



Testimony of Sharon Ward
House Human Services Committee Hearing on Medicaid Expansion
June 6, 2013

Chairman DiGirolamo, Chairman Cruz, thank you for holding this hearing and inviting me to participate. I am Sharon Ward, the Director of the Pennsylvania Budget and Policy Center, a nonprofit, nonpartisan research and advocacy organization that 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 generous 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.

There has been a great deal of criticism of Obamacare, but passage of the law has had an immediate, substantial impact. The Affordable Care Act (ACA) provision allowing young adults to stay on their parent's health plan (without purchasing a separate policy as required in Pennsylvania) has resulted in a dramatic increase in private health coverage for this group. If access to health insurance coverage was not a priority for Americans, they would have ignored or rejected this opportunity. Instead, the opposite has occurred. Working parents gained peace of mind from knowing their children had coverage and were no longer at risk from an injury or illness.

While many of us were able to take advantage of this provision, there are many uninsured young adults whose parents don't have coverage of their own and have nothing to offer their children. These young people remain uninsured and at risk. The Medicaid expansion will ensure that their parents, who are low-wage workers, have insurance coverage and have the same peace of mind, knowing their children are covered as well.

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 rose, 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. This left many individuals without options, or with only options they could not afford.

Who will benefit from the Medicaid expansion in Pennsylvania? 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% vs. 7%. Only American citizens and legal immigrants are eligible for Medicaid coverage. In Pennsylvania, 97.6% of the eligible population 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.

Another important group that will benefit from the expansion is veterans, many of whom lack insurance. If Pennsylvania agrees to participate in the Medicaid expansion, we will be able to reduce the share of uninsured veterans by 49%. 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.

The expansion is necessary to fill the coverage gap for individuals who will not be eligible for subsidized insurance through the insurance exchange that will be created next year under the ACA. Exchange coverage begins at 100% of the Federal Poverty Level (FPL); working adults without children and parents, who are ineligible for the current Medicaid program and earn less than FPL, will have no affordable coverage option. 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.

The expansion also has significant economic benefits. An average of \$4 billion a year in new federal dollars will flow into the state. Four 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 that the Corbett administration estimates would come from its business tax reductions, and it would occur in half the time.

The economic principle at work here is the same as that of the ethylene cracker plant, to use one example. The state uses tax dollars to leverage investment that creates jobs and stimulates new industry and new investment. The economic benefits of the Medicaid expansion are greater because health care is less capital intensive than gas processing, and the economic benefits are more dispersed geographically.

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 continues to conflate 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.

I want to spend a minute talking about the current Medicaid program. Medicaid is a low cost, highly effective program that covers children, seniors, mothers, and people with disabilities across the commonwealth.

It is not a program of welfare dependence, but one of independence, providing individuals access to health care so they can live independent lives, grow up to be productive citizens or live their final years with dignity.

Medicaid provides health coverage across the commonwealth. In 2012, there were 10 counties, mostly rural, where more than one in five residents was enrolled in the program (Blair, Cameron, Clearfield, Erie, Fayette, Greene, Jefferson, Mercer, Philadelphia and Venango). In addition to access to health care, Medicaid provides critical financial support to struggling rural hospitals, which are often the largest employers in their communities. New enrollment through the Medicaid expansion would strengthen these institutions.

To end, I would like to quote Governor Jan Brewer of Arizona, who 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.