

Oklahoma Medicaid Expansion: *Crushing Costs at the Worst Possible Time*

Overview

Oklahoma is proposing Medicaid expansion at the worst possible time. State revenues are collapsing, businesses are struggling, and the state must navigate a path forward that carefully counts every state tax dollar. Medicaid expansion does the opposite—it writes a blank check with taxpayer dollars for welfare for able-bodied adults.

#1) Costs for Med Ex will be more than projected especially because of COVID-19

Oklahoma is considering SB1046, which would take from hospitals, via a tax, about \$130 million a year for the state costs of Medicaid expansion. **This amount will not be sufficient.** Oklahoma seems to know this, because they have a separate proposed funding bill, SB 1935, which will take money straight from the “budget stabilization fund” an “amount necessary to fund the newly eligible Medicaid population, less the funding provided by SB1046.”

This thievery from the Budget Stabilization Fund doesn’t specify a specific amount that will be taken, but based on projections from other state expansions, the total state costs will be, at a bare minimum, \$200 million general fund dollars per year. **Given the upward trend in welfare enrollment because of coronavirus, this is likely a fraction of the true cost.** Some groups have pegged the cost as high as \$374 million a year.¹ Even without COVID, Medicaid expansion enrollment has more than doubled projections in other states. Medicaid enrollment is spiking in all states and will far exceed what Oklahoma has previously projected.²

#2) Oklahoma is headed for budget crisis even without the added cost

Along with underestimating enrollment and cost, Oklahoma must contend with a massive budget shortfall. Moody’s Analytics projects that Oklahoma could see a 28 percent decrease in revenues. This represents a \$2.1 billion loss to the state.³ The state is cutting education to fill these massive short-term budget holes while expanding welfare to able-bodied adults.⁴

Medicaid costs will be rising through the roof even without Medicaid expansion. **Oklahoma Medicaid spending already takes up one out of every four state dollars.**⁵ Based on spikes scene in previous recessions, even without expansion Oklahoma will be facing hundreds of millions in new Medicaid general fund costs.

#3) Expansion states are hit hardest by new federal Medicaid provision

Because of a new provision passed by Congress, states cannot remove anyone from Medicaid, indefinitely. Until the federal emergency is lifted, which will likely be longer than a year, **Oklahoma will not be able to take anyone off Medicaid for any reason—even if they are ineligible.**⁶ Worse for expansion states, this rule came along with increased funding that does not apply to the Medicaid expansion population. If it expands, Oklahoma will be forced to keep ineligible able-bodied adults with no children on the program but will not get additional funding for them. Oklahoma would experience less of a budget impact from this provision if they remain a non-expansion state.

#4) Proposed funding method is likely illegal

The primary funding mechanism proposed in SB1046 is likely illegal based on new rules proposed by the Trump administration.⁷ The practice of taxing hospitals and using that revenue to draw down more Medicaid match from the federal government is highly questionable and has come under intense legal and regulatory scrutiny by watchdog groups, Congress, and past and current administrations alike. A panel commissioned by the Obama administration recommended eliminating the provider tax altogether.⁸

Instead of banking on an expansion of this practice to further tax hospitals, Oklahoma should be considering ways to unwind this questionable practice and find ways to replace those funds for the Medicaid state match. Further, expansion enrollment and cost are being underestimated across the country, and this tax would almost surely fall short when the expansion grows out of control.⁹

#5) Medicaid expansion won't help cure COVID-19 but will hurt the hospitals

The notion that Medicaid expansion is somehow necessary to help soften the physical blow of the COVID-19 crisis, is obviously false. States that had already expanded Medicaid are much worse off, with expansion having done nothing to stop the spread of the disease and having no apparent impact in fighting it off either:

- **Fourteen of the 15 states with the highest cases per capita are expansion states.**
- Expansion states have more than THREE TIMES the cases per capita as non-expansion states.
- **Fourteen of the 15 states with the highest deaths per capita are expansion states.**
- Expansion states have more than FOUR TIMES the deaths per capita as non-expansion states.¹⁰

Expansion will hurt hospitals too. Along with the potentially illegal tax being levied on already stressed hospitals, expansion has been shown to damage hospitals finances greatly and costs jobs. **Expansion states have higher hospital shortfalls** in Medicaid payments, and non-expansion states have seen faster job growth in hospitals.¹¹

Expansion also creates overcrowding in hospitals, threatening a return to health once healthcare can be readily accessed post-COVID-19. Non-expansion states have more hospital beds per capita than expansion states, and the emergency rooms in expansion states have experienced as much as triple the growth of non-expansion states.¹²

¹ <https://www.ocpathink.org/post/hospital-tax-may-not-cover-medicaid-expansion-costs>

² Jonathan Ingram et. al., "Shattered promises: how bad data led to Obamacare enrollment explosions," Foundation for Government Accountability (2019), <https://thefga.org/research/bad-data-obamacare-enrollment/>.

³ Dan White et al., "Stress-testing states: COVID-19," Moody's Analytics (2020), <https://www.economy.com/economicview/analysis/379097/StressTesting-States-COVID19>

⁴ <https://www.publicradiotulsa.org/post/republican-leaders-announce-78b-budget-agreement-between-oklahoma-house-senate>

⁵ <https://thefga.org/research/medicaid-pac-man/>

⁶ <https://thefga.org/research/covid-19-medicaid-funds/>

⁷ <https://www.healthcarefinancenews.com/news/cms-cracks-down-regulatory-loopholes-and-state-schemes-medicaid-payments>

⁸ The National Commission on Fiscal Responsibility and Reform, "The Moment of Truth," The Obama White House (2010), https://www.senate.gov/reference/resources/pdf/NationalCommissiononFiscalResponsibilityandReform_Dec012010.pdf.

⁹ Jonathan Ingram et. al., "Shattered promises: how bad data led to Obamacare enrollment explosions," Foundation for Government Accountability (2019), <https://thefga.org/research/bad-data-obamacare-enrollment/>.

¹⁰ Centers for Disease Control Data

¹¹ <https://thefga.org/research/obamacare-expansion-hospital-jobs/>

¹² <https://thefga.org/research/medicaid-expansion-hospitals-covid-19/>