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# Window Dressing:

The Iowa Health and

Wellness Plan is an

ObamaCare Medicaid

Expansion in Disguise

AUTHORED BY

Jonathan Ingram | *Director of Research*

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## EXECUTIVE SUMMARY

When Iowa passed the Iowa Health and Wellness Plan, supporters argued it was a state-focused free-market Medicaid expansion alternative that would draw “free” money from Washington without having to implement traditional ObamaCare expansion. Those who oppose Medicaid expansion but trusted supporters who said the Iowa plan was a common sense workaround to ObamaCare expansion are sure to be disappointed.

Other than a few superficial tweaks and a clever renaming, the Iowa Health and Wellness Plan is a typical ObamaCare Medicaid expansion. It targets the same population of mostly working-age, able-bodied adults with no kids; uses taxpayer dollars to provide essentially the same services as Old Medicaid; is funded from the same pot of ObamaCare Medicaid expansion monies and it similarly ties the hands of policymakers hoping for flexibility from Washington to control costs and improve quality of care.

Like any other Medicaid expansion, the Iowa plan has a glaring negative impact on patients, taxpayers and policymakers. Iowa has already passed its federally-approved Health and Wellness Plan, but that should not stop policymakers in other states from rejecting this ObamaCare Medicaid expansion. This report explains exactly why they should.

## INTRODUCTION

Under the Patient Protection and Affordable Care Act, commonly known as ObamaCare, state policymakers may expand Medicaid eligibility to cover all adults earning up to 138 percent of the federal poverty level (FPL). However, the U.S. Supreme Court ruled in June 2012 that the states are under no obligation to do so.<sup>1</sup> The decision to expand rests solely with state policymakers.

Roughly half of the states have rejected ObamaCare’s Medicaid expansion.<sup>2</sup> But some states, including Iowa, proposed “alternative” ways to expand Medicaid, hoping to collect “free” money from the federal government without facing pushback from expanding an Old Medicaid system already on the brink of collapse. As a result, many legislators in other states are considering replicating Iowa’s expansion plan.

These legislators should be cautious. Iowa’s plan is not the free-market alternative to Medicaid expansion its architects promised it would be. In fact, Iowa’s plan is nothing more than an ObamaCare Medicaid expansion by another name.

## THE IOWA HEALTH AND WELLNESS PLAN: IT IS NOT “PARTIAL EXPANSION”

Under the Iowa Health and Wellness Plan, all individuals earning up to 138 percent FPL are eligible for Medicaid benefits just as they would be under a typical ObamaCare Medicaid expansion.<sup>3</sup> The plan consists of three major parts: the Health Insurance Premium Payment (HIPP) program, the Iowa Wellness plan and the Iowa Marketplace Choice plan.

### Expanding Medicaid through the Iowa Health and Wellness Plan

Program	Population	Source of coverage
Health Insurance Premium Payment program	Adults earning up to 138 percent FPL with access to employer-sponsored health insurance	Employer-sponsored health insurance and wraparound Medicaid coverage for cost-sharing and additional Medicaid benefits
Iowa Wellness Plan	Adults earning up to 100 percent FPL without access to employer-sponsored health insurance	Traditional Medicaid program
Iowa Marketplace Choice Plan	Adults earning between 100 and 138 percent FPL without access to employer-sponsored health insurance	ObamaCare exchange plans and wraparound Medicaid coverage for cost-sharing and additional Medicaid benefits

Although ideas were initially offered to limit eligibility to individuals earning less than 100 percent FPL, the final legislative language included the full ObamaCare expansion.<sup>4,5</sup> This means the Iowa Health and Wellness Plan expands Medicaid eligibility to all able-bodied adults earning less than 138 percent of the federal poverty level.<sup>6</sup>

Under Iowa’s Medicaid expansion, adults with access to employer-sponsored health insurance will be enrolled in the state’s HIPP program when it is “cost-effective” for the state.<sup>7</sup> Under the HIPP program, the Medicaid program pays for enrollees’ premiums, copays, deductibles, coinsurance and other out-of-pocket costs required by their employers’ health insurance plans.<sup>8</sup> This option is only available if enrollment in the HIPP program is less expensive for the state than covering the individual through the traditional Medicaid program.<sup>9</sup> Enrollees in the HIPP program are still entitled to all Medicaid benefits and are provided wraparound coverage from Old Medicaid for any benefits not covered by their employer’s plan.<sup>10-12</sup>

If employer-sponsored health insurance is not available, the individual is enrolled in one of the other two programs, depending upon his or her income. Enrollees earning less than 100 percent FPL are eligible for the Iowa Wellness Plan, which delivers Medicaid benefits through the traditional Old Medicaid program.<sup>13-14</sup> Enrollees in this program receive medical care through contracted managed care organizations, accountable care organizations or through providers participating in the fee-for-service system.<sup>15</sup>

Enrollees earning more than 100 percent FPL are redirected to the Iowa Marketplace Choice Plan, which delivers Medicaid benefits through qualified health plans offered on the ObamaCare health insurance exchange.<sup>16-17</sup> The Medicaid program pays the cost of premiums for these plans, as well as any copayments, coinsurance and deductibles due at the point of service.<sup>18</sup> Medicaid also provides wraparound coverage for most benefits not covered by those health plans.<sup>19</sup>

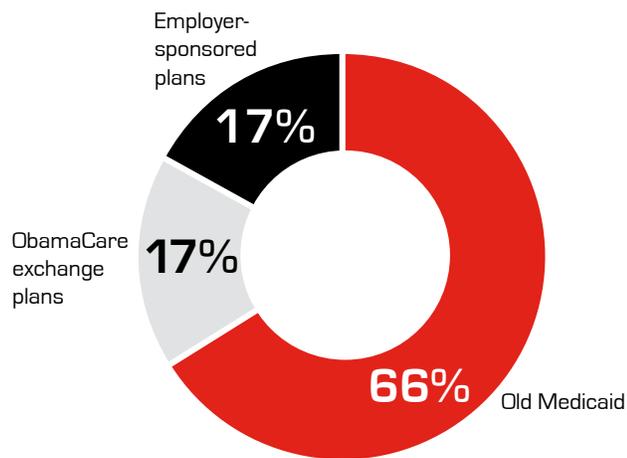
## THE IOWA HEALTH AND WELLNESS PLAN IS MEDICAID EXPANSION BY ANOTHER NAME

The Iowa Health and Wellness Plan expands Medicaid eligibility to the entire ObamaCare expansion population, most of whom will go into the Old Medicaid program while the remaining are redirected into new programs that still deliver the same Medicaid benefits.

Nearly two-thirds of Iowa's expansion enrollees will receive their benefits through contracted managed care organizations, accountable care organizations or through providers participating in the fee-for-service system.<sup>20-22</sup> The remaining third will receive their Medicaid benefits through either employer-sponsored plans or ObamaCare exchange plans.<sup>23</sup>

### Most Iowa Health and Wellness Plan enrollees are dumped into Old Medicaid

Distribution of Iowa's New Medicaid expansion population



Source: Iowa Department of Human Services

## CMS DENIES IOWA'S REQUESTS FOR FLEXIBILITY

Regardless of which of these three delivery systems in which an individual is enrolled, the Iowa Health and Wellness Plan covers virtually all of the same benefits as a traditional ObamaCare Medicaid expansion. Iowa is required to provide Medicaid benefits not typically covered by private insurance as wraparound coverage. In fact, nearly every request Iowa made to alter those benefits was flatly rejected by the federal Centers for Medicare and Medicaid Services (CMS).

**DENIED**

Iowa sought federal permission to exclude early periodic screening, diagnoses and testing (EPSDT) benefits for the expansion population's able-bodied adults, as these benefits were not included in Iowa's authorizing legislation and are not typically covered by private insurance.<sup>24</sup> The federal government rejected this request and, as a result, Iowa must provide EPSDT benefits through wraparound coverage that are more generous than what privately-insured patients are provided.<sup>25-26</sup>

**DENIED**

Iowa requested permission to limit reimbursements to federally qualified health centers (FQHCs) and rural health clinics (RHCs) to match what the ObamaCare exchange reimburses.<sup>27</sup> CMS rejected this request as well, forcing Iowa's Medicaid program to make up the difference between the rates contracted by the ObamaCare exchange plans and the rates set by Medicaid.<sup>28-29</sup>

**DENIED**

Iowa sought permission to limit family planning services to providers who had contracted with the ObamaCare exchange plans.<sup>30</sup> The federal government rejected this request, which means Iowa's Medicaid program will cover family planning costs as a fee-for-service wraparound benefit for all providers that have not contracted with the ObamaCare exchange plans.<sup>31-32</sup>

**DENIED**

Iowa asked for permission to make enrollment in Medicaid effective on the first day of the month following eligibility determination, rather than allowing retroactive eligibility.<sup>33</sup> This request was rejected by the federal government and, as a result, up to three months of retroactive eligibility is available.<sup>34-35</sup>

**DENIED**

Iowa asked for permission to increase cost-sharing requirements for non-emergent use of emergency rooms.<sup>36</sup> Although federal Medicaid rules cap this type of cost-sharing at nominal \$8 copayments, Iowa sought to increase these copayments to \$10.<sup>37-38</sup> The federal government rejected even this modest change, meaning Iowa can only charge Medicaid patients \$8 for using emergency rooms for non-emergencies.<sup>39-40</sup>

Iowa was able to make a very minor change to the benefit package for some able-bodied adults in the expansion population. The state had requested to exclude non-emergency medical transportation (NEMT) services.<sup>41</sup> NEMT services typically cover the cost of gas, public transportation, buses, vans, taxis or other transportation services to help Medicaid patients get to their scheduled appointments. Spending on NEMT services generally represents less than 0.3 percent of the total cost of Medicaid benefits.<sup>42</sup> Iowa did receive permission to exclude this benefit for the Medicaid expansion population, but the federal government only approved this change for a single year.<sup>43-44</sup>

Request for flexibility	Outcome
Exclude non-emergency medical transportation services	APPROVED FOR ONLY ONE YEAR
Exclude EPSDT benefits	DENIED
Limit FQHC and RHC reimbursements to rates contracted by ObamaCare Exchange Plans	DENIED
Limit family planning services to providers in ObamaCare Exchange Plans networks	DENIED
Exclude retroactive eligibility	DENIED
Increase copayment for unnecessary ER use from \$8 to \$10	DENIED

The Iowa Health and Wellness Plan is simply a Medicaid expansion by another name. It covers all individuals in the ObamaCare expansion, provides virtually all of the same Medicaid benefits as a traditional expansion and delivers those benefits through the Old Medicaid program for most of the expansion population. Iowa's experience is instructive for other states hoping for "flexibility" from the federal government that may never materialize.

## **IOWA'S "PREMIUMS" ARE MORE LIKE SUGGESTIONS**

Two major goals of the Iowa Health and Wellness Plan are to promote personal responsibility and to increase cost-conscious utilization of health care among members.<sup>45</sup> However, the expansion plan is unlikely to achieve these goals, as the state has fewer tools to promote personal responsibility and cost-conscious decision-making in the Medicaid expansion than it does even in the traditional Old Medicaid program.

Under traditional Medicaid, Iowa is allowed to charge patients nominal copayments when they receive care.<sup>46</sup> However, under the Iowa Health and Wellness Plan, patients do not even pay these nominal amounts. Instead, the Medicaid program covers all copayments, coinsurance, deductibles and other out-of-pocket costs this group would otherwise pay and current Medicaid enrollees now pay.<sup>47-48</sup>

**It is difficult to imagine how eliminating cost sharing will encourage cost-conscious utilization of health care.**

The only copayments that can be charged to the Medicaid expansion population are for unnecessary emergency room usage.<sup>49-50</sup> Even when individuals must pay copayments for non-emergent use of emergency rooms, hospitals cannot deny services to patients for failure to pay.<sup>51</sup>

It is difficult to imagine how eliminating cost sharing at the point of receiving medical services will somehow encourage cost-conscious utilization of health care. Indeed, private insurers frequently use cost-sharing requirements to encourage more appropriate utilization.<sup>52</sup>

Instead of charging copayments at the point of service, Iowa is implementing what it considers monthly premiums for the expansion population.<sup>53</sup> But these so-called premiums operate more like suggestions than actual requirements.

Under the terms of the Iowa Health and Wellness Plan, premiums may be charged to individuals earning more than 50 percent FPL.<sup>54-55</sup> The state initially requested permission to charge up to 3 percent of income as monthly premiums.<sup>56-57</sup> This is significantly lower than the total cost sharing allowed by federal rules, which typically cap cost sharing at 5 percent of monthly or quarterly income.<sup>58</sup> This means that the able-bodied adults comprising the Medicaid expansion population have less skin-in-the-game than allowed under Old Medicaid.

But the final premium amounts approved by the federal government were far lower than even Iowa's modest request. Ultimately, Iowa earned approval to charge monthly contributions of just \$5 to \$10 per month, amounting to less than 1 percent of monthly income.<sup>59-60</sup>

These premiums do not apply in the first year whatsoever and are waived in later years if individuals engage in a list of "healthy behaviors," such as receiving health risk assessments, preventive services, annual physicals or other services related to health promotion and disease prevention.<sup>61-64</sup>

Worse yet, the federal government has made it virtually impossible for Iowa to remove many enrollees from the program, even if these enrollees refuse to pay their required contributions. Individuals below 50 percent FPL will pay no premiums whatsoever, while individuals between 50 and 100 percent FPL cannot be disenrolled from Medicaid for failure to pay.<sup>65</sup> Together, this represents up to three-quarters of potential enrollees.<sup>66</sup> The required premiums lack the teeth needed for enforcement, making them nothing more than mere suggestions.

The requirements for the remaining quarter of potential enrollees earning between 100 and 138 percent FPL are not much stricter. Iowa must give these individuals at least a 90-day grace period to pay premiums.<sup>67</sup> The state must also grant hardship exemptions to "any member who self-attests to a financial hardship" and provide an opportunity to attest to this hardship with each invoice.<sup>68</sup> Because there are no clearly defined rules as to what

constitutes a hardship or any verification of whether an individual is actually facing a meaningful hardship, the monthly contribution provisions are more of an option than a requirement.

## THE IOWA HEALTH AND WELLNESS PLAN TRAPS PEOPLE IN THE MEDICAID SYSTEM

Supporters of the Iowa Health and Wellness Plan hoped the plan’s design would alleviate any concerns that Medicaid expansion enrollees will face a large marginal tax—in the form of reduced benefits—when they work and earn more money. But instead of the sliding scale of cost sharing its architects envisioned, the Iowa Health and Wellness Plan creates a massive tax cliff for enrollees at the top of Medicaid eligibility.

Under the Iowa Health and Wellness Plan, an individual earning slightly under 138 percent of the FPL will pay up to \$120 per year in premiums in 2015 and beyond—if he or she does not engage in certain healthy behaviors and does not self-attest to facing a hardship—and will pay no deductibles, coinsurance or copayments, except for unnecessary emergency room usage.<sup>69-70</sup>

But if that same individual earns just one dollar more and chooses to keep the benchmark ObamaCare exchange plan, he or she must pay \$531 per year in premiums.<sup>71</sup> That individual would also be responsible for regular copayments, a deductible of up to \$250 per year and total out-of-pocket costs possibly reaching as high as \$1,500 to \$2,117.<sup>72-74</sup>

Depending on how much medical care the individual uses, he or she could end up paying up to \$2,000 to \$2,500 more simply by earning one extra dollar.<sup>75</sup> Despite the higher costs owed for earning just one extra dollar, the individual would not receive any additional benefits. He or she would keep the same qualified ObamaCare exchange plan obtained under the Iowa Health and Wellness Plan, but would lose the additional wraparound Medicaid benefits.

Because Medicaid expansion enrollees will not have the kind of “skin in the game” envisioned by proponents, enrollees will have a powerful incentive to reduce their work hours in order to avoid this new tax cliff.

## THE IOWA HEALTH AND WELLNESS PLAN CREATES A LARGE TAX CLIFF FOR ENROLLEES AND DISCOURAGES WORK

### Difference in annual premiums and out-of-pocket costs for individuals selecting the second-cheapest Silver plan in the Iowa Health and Wellness Plan and in the ObamaCare exchange

Program Eligibility	Income	Required annual premiums	Annual out-of-pocket maximum
Iowa Medicaid expansion	\$16,104	\$0	\$0
ObamaCare exchanges	\$16,105	\$531	\$1,500 - \$2,117

*Note: In 2014, Iowa’s Medicaid expansion has an out-of-pocket maximum of 5 percent of income, but the only cost sharing allowed is an \$8 copayment for unnecessary emergency room usage. An individual right below the maximum eligibility threshold for Medicaid expansion would need to make more than 100 unnecessary emergency room visits to reach this cap.*

*Source: Foundation for Government Accountability*

These large implicit marginal taxes led the non-partisan Congressional Budget Office to conclude that ObamaCare discourages employment among low- and moderate-income workers. This tax will cause able-bodied adults comprising the Medicaid expansion population to “work fewer hours or withdraw from the labor force to become or remain eligible” for Medicaid benefits.<sup>76</sup>

Other states expanding Medicaid have already experienced this disincentive to work firsthand. Researchers at Emory University and the University of Colorado investigated the impact of expanding Medicaid in states that have previously expanded eligibility to able-bodied working adults prior to ObamaCare.<sup>77</sup> Those researchers found that full-time employment among the new Medicaid population declined by more than 8 percent after expansion.<sup>78</sup> They also found that the share of this group who did not work at all increased by nearly 11 percent.<sup>79</sup>

Other researchers have found that when states roll back Medicaid eligibility for able-bodied adults, both job search behavior and employment immediately and significantly rise, suggesting that ObamaCare's Medicaid expansion will cause a large reduction in the labor supply of low-income adults.<sup>80</sup> This is particularly troubling, given that full-time employment moves people off of government dependence and into self-sufficiency.

## **THE IOWA HEALTH AND WELLNESS PLAN CREATES BUDGET UNPREDICTABILITY**

Previous Medicaid expansions to able-bodied childless adults have shown just how unpredictable costs can be. In Arizona, which expanded Medicaid eligibility to childless adults in 2000, costs quickly exceeded official state estimates, ultimately costing taxpayers four times what was expected.<sup>81</sup> Similar patterns played out in other states expanding Medicaid, even when offering only limited benefit packages.<sup>82</sup>

But the Iowa Health and Wellness Plan creates even more budget uncertainty than ObamaCare's traditional Medicaid expansion, especially in the Iowa Marketplace Choice Plan component. Unlike the state's Medicaid managed care reforms, for example, the state does not set multi-year contracts through competitive bidding with flat, capitated rates under the Iowa Marketplace Choice Plan.

Instead, the state pays premiums on behalf of enrollees and also pays additional subsidies to insurance companies to cover deductibles, coinsurance, copayments and other out-of-pocket costs. Simply put, the state has no real negotiating leverage with the plans to control costs and absolutely no predictability of future premium increases.

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Federal rules require Iowa's Medicaid expansion plan to be "budget neutral" for the federal government, meaning that the expansion cannot cost more than a traditional Medicaid expansion. But true budget neutrality will be difficult to achieve. The Congressional Budget Office has previously estimated that ObamaCare exchange plans will cost roughly 50 percent more than traditional Medicaid.<sup>83</sup>

The cost difference under this plan is likely to be even higher than expected for at least two major reasons. First, cost sharing is lower in the Iowa Health and Wellness plan than what is allowed on the exchange, meaning taxpayers must pick up a larger share of the costs.<sup>84-85</sup> But perhaps more importantly, Iowa Health and Wellness Plan enrollees can pick more expensive exchange plans at no additional cost, which is not allowed on the federal exchange.<sup>86</sup> In the exchange, federal subsidies are capped at the second-cheapest plan.<sup>87</sup> Unlike the Iowa Health and Wellness Plan, if an individual in the exchange wants a more expensive option, he or she must pay the difference.<sup>88</sup> This incentive to pick lower-cost options simply does not exist in Iowa's Medicaid expansion plan.

In fact, Iowa's own cost estimates suggest that its Medicaid expansion plan is far more expensive than an expansion of the traditional Medicaid program. According to state projections, the Iowa Marketplace Plan will cost more than \$6,306 per person in 2014, but the expansion population that will receive benefits through Old Medicaid will cost just \$4,460 per person.<sup>89</sup> This means Iowa expects delivering Medicaid benefits through ObamaCare exchange plans to cost 41 percent more than to deliver the same benefits to a similar population through traditional Medicaid.<sup>90</sup> These costs likely understate the difference, as it assumed the federal government would approve requests that were eventually denied.<sup>91</sup>

The same actuaries reviewed a nearly identical proposal in Nebraska, finding that costs would be nearly 62 percent higher to deliver Medicaid benefits through ObamaCare exchange plans than through the traditional Medicaid program.<sup>92</sup>

Despite the evidence that the Iowa plan would be more expensive and fail the budget neutrality test, the federal government approved the waiver. However, in approving the waiver, the federal government set a per-person spending cap.<sup>93</sup> Under the terms of the waiver, if Iowa's Medicaid expansion plan costs more than that federal cap, it is responsible for repaying the difference to the federal government.<sup>94</sup>

Worse yet, under terms of the waiver signed by Governor Terry Branstad, the federal cap will only grow by 4.7 percent annually.<sup>95</sup> But actuaries at the U.S. Department of Health and Human Services predict costs in the individual health insurance market will rise by roughly 6 percent per person during the next three years.<sup>96</sup> This is roughly in line with Iowa's historical experience, as private insurance premiums have generally increased by 6 percent annually during the past decade.<sup>97</sup>

If the costs grow even a few percentage points faster than the waiver allows, Iowa taxpayers will be forced to repay the federal government hundreds of millions of dollars.

This is, unfortunately, a likely scenario. Arkansas, for example, is implementing a similar Medicaid expansion plan called the Private Option.<sup>98</sup> After just two months of operation, Arkansas' Medicaid expansion has already exceeded the caps on federal spending negotiated with the federal government, putting state taxpayers at great risk.<sup>99</sup> Rather than creating budget stability that Medicaid expansion supporters touted, Iowa's Medicaid expansion is a vortex of more budget uncertainty than ever.

## THE IOWA HEALTH AND WELLNESS PLAN CROWDS OUT PRIVATE INSURANCE

Previous Medicaid expansions have shown that Medicaid eligibility frequently crowds out private coverage. In Arizona, for example, the share of non-elderly individuals enrolled in Medicaid grew to 19 percent in 2011, up from 13 percent in 2002.<sup>100</sup> Despite this massive increase in Medicaid enrollment, the expansion did not reduce the rate of uninsured.<sup>101</sup> Instead, the share of non-elderly individuals with private insurance dropped to 56 percent in 2011, down from 62 percent in 2002.<sup>102</sup> Similar patterns played out in other states that expanded Medicaid eligibility.<sup>103</sup>

Economists, including ObamaCare architect Jonathan Gruber, estimate that Medicaid expansions in the late 1990s and early 2000s produced a crowd-out effect of 60 percent.<sup>104</sup> This means that for every ten new Medicaid enrollees, six were previously covered with their own private insurance.

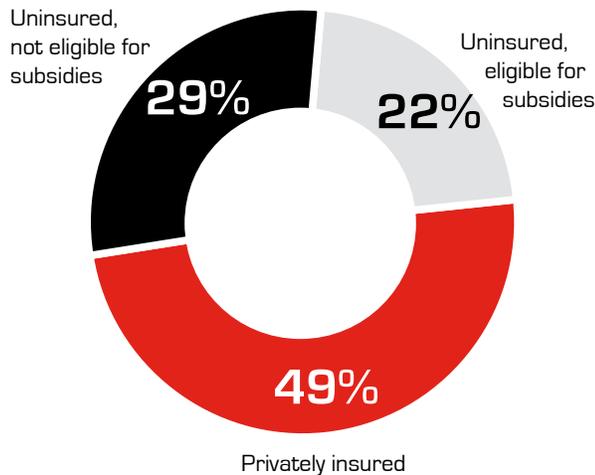
Early estimates show that nearly half of Iowa's Medicaid expansion population already have private health insurance.

Research focusing specifically on the populations targeted by ObamaCare predicts a substantial crowd-out effect resulting from Medicaid expansion. Economists predict that expanding Medicaid eligibility under ObamaCare will produce a crowd-out rate of 82 percent for working adults, suggesting that the optional expansion will merely "shift workers and their families from private to public insurance" rather than reduce the number of individuals without insurance.<sup>105</sup>

The Iowa Health and Wellness Plan will undoubtedly make this crowd-out even worse. After all, some individuals with private insurance may be unwilling to substitute their current coverage for Old Medicaid. But giving those individuals free private insurance, through an employer or through the ObamaCare exchange, makes that substitution far more likely. Those currently enrolled in their employers' plans will receive the exact same plans for less money and may even receive a few extra benefits through wraparound coverage. Those in the individual health insurance market would likewise be able to trade their current plans for plans offered in the ObamaCare exchange, with Medicaid picking up the cost of premiums, deductibles, copayments and other cost sharing.

**Few of Iowa's Medicaid expansion are uninsured**

Adults newly eligible by Medicaid expansion, by insurance status



Source: Iowa Department of Human Services

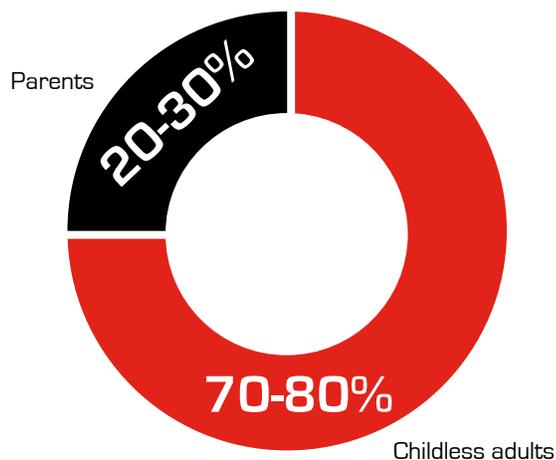
Early estimates show that nearly half of Iowa's Medicaid expansion population already have private health insurance.<sup>106</sup> Another 22 percent are uninsured, but have incomes that would make them eligible for federal subsidies on the ObamaCare exchanges.<sup>107-108</sup> In all, more than 70 percent of Iowa's expansion population could be diverted from private insurance into the state's Medicaid program.

**THE IOWA HEALTH AND WELLNESS PLAN HARMS THE MOST VULNERABLE**

Protecting the most vulnerable is a worthy goal, but the Iowa Health and Wellness Plan actually puts the truly needy at great risk. It is important to remember who actually qualifies for Iowa's Medicaid expansion: Iowa's Medicaid expansion does not cover the elderly, individuals with disabilities or even poor children – groups most frequently considered among the most vulnerable.<sup>109</sup> Instead, the Iowa Health and Wellness Plan expands Medicaid eligibility to a new class of able-bodied, working-age adults.<sup>110</sup> Nearly three-quarters of these able-bodied adults have no dependent children.<sup>111-112</sup>

**Most of Iowa's Medicaid expansion are able-bodied adults without children**

Adults newly eligible by Medicaid expansion, by parental status



Source: Iowa Department of Human Services; Urban Institute

Few of these able-bodied adults actually work full-time jobs. Nearly 30 percent of potential Medicaid expansion enrollees do not work at all, compared to just 21 percent who have full-time, year-round jobs.<sup>113</sup> Unlike other welfare programs, Medicaid has no work requirement, meaning states are being asked to expand Medicaid eligibility to able-bodied, non-working adults. Worse yet, the U.S. Department of Justice estimates that more than 35 percent of these new potential Medicaid enrollees have previous involvement in the criminal justice system, with many having spent time in jail or prison.<sup>114</sup>

Iowa's new entitlement for able-bodied adults will ultimately redirect limited state and federal resources away from the truly needy, including the elderly, individuals with disabilities and poor children. Iowa's most vulnerable citizens are already struggling in a Medicaid safety net that is broken. Care is frequently fragmented, access to quality care is often low and health outcomes remain poor. Rather than protecting the most vulnerable, Iowa's Medicaid expansion actually prioritizes able-bodied adults over the truly needy patients relying on the Medicaid safety net.

Adding an additional 120,000 or more individuals to the Medicaid program will inevitably make access problems even worse as it greatly increases demand, but does nothing to increase the supply of providers. Compounding the problem, the Iowa Health and Wellness Plan actually creates perverse incentives for physicians to prioritize care for able-bodied adults over the state's neediest citizens: because ObamaCare exchange plans reimburse doctors and hospitals at higher rates than Iowa's traditional Medicaid program, providers will have large financial incentives to treat the new working-age adults in the Medicaid expansion rather than the most vulnerable patients already enrolled in Medicaid. As a result, the Iowa Health and Wellness Plan will likely create even larger access barriers for the elderly, individuals with disabilities and low-income children.

## CONCLUSION

Policymakers in other states who are under the impression that Iowa has found an expansion workaround are wholly misinformed. The Iowa Health and Wellness Plan—like Arkansas' so-called Private Option and other strategies billed as market-based alternatives—is nothing more than a window dressing of a typical ObamaCare Medicaid expansion.

There is nothing partial or free market about Iowa's Medicaid expansion plan. It extends taxpayer-paid Medicaid coverage to the ObamaCare expansion population, delivers Medicaid services paid for by Medicaid dollars and it has the blessing of the very federal government that initially sought to mandate Medicaid expansion in every state.

Like typical Medicaid expansions, Iowa's Health and Wellness Plan creates tremendous budget uncertainty and puts taxpayers on the hook for millions in cost overruns. It lacks the flexibility state policymakers would need to ever control costs and quality, removes incentives for able-bodied childless adult enrollees to work and support themselves and forces truly vulnerable patients relying on the Medicaid safety net to compete for limited services with a massive new population of individuals Medicaid was never meant to cover.

Rather than a free-market alternative, the Iowa plan is a typical Medicaid expansion scheme. In every state, an Iowa-style expansion plan is wrong for policymakers, wrong for patients and wrong for taxpayers.

## REFERENCES

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15. Ibid.
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17. Centers for Medicare and Medicaid Services, "Iowa Marketplace Choice Plan: 1115 waiver application," U.S. Department of Health and Human Services (2013), <http://www.medicare.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/ia/ia-marketplace-choice-plan-ar.pdf>.
18. Ibid.
19. Ibid.
20. Author's calculations based upon projected 2014 enrollment through the HIPP program, the Iowa Wellness Plan, the Iowa Marketplace Choice Plan and medically frail individuals enrolled in the traditional Medicaid program.
21. In 2014, more than 79,000 individuals are expected to enroll in Medicaid through the Iowa Wellness Plan, nearly 15,000 individuals are expected to enroll in Medicaid through the state plan as medically frail and more than 12,000 individuals below the poverty line are expected to enroll in Medicaid through the HIPP program. See, e.g., Centers for Medicare and Medicaid Services, "Iowa Wellness Plan: 1115 waiver application," U.S. Department of Health and Human Services (2013), <http://www.medicare.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/ia/ia-wellness-plan-ar.pdf>.
22. In 2014, nearly 25,000 individuals are expected to enroll in Medicaid through the Iowa Marketplace Choice Plan and nearly 12,000 individuals above the poverty line are expected to enroll in Medicaid through the HIPP program. See, e.g., Centers for Medicare and Medicaid Services, "Iowa Marketplace Choice Plan: 1115 waiver application," U.S. Department of Health and Human Services (2013), <http://www.medicare.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/ia/ia-marketplace-choice-plan-ar.pdf>.
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Jonathan Ingram | *Director of Research*

[jingram@thefga.org](mailto:jingram@thefga.org)

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