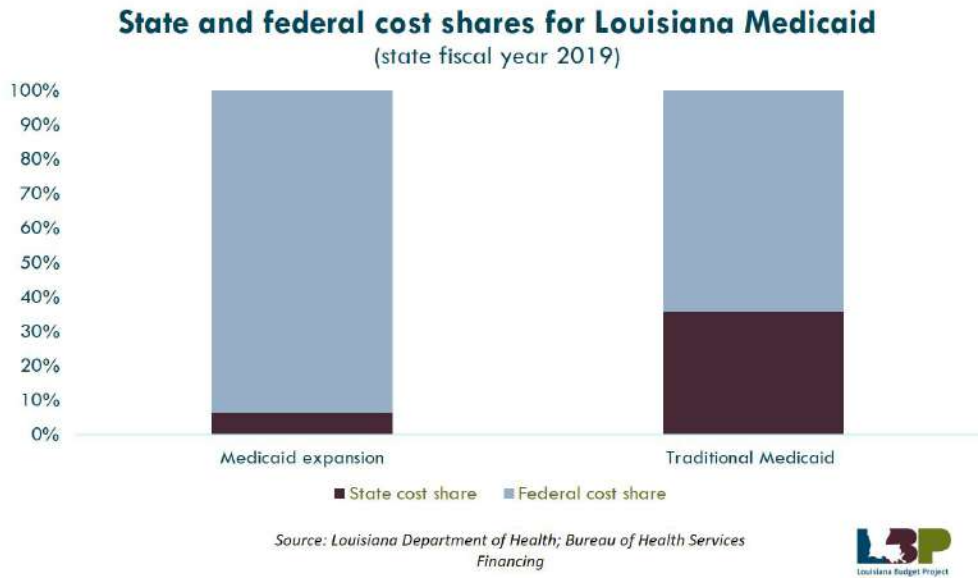
## Medicaid expansion not diverting resources from traditional Medicaid

Medicaid expansion in Louisiana has been a major success story. Since eligibility for the health insurance program was expanded in July 2016, more than 480,000 low-income adults have gained access to critical health services. But some critics of the program, including the Pelican Institute for Public Policy and policy analyst Christopher Jacobs, argue that the expansion has diverted resources from Louisiana's "traditional" Medicaid program, which covers children, seniors, pregnant women and people with disabilities. In reality, Louisiana's historic coverage expansion has been accomplished with nearly zero additional state general fund dollars, making it a great deal for taxpayers.

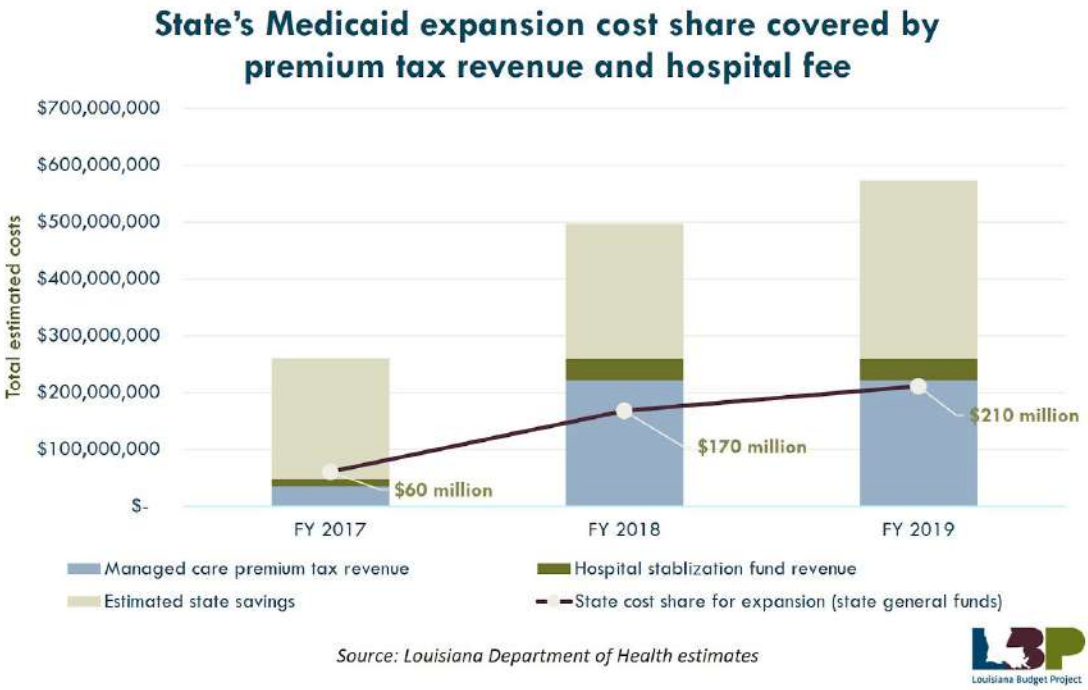
That means programs and services that *do* require state general funds (like the traditional Medicaid program) have not been affected by the expansion.

Medicaid expansion is funded through a state-federal partnership. In the 2018-19 state fiscal year, Louisiana is responsible for 6.5 percent of Medicaid expansion costs, while the federal government pays 93.5 percent. To cover its share, the state levies a fee on Medicaid managed care insurance companies and hospitals, which has largely kept the state from spending state general funds for Medicaid expansion to date. In future years, as the federal matching rate drops to 90 percent of Medicaid expansion costs, the state will have to cover a portion of the its 10 percent cost share with state general fund dollars, but the return on investment will continue to greatly outweigh costs.




In FY 2019, the hospital and insurance company fees are expected to generate approximately $260 million, while the state's cost share for Medicaid expansion is an estimated $210 million. That's a difference of $50 million - money that can be spent on other health care priorities such as waiver services for people with disabilities who want to be cared for at home instead of an institution.

Having the federal government pick up most of the medical costs for people who were previously uninsured, or are serving time in prison, reduces what the state has to pay for those services. The Louisiana Department of Health estimates the general fund savings on uninsured care and the incarcerated population will total $313 million this year, for a net state savings of $361 million.

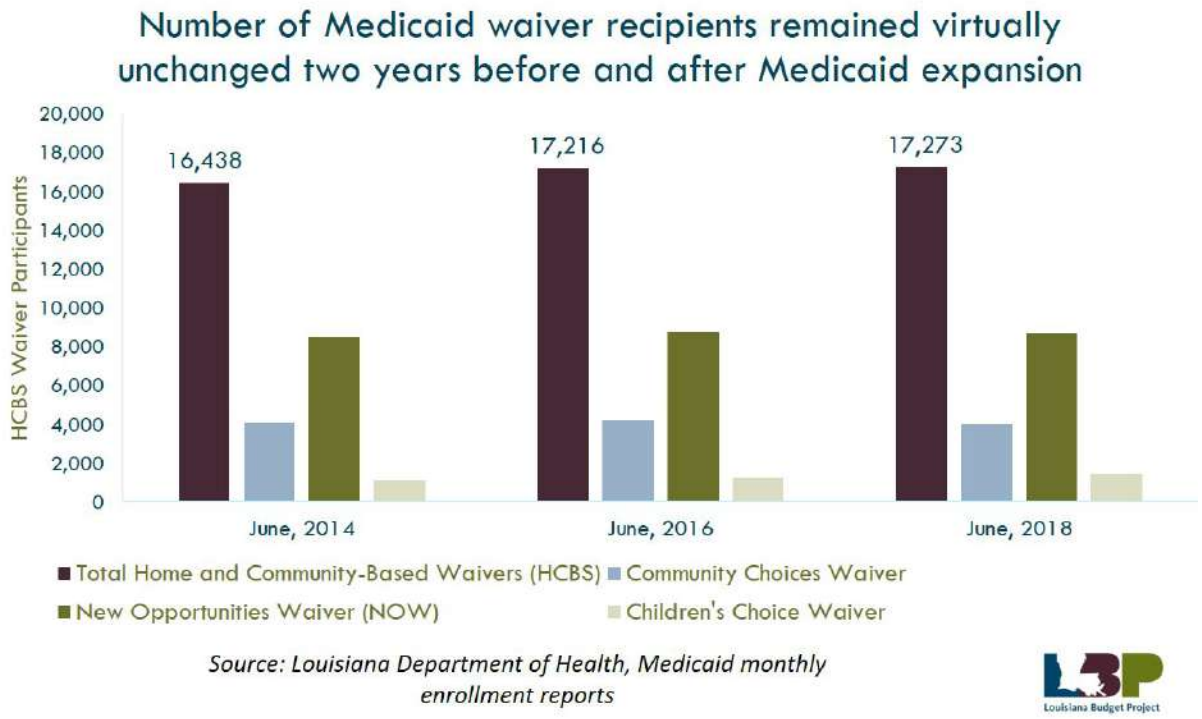



Despite the clear savings to the state, some critics still claim that Medicaid expansion in Louisiana has resulted in a decreased state investment in health services for the "traditional" Medicaid population. They point to the waiting lists for home and community-based services (HCBS) for elderly and disabled persons as evidence that Medicaid expansion is caused damage to the state's most vulnerable.

It's true that the state has long waiting lists for home-care services that are available through state-issued Medicaid "waivers." Waiver programs are considered "optional" Medicaid services, meaning the state is not legally obligated to provide them, and are subject to appropriations by the Legislature. Each year, the Legislature decides how much funding to allocate to the waiver programs and whether to create new "waiver slots" to reduce waiting lists. For example, the Legislature authorized funding for 627 additional waiver slots in 2018, and 650 new slots for individuals with developmental disabilities in 2019. The Louisiana Department of Health was able to use those new slots, combined with a new "tiered approach" for providing services, to effectively eliminate the waiting list for people with developmental disabilities.

The challenge with waiting lists and inadequate state funding for home-care services existed long before Medicaid expansion was implemented in the state. A 2015 legislative audit found that 54,677 people were on waiting lists for home-care waiver services. The audit also found that between 2011 and 2014 (long before Medicaid expansion), 20 percent of the people on the waiting list died before getting a waiver slot.

The implementation of Medicaid expansion has not affected the number of people receiving home- and community-based care in Louisiana. In the two years before and two years after expansion took effect in July 2016, almost the exact same number of Louisianans have received waiver services through Medicaid.




*Source: Louisiana Department of Health, Medicaid monthly enrollment reports*

National data reveal a similar finding. A study by the Kaiser Family Foundation found no relationship between states' expansion status and waiting lists for waiver services. In fact, the Kaiser study found that "among the 21 states that experienced an HCBS waiver waiting list increase from 2015 to 2016, the average increase was lower in expansion states compared to non-expansion states."

It's true that Louisiana should invest more in providing care to those who are waiting for services that improve their quality of life or help them stay in their home. But eliminating Medicaid expansion in Louisiana would not generate one additional dollar of funding to help reduce the waiting lists.

To say that there is a causal relationship between the existence of Medicaid expansion in Louisiana and the existence of waiting lists for waiver services is a logical fallacy. Doing so unnecessarily pits the health care of one vulnerable population (the working poor) against another (those in need of home and community-based services).

Mr. Jacobs and the Pelican Institute have historically not been supportive of increasing state investments in health care for traditional Medicaid enrollees or for home-care service. Rather than putting forth divisive and misleading claims, they should be promoting greater investments in the vulnerable populations they purport to care about, rather than trying to take life-saving services and access to care away from another.

**By Jeanie Donovan**