

Medicaid

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"The plan will save as many as 300 lives a year in South Dakota, based on a New England Journal of Medicine study," he said. "It will improve the lives of tens of thousands of low-wage workers who can't afford insurance coverage. It will invest more than \$300 million a year into our state's economy, creating thousands of jobs and providing badly-needed revenues to community hospitals and clinics."

Bernie Hunhoff provided a profile of those who stand to benefit from Medicaid expansion:

- 47 percent of the uninsured are young, between ages 18-34.
- Males make up the majority of the uninsured at 58 percent.
- 30 percent of the uninsured are American Indians.
- 73 percent of the uninsured are employed, with many in food service, construction, health care and retail.

"The new revised cost for FY 2017 is \$385 million," he said. "That (figure) is anticipated to grow to \$607 million by FY 2023."

Stevens, the House majority whip, said he isn't ready to commit on Medicaid expansion. He worries the state will take on a larger financial burden than anticipated. He also questions whether Washington will maintain its financial commitment or shift more of the burden to the states.

He noted the projected hiring of an additional 55 state employees for the administrative work associated with Medicaid expansion.

In such a situation, Stevens fears the state will harm education and other funding needs. He wants hard figures before making a decision.

"I'm not going to vote for Medicaid expansion without knowing how it's going to impact other programs," he said.

Regardless of what happens, Jean Hunhoff expects to face proposals in her work on the House Appropriations Committee, which hears funding requests and will work with the proposed \$4.8 billion state budget.

"As with all allocations from the budget, the committee will be reviewing all aspects of the Medicaid proposal," she said.

DRAWING UP A PLAN

Republican Gov. Dennis Daugaard has taken a wait-and-see approach toward Medicaid expansion. He said he opposes expansion without a plan for covering state costs. The state's share, which will grow to 10 percent by 2021, must come from savings.

The expansion effort has failed in past sessions of the Republican-dominated Legislature. In general, Democrats have supported Medicaid expansion, although some GOP lawmakers have also backed the effort.

The debate may see changes this year.

During this week's budget address, Daugaard unveiled a plan to free up to \$67 million annually that would cover Medicaid expansion in South Dakota.

Currently, state officials are working with the federal government and tribes whereby Washington would pay 100 percent of the health care costs for American Indians. Currently, the state pays about half the cost when a Medicaid-eligible Indian patient is treated at a non-Indian Health Service (IHS) facility.

The governor has called the current situation a shifting of the federal government's treaty obligations for providing Indians with health care. He is negotiating with Health and Human Services (HHS), in consultation with Indian tribes, about Washington taking on the entire financial cost.

"For the first time, we have the opportunity to solve this long-standing problem. But it is only possible if we expand Medicaid at the same time," he said in his weekly column.

"Any change to our state Medicaid program is subject to approval by HHS and requires tribal consultation. They will not approve a change in how IHS reimburses our state unless we use the proceeds to fund expansion."

Previous efforts at improving IHS reimbursement have failed, but federal officials have shown strong interest in the current negotiations, Daugaard said. However, he warned the



Hunhoff



Stevens



Hunhoff

talks remain complicated and far from over.

"This is not a done deal," he said. "Our talks with the federal government have been promising, but there is much work to be done. There is still the potential for this effort to fall through."

Full federal coverage for Indian patients on Medicaid would free up the needed funds to cover additional

full-time equivalent (FTE) employees implementing Medicaid expansion, Bernie Hunhoff said.

"The new FTEs are projections of what might be needed to administer the expansion," he said. "The costs of the new workers will have to be found in the savings from readjusting the federal/state match (for IHS), so it won't be a cost to the state budget."

CHARTING A PATH

Stevens worries South Dakota is heading down a path that could prove financially dangerous and impossible to leave or change.

He particularly worries the number of new Medicaid enrollees will turn out much larger than originally estimated. He pointed to the problems encountered in other states that were widely off the mark.

"I realize good things come with it. But once you get into Medicaid expansion, you're hoping the numbers are right," he said. "You look historically at some of the other states and what they have done. Washington State did their own calculations and their projections of who they were going to enroll — and they were off by 104 percent. Nevada was off 113 percent, and Kentucky was off 100 percent. And that's money you have to spend that takes away from things like K-12 education."

Stevens looked at other states' miscalculations in terms of individuals.

"Minnesota thought they were going to have 141,000 (additional enrollees), and they ended up with 186,000 for a 32 percent increase (over projections)," he said. "Maryland estimated they were going to have an additional 91,000, and they added 232,000."

South Dakota hasn't even passed Medicaid expansion and has already found its estimates are off, Stevens said. Daugaard initially estimated 50,000 low-income South Dakotans might be eligible under expansion but later revised the figure upward to 55,000.

The adjustment was more a desire to provide a cushion, Bernie Hunhoff said.

"To be on the safe side, they added 10 percent to that figure and have used 55,000 to figure the costs," he said. "That seems high compared to Minnesota and North Dakota numbers, but it's good to be on the safe side."

Bernie Hunhoff disputed the figures from other states used by opponents of Medicaid expansion.

"An extreme right-wing political machine from Florida funded by the infamous Koch brothers has sent a lot of misinformation to South Dakota's media and policymakers," he said. "That group points to problems with Medicaid expansion in just three of the 30 states that have expanded — Ohio, Arkansas and Kentucky — and it twisted the facts as lobbying groups sometimes do."

Bernie Hunhoff pointed to errors made by other states when expanding Medicaid, which led to their problems.

"Arkansas made a huge mistake by using Medicaid funds to buy private insurance policies for the uninsured, and that's proving too costly," he said. "Ohio and Kentucky are having mixed results so far, but they're finding many benefits."

In general, neighboring states have found positive results with Medicaid expansion, Bernie Hunhoff said. However, some states have run into problems because of their model, he added.

"States closer to South Dakota are experiencing good outcomes already," he said. "North Dakota has only 19,000 people enrolled, and everyone seems to agree it's

an unqualified success. Minnesota has enrolled 90,000 low-income workers, and the program is working well. But Iowa tried an Arkansas model of purchasing private insurance for Medicaid (eligible individuals), and it's failing."

South Dakota can learn from the successes and failures of other states, Bernie Hunhoff said.

"Everybody has learned it's much less expensive to expand Medicaid by improving the existing program than to purchase policies in the marketplace," he said. "That's largely because many of the enrollees will be young adults who often go for many years with only minor health care needs."

Many legislators fear the additional cost of Medicaid expansion and whether the federal government will carry its share or shift the burden to states, Jean Hunhoff said.

"The (Appropriations) committee will want some type of assurance, if the program would change and the dollars wouldn't flow as indicated, the state would have the option to withdraw from the expansion coverage," she said.

"There are many details that will need to be worked out and understand for the expansion to occur."

MAKING IT WORK

Both major political parties need to look at the practical way of making the Affordable Care Act (ACA) — popularly known as "Obamacare" — work, Bernie Hunhoff said.

"Republicans need to acknowledge the Affordable Care Act is the law of the land, deeply embedded now in our health system and something we need to participate in," he said. "Democrats, on the other hand, should acknowledge the ACA isn't perfect and needs some reforms of its own. It's time for pragmatists from both parties to figure out how to fix the thing and move forward."

Medicaid expansion and the ACA will reduce the federal deficit by \$350 billion over the next decade, according to the non-partisan Congressional Budget Office (CBO), he said.

"It's designed to change the way we provide care by emphasizing prevention, improving technology, curbing waste and fraud, and experimenting with new models such as 'health homes' for chronic users so they make better medical decisions," he said.

"Both the states and the federal government have a lot at stake, so it's important we work together. Let's not be the 50th state to help our low-income workers."

South Dakota has taken a major step forward in negotiating with federal officials on Medicaid reimbursement for American Indians, Bernie Hunhoff said.

"South Dakota has struck a very practical bargain with Washington on a Medicaid plan that will be unique to the country," he said. "I disagree with the Daugaard administration that we shouldn't invest any state monies in expansion. It seems we have a responsibility to be a partner in the program moving forward."

The alternative is to do nothing, Bernie Hunhoff said.

"That means more medical bankruptcies. It means shifting the costs of the uninsured workers on to other South Dakotans who have insurance. It means counties will continue to be strapped for charity care," he said.

"It means our Native American population will continue to be denied the health care they were promised through treaties, and those costs will continue to be shifted to South Dakota taxpayers. And it probably means some of our rural hospitals and clinics will no longer exist, while others will struggle to survive."

Stevens see the federal and tribal actions as deal breakers when it comes to Medicaid expansion.

"I think it's a really contentious issue that we won't pursue unless the federal government does the things they talk about doing and the tribal groups go along," he said.

Bernie Hunhoff expressed confidence the Legislature will change its mind and pursue Medicaid expansion.

"South Dakota's legislators are a pragmatic group. I'm sure there'll be a lot of questions and a good debate," he said.

"But I think when all the facts are on the table, Medicaid expansion will be seen as the reasonable and moral thing to do at this time."

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