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The South: A block against 'Obamacare'

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ATLANTA - As more Republicans give in to President Barack Obama's health care overhaul, an opposition bloc remains across the South, including from governors who lead some of the nation's poorest and unhealthiest states.

"Not in South Carolina," Gov. Nikki Haley declared at the recent Conservative Political Action Conference. "We will not expand Medicaid on President Obama's watch. We will not expand Medicaid ever."

Widening Medicaid insurance rolls, a joint federal-state program for low-income Americans, is an anchor of the law Obama signed in 2010. But states get to decide whether to take the deal, and from Virginia to Texas - a region encompassing the old Confederacy and Civil War border states - Florida's Rick Scott is the only Republican governor to endorse expansion, and he faces opposition from his GOP colleagues in the legislature. Tennessee's Bill Haslam, the Deep South's last governor to take a side, added his name to the opposition on Wednesday.

Haley offers the common explanation, saying expansion will "bust our budgets." But the policy reality is more complicated. The hospital industry and other advocacy groups continue to tell GOP governors that expansion would be a good arrangement, and there are signs that some Republicans are trying to find ways to expand insurance coverage under the law.

Haslam told Tennessee lawmakers he'd rather use any new money to subsidize private insurance. That's actually the approach of another anchor of Obama's law: insurance exchanges where Americans can buy private policies with premium subsidies from taxpayers.

Yet for now, governors' rejection of Medicaid expansion will leave large swaths of Americans without coverage because they make too much money to qualify for Medicaid as it exists but not enough to get the subsidies to buy insurance in the exchanges. Many public health studies show the same population suffers from higher-than-average rates of obesity, smoking and diabetes - variables that yield bad health outcomes and expensive hospital care.

"Many of the citizens who would benefit the most from this live in the reddest of states with the most intense opposition," said Drew Altman, president of the non-partisan Kaiser Family Foundation.

So why are these states holding out? The short-term calculus seems heavily influenced by politics.

Haley, Haslam, Nathan Deal of Georgia and Robert Bentley of Alabama face re-election next year. Mississippi Gov. Phil Bryant is up for re-election in 2015. Louisiana Gov. Bobby Jindal is term-limited at home but may seek the presidency in 2016. While they all govern GOP-leaning states, they still must safeguard their support among Republican voters who dislike large-scale federal initiatives in general and distrust Obama in particular. Florida's Scott, the South's GOP exception on expansion, faces a different dynamic. He won just 49 percent of the vote in 2010 and must face an electorate that twice supported Obama.

A South Carolina legislator put it bluntly earlier this year. State Rep. Kris Crawford told a business journal he supports expansion, but said electoral math is the trump card. "It is good politics to oppose the black guy in the White House right now, especially for the Republican Party," he said.

Whit Ayers, a leading Republican pollster, was more measured, but offered the same bottom line. "This law remains toxic among Republican primary voters," he told The Associated Press.

At the Tennessee Hospital Association, President Craig Becker has spent months trying to break through that barrier as he travels to civic and business groups across Tennessee. "It's really hard for some of them to separate something that has the name 'Obamacare' on it from what's going to be best for the state," he said, explaining that personality driven politics are easier to understand than the complicated way that the U.S. pays for health care.

Medicaid is financed mostly by Congress, though states have to put in their own money to qualify for the cash from Washington. The federal amount is determined by a state's per-capita income, with poorer states getting more help. On average in 2012, the feds paid 57 cents of every Medicaid dollar. It was 74 cents in Mississippi, 71 in Kentucky, 70 in Arkansas and South Carolina, 68 in Alabama. Those numbers would be even higher counting bonuses from Obama's 2009 stimulus bill.

Obama's law mandated that states open Medicaid to everyone with household income up to 138 percent of the federal poverty rate - \$15,420 a year for an individual or \$31,812 for a

family of four. The federal government would cover all costs of new Medicaid patients from 2014 to 2016 and pick up most of the price tag after that, requiring states to pay up to 10 percent. The existing Medicaid population would continue under the old formula.

In its ruling on the law, the Supreme Court left the details alone, but declared that states could choose whether to expand.

Hospital and physician lobbying groups around the country have endorsed a bigger Medicaid program. Becker said he explains on his road show that the Obama law paired Medicaid growth with cuts to payments to hospitals for treating the uninsured. Just as they do with Medicaid insurance, states already must contribute their own money in order to get federal help with those so-called "uncompensated care" payments.

The idea was instead of paying hospitals directly, states and Congress could spend that money on Medicaid and have those new beneficiaries - who now drive costs with preventable hospital admissions and expensive emergency room visits - use the primary care system. But the Supreme Court ruling creates a scenario where hospitals can lose existing revenue with getting the replacement cash Congress intended, all while still having to treat the uninsured patients who can't get coverage.

Becker said that explanation has gotten local chambers of commerce across Tennessee to endorse expansion. "These are rock-ribbed Republicans," he said. "But they all scratch their heads and say, 'Well, if that's the case, then of course we do this.'"

In Louisiana, Jindal's health care agency quietly released an analysis saying the changes could actually save money over time. But the Republican Governors Association chairman is steadfast in his opposition. In Georgia, Deal answers pressure from his state's hospital association with skepticism about projected "uncompensated care" savings and Congress' pledge to finance 90 percent of the new Medicaid costs.

Altman, the Kaiser foundation leader, predicted that opposition will wane over time.

Arkansas Republicans, who oppose Democratic Gov. Mike Beebe's call for expansion, have floated the same idea as Haslam: pushing would-be Medicaid recipients into the insurance exchanges. Jindal, using his RGA post, has pushed the Obama administration to give states more "flexibility" in how to run Medicaid.

Deal convinced Georgia lawmakers this year to let an appointed state board set a hospital industry tax to generate some of the state money that supports Medicaid. That fee - which 49

states use in some way - is the same tool that Arizona Gov. Jan Brewer is using to cover her state's Medicaid expansion. Georgia Democrats and some hospital executives have quietly mused that Deal is leaving himself an option to widen Medicaid in his expected term.

"These guys are looking for ways to do this while still saying they are against 'Obamacare,'" Altman said. "As time goes by, we'll see this law acquire a more bipartisan complexion."