

Testimony in Favor of L.D. 633, An Act To Improve the Health of Maine Citizens and the Economy of Maine by Providing Affordable Market-based Coverage Options to Low-income Uninsured Citizens; L.D. 808, An Act To Decrease Uncompensated Care, Reduce Medical Debt and Improve Health Outcomes; and L.D. 854, An Act To Increase Access to Health Security by Expanding Federally Funded Health Care for Maine People

Senator Brakey, Representative Gattine, honorable members of the Joint Standing Committee on Health and Human Services, I am Christy Daggett from the Maine Center for Economic Policy. I am testifying in favor of LDs 633, 808, and 854.

Accepting federal healthcare funds would be good for the thousands of uninsured Mainers who are one accident or illness away from financial catastrophe. It would also support thousands of jobs and infuse hundreds of millions of dollars into the state's economy. These benefits would ripple to the farthest corners of the state.

Three years ago, we would have based this assertion on economic projections. Today, we can base it on the experience in so many other states that have accepted federal healthcare funds. In those states, health care systems are on firmer financial footing, the percentage of people without health insurance is shrinking faster, job growth is greater in the health care sector, and their state balance sheets are healthier as a result of accepting federal funds. These are the facts based on real-world experience.

Fiscal savings

In New Jersey, a steep reduction in hospital claims for uncompensated care allowed Governor Chris Christie to save \$148 million in state general revenue previously needed to provide care to the uninsured¹. When Governor Rick Snyder took office in Michigan, the rainy day fund stood at \$2 million. Governor Snyder banked the savings associated with expansion, and now the State of Michigan rainy day fund balance is over \$300 million²³. In Ohio, Governor John Kasich saved \$470 million from the projected two-year budget – because far more Ohioans signed up under expanded Medicaid, with its 100 percent match rate, rather than in traditional Medicaid⁴.

Maine, with its smaller population, still stands to reap savings by accepting federal healthcare funds. A recent report prepared for the Maine Health Access Foundation by the consulting firm Manatt Health Solutions, projected net savings to Maine's general fund of \$26.7 million, assuming a large eligible pool and an aggressive take-up rate. To put those savings into context, \$26.7 million would be enough to more than double the amount awarded to every

Maine college student receiving a State of Maine Grant. Such a proposal failed this session due to lack of funding, even as Maine's graduates struggle with one of the heaviest student debt burdens in the nation.

Savings from accepting federal healthcare funds could also permit policymakers to reverse the more than \$20 million cut proposed to tobacco prevention programs, while maintaining higher reimbursements for primary care physicians. Alternatively, banking \$26.7 million would make a significant step toward restoring Maine's budget stabilization fund closer to its pre-recession balance of \$129 million.

Jobs impact

The uninsured avoid or delay medical care – even when needed – often leading to more serious consequences requiring more costly care and extended missed work. Insuring more people means that more healthcare workers will be needed to care for them. Healthcare jobs generally are highly skilled and well-compensated, and the newly insured would lead to job growth in every region, in every Maine county. Experience in other states confirms this. An analysis by Fitch Ratings found that healthcare and social assistance jobs grew thirty percent faster in states accepting federal funds than in states refusing the dollars⁵. In Kentucky, an estimated 14,000 new jobs were created in 2014 alone.⁶ The University of Louisville now has revised its original estimate to project that Kentucky will add 40,000 new jobs through 2020 – with an average salary of \$41,000 – due to accepting federal healthcare funds.⁷

Refusing to accept federal healthcare funds doesn't just prevent new jobs creation: it threatens existing healthcare jobs. Uncompensated or "free" care creates huge burdens for hospitals. It's a common misunderstanding that the uninsured can rely on generous free care. As the saying goes, there is no free lunch. Free care is only free or reduced because the hospital waives payment, shifting costs to those who have insurance or forcing layoffs or other cutbacks to compensate. Directing the uninsured to free care is an unsustainable policy – one that is corrosive to hospitals' bottom lines.

Once again, experience in states that have accepted federal healthcare funds has shown that large hospital chains doing business in both expansion and non-expansion states now report sharply different rates of uncompensated care across state boundaries, shoring up the budgets of facilities in expansion states⁸. Twenty-three Maine hospitals were in the red in 2013⁹.

In the fifth year since Congress passed health reform, the percentage of uninsured Americans now is at a record low¹⁰. Accepting federal healthcare funds is not an ideological signal, but a pragmatic choice. This is why Governors Kasich, Christie, Snyder, and others have opted in to cover the uninsured in their states, and reaped the fiscal and economic rewards.

Healthcare is not welfare. Of the 20,000 uninsured Mainers living in poverty, 13,000 are working or actively searching for a job¹¹. Accepting federal healthcare funds would help the uninsured, produce general fund savings, and lead to thousands of new jobs.

Accepting federal healthcare funds will help to pave a better path forward for Maine.

¹ Fitzgerald, Beth. "Hospitals' charity care funds are cut in latest Christie budget." *NJBiz*, February 15, 2015. Available at <http://www.njbiz.com/article/20150225/NJBIZ01/150229882/Updated:-Hospitals%27-charity-care-funds-are-cut-in-latest-Christie-budget>

² Snyder, Rick. "Budget overview." (See letter from the Governor, page 7 of 42) February 7, 2013. Available at http://www.michigan.gov/documents/budget/1_410735_7.pdf

³ State of Michigan Budget Office. "State finances." See chart, "Budget stabilization fund, fund balance as of September 2014." 2015. Available at <http://www.michigan.gov/budget/0,4538,7-157-40794-139072--F,00.html>

⁴⁴ Higgs, Robert. "Ohio's Medicaid costs expected to be \$470M lower than expected." *Cleveland.com*. November 7, 2014. Available at http://www.cleveland.com/open/index.ssf/2014/11/ohios_medicaid_costs_expected.html

⁵ Kim, Eric. "Healthcare jobs grew faster in ACA expansion states." February 19, 2015. Available at

https://www.fitchratings.com/gws/en/fitchwire/fitchwirearticle/Healthcare-Jobs-Grew?pr_id=980053&cm_sp=homepage--FitchWire-

[Fitch:%20Healthcare%20Jobs%20Grew%20Faster%20in%20ACA%20Expansion%20States](https://www.fitchratings.com/gws/en/fitchwire/fitchwirearticle/Healthcare-Jobs-Grew?pr_id=980053&cm_sp=homepage--FitchWire-)

⁶ Deloitte Development LLC. "Commonwealth of Kentucky Medicaid expansion report: 2014." February 2015. Available at http://governor.ky.gov/healthierky/Documents/medicaid/Kentucky_Medicaid_Expansion_One-Year_Study_FINAL.pdf

⁷ Ibid. See page 6.

⁸ Price Waterhouse Coopers. "The health system haves and have nots of ACA expansion." 2014. Available at <http://www.pwc.com/us/en/health-industries/health-research-institute/assets/pwc-hri-medicare-report-final.pdf>.

⁹ Maine Hospital Association. "Hospital issues for state office candidates." 2014. Available at <http://www.themha.org/policy-advocacy/Publications-Links/Hospital-Issues-for-State-Office-Candidates.aspx>

¹⁰ Miller, Zeke. "Number of uninsured Americans at record low." *Time*, December 18, 2014. Available at <http://time.com/3639785/uninsured-obamacare-record/>

¹¹ Current Population Survey Annual Social and Economic Supplement, 2013.