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A Budget Crisis in Three Parts:

How ObamaCare is Bankrupting Taxpayers

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KEY FINDINGS

1

PRE-OBAMACARE, TOTAL
MEDICAID SPENDING
HAD ALREADY

MORE THAN DOUBLED

SINCE 2000, WITH
STATES SPENDING **ONE
OUT OF EVERY FOUR**
DOLLARS ON MEDICAID

2

STATES THAT EXPANDED
OBAMACARE HAVE SIGNED
UP MORE THAN **TWICE AS
MANY ABLE-BODIED
ADULTS AS PROMISED**



3

OBAMACARE EXPANSION
PER-PERSON COSTS HAVE
EXCEEDED ORIGINAL ESTIMATES
BY **76 PERCENT**



4

THIS ENROLLMENT
EXPLOSION, COMBINED
WITH HIGHER PER-PERSON
COSTS, HAS LED TO **COST
OVERRUNS OF**

157 PERCENT

5

POLICYMAKERS IN THE STATES AND IN WASHINGTON D.C. NEED TO WORK
TOGETHER TO ROLL BACK EXISTING EXPANSIONS AND STOP NEW ONES



BOTTOM LINE:

OBAMACARE EXPANSION IS COSTING TAXPAYERS BILLIONS
AND FUELING BUDGET CRISES ACROSS THE COUNTRY.
ITS DAYS SHOULD BE NUMBERED.

Background on ObamaCare's Medicaid expansion

Under ObamaCare, states have the option to expand Medicaid to a new class of able-bodied, working-age adults.¹ Given that the safety net was originally designed to serve the truly needy, this population was previously ineligible for long-term welfare. ObamaCare changed that, creating a new group of able-bodied adult enrollees to directly compete with the truly needy for limited resources.

By 2016, 31 states and the District of Columbia had adopted the expansion.² Although expansion was fully funded by federal taxpayers for the first three years—with the exception of some administrative costs which were borne by states—the federal share of these costs began to ratchet down in 2017.

By 2020, states will pay at least 10 percent of expansion costs, although Congress continues to pursue ways to reduce or even eliminate federal spending on ObamaCare expansion.

While states have yet to feel the full impact, policymakers are faced with a large, imminent problem: they do not have the money. Now, they are witnessing an explosion in both enrollment and costs which puts funding for the truly needy and other critical priorities in jeopardy.

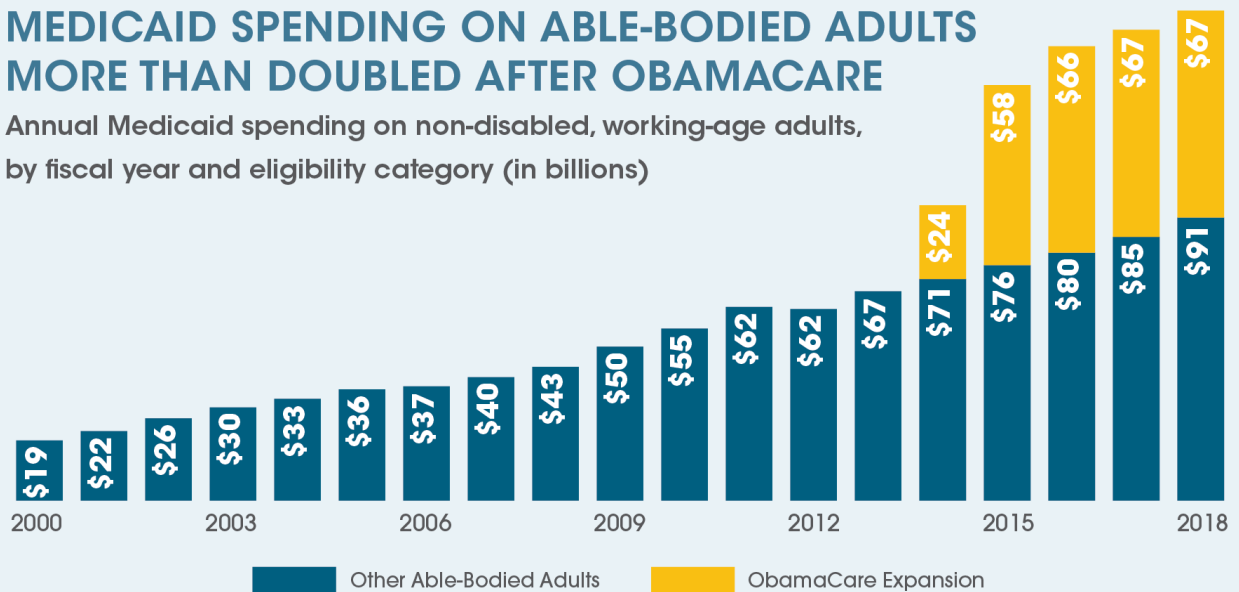
PART 1: STATES EXPANDED A PROGRAM THAT WAS ALREADY OUT OF CONTROL

Medicaid was often the largest and fastest-growing line item in state budgets even before ObamaCare's Medicaid expansion was implemented. In fact, Medicaid spending more than doubled between 2000 and 2013.³ But ObamaCare expansion escalated this spending surge even more.

ObamaCare expansion has driven a large share of this increase. Medicaid spending on able-bodied adults has more than doubled since 2013, the year before expansion took effect.⁴ Roughly three quarters of this new spending is being driven by able-bodied adults made eligible for the program by ObamaCare.⁵

MEDICAID SPENDING ON ABLE-BODIED ADULTS MORE THAN DOUBLED AFTER OBAMACARE

Annual Medicaid spending on non-disabled, working-age adults, by fiscal year and eligibility category (in billions)



Source: Centers for Medicare and Medicaid Services

Medicaid was already one of the largest and fastest growing line items in the budget, crowding out resources for virtually all other priorities.⁶

Before expansion, nearly one out of every four dollars in state budgets went to Medicaid.⁷ But thanks to ObamaCare, this problem will only get worse. In fact, after just four years of expansion, Medicaid spending has grown to now consume one out of every three dollars in state budgets.⁸



DID YOU KNOW...

NEARLY ONE OUT OF EVERY THREE STATE DOLLARS GOES TO MEDICAID?

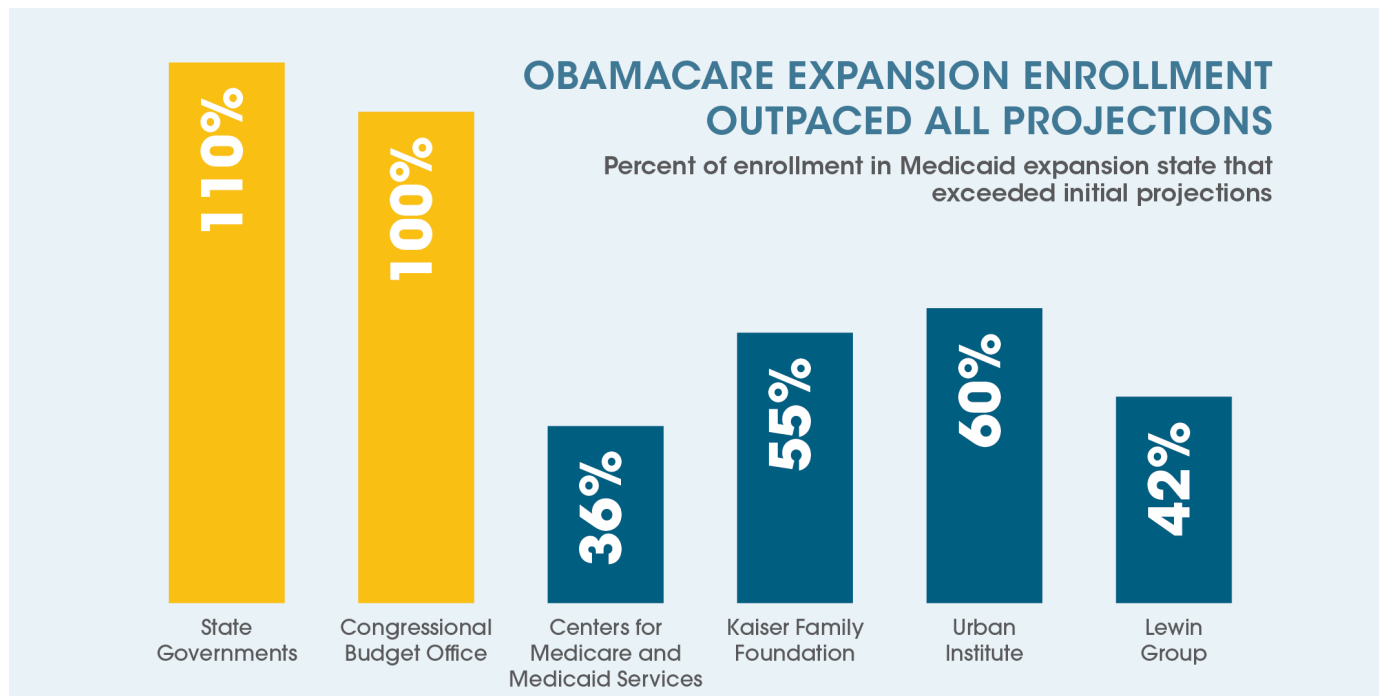
PART 2: STATES SIGNED UP TWICE AS MANY ABLE-BODIED ADULTS AS PROMISED

Even if states had hit enrollment projections exactly, their budgets would have already been stretched. ObamaCare expansion was never going to be sustainable for them. But the reality is worse than that.

States have consistently and grossly missed their expansion enrollment projections, already signing up more than twice as many able-bodied adults than they anticipated would sign up at any point in the future.⁹ Some states have enrolled more able-bodied adults than they thought would ever even be eligible.¹⁰

Third-party projections and estimates from the federal government have proven to be off-base as well.¹¹

The Centers for Medicare and Medicaid Services, for example, underestimated enrollment by more than 36 percent.¹²⁻¹⁴ Independent groups like the Kaiser Family Foundation, Urban Institute, and Lewin Group underestimated enrollment by up to 60 percent.¹⁵ And actual enrollment has been roughly double what the Congressional Budget Office expected.¹⁶⁻²⁰



Ultimately, the takeaway is simple: everyone got it wrong. As a result, taxpayers are on the hook for more than twice as many able-bodied adults as promised, significantly contributing to the pending budget crises in states.

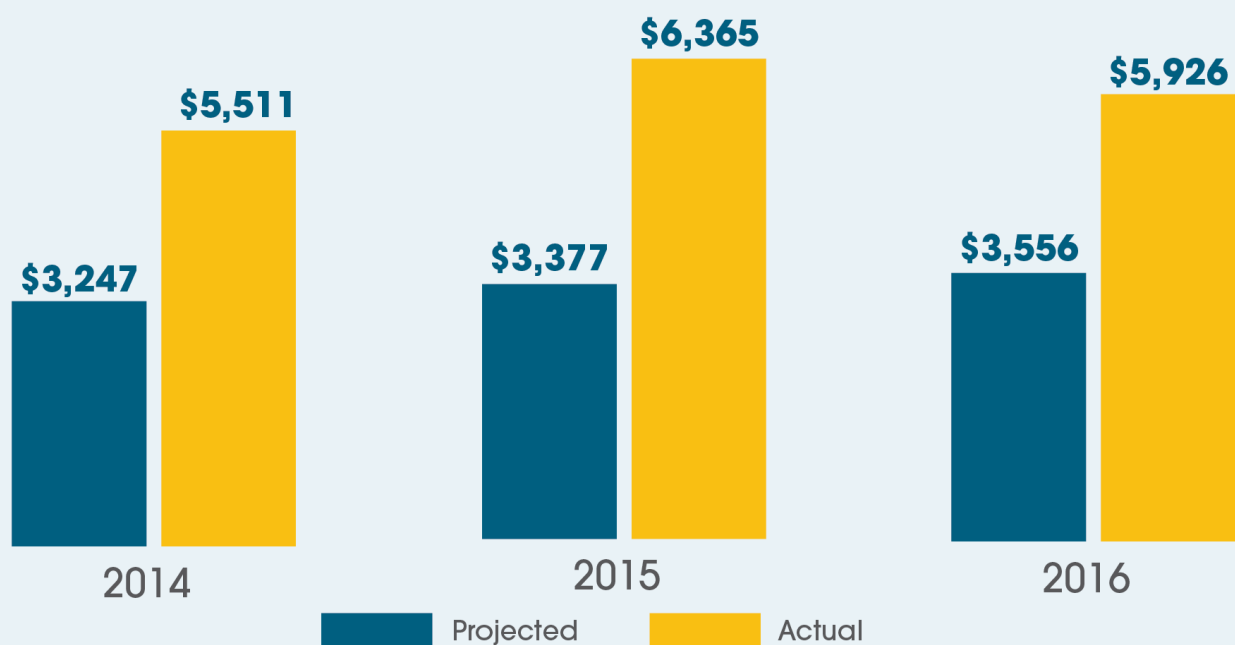
PART 3: STATES HAVE SPENT 76 PERCENT MORE PER ENROLLEE AS PROMISED

ObamaCare expansion is also proving to be tremendously more expensive per person than anticipated. For example, the Congressional Budget Office underestimated per-person spending by nearly 10 percent during the first three years of expansion.²¹⁻²³ The Lewin Group similarly underestimated per-person expenditures by roughly 10 percent.²⁴⁻³³

And worst of all, the Centers for Medicare and Medicaid Services underestimated per-person costs by a whopping 76 percent during the first three fiscal years.³⁴⁻³⁶

PER-PERSON OBAMACARE EXPANSION COSTS EXCEEDED THE OBAMA ADMINISTRATION'S PROJECTIONS BY 76 PERCENT

Projected and actual Medicaid expansion costs per-enrollee



Source: U.S. Department of Health and Human Services

THE RESULT: OBAMACARE EXPANSION HAS BEEN MORE THAN TWICE AS EXPENSIVE AS PROMISED

Higher-than-promised enrollment and higher-than-promised per-person costs have culminated into significant budget overruns in states.

Altogether, a review of every state with available spending projections and actual cost data reveals that taxpayers have spent roughly 157 percent more on ObamaCare expansion than state officials initially predicted, leaving less money to fund other core priorities, including education, public safety, and services for the truly vulnerable.³⁷

ObamaCare expansion has cost taxpayers 157 percent more than expected

Projected and actual Medicaid expansion costs, by state (in millions)

STATE	PROJECTED COST	ACTUAL COST	COST OVERRUNS	PERCENT OVER	YEARS OF DATA AVAILABLE
Alaska	\$320	\$593	\$273	85%	2 years
Arizona	\$4,652	\$5,350	\$698	15%	2.5 years
Arkansas	\$1,800	\$3,225	\$1,425	79%	2.5 years
California	\$11,558	\$43,679	\$32,122	278%	2.5 years
Colorado	\$2,233	\$3,270	\$1,036	46%	2.5 years
Hawaii	\$236	\$625	\$389	165%	2 years
Illinois	\$4,596	\$9,230	\$4,633	101%	3 years
Iowa	\$1,378	\$1,734	\$356	26%	2.5 years
Kentucky	\$3,068	\$5,971	\$2,903	95%	2.5 years
Louisiana	\$1,164	\$2,509	\$1,344	115%	1 year
Maryland	\$1,475	\$4,707	\$3,232	219%	2.5 years
Michigan	\$5,458	\$6,664	\$1,206	22%	2.25 years
Montana	\$473	\$802	\$329	70%	2 years
New Hampshire	\$899	\$1,066	\$168	19%	2.75 years
New Mexico	\$2,150	\$2,877	\$727	34%	2.5 years
North Dakota	\$208	\$547	\$339	163%	2.5 years
Ohio	\$7,383	\$14,467	\$7,084	96%	3.5 years
Oregon	\$3,185	\$6,162	\$2,977	93%	2.5 year
Pennsylvania	\$1,463	\$2,813	\$1,350	92%	1 year
Washington	\$3,611	\$6,456	\$2,845	79%	2.5 years
West Virginia	\$1,268	\$1,835	\$567	45%	2.5 years



Alaska

COST OVERRUN: \$273 MILLION
PERIOD: 2 YEARS



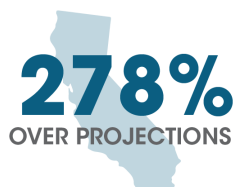
Before Gov. Bill Walker unilaterally expanded Medicaid in Alaska, his administration predicted that just 23,000 able-bodied adults would enroll in the first two years and taxpayers would spend less than \$320 million on expansion during that time.³⁸

In reality, more than 36,000 able-bodied adults signed up during the first two years, costing taxpayers nearly \$593 million—roughly 85 percent more than expected.³⁹ If this pattern continues, policymakers will be scrambling to find more than \$50 million in state funds over the next four years just to cover ObamaCare overruns.⁴⁰

Meanwhile, as tens of thousands of able-bodied adults are now at the front of the line, more than 500 Alaskans with intellectual or developmental disabilities are trapped on Medicaid waiting lists to receive needed home- and community-based services.⁴¹ And their outlook is not good.

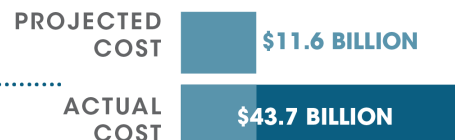
In 2015, the Walker administration announced plans to reduce the number of people moved off the waiting list each year by up to 75 percent.⁴² In 2017, the Alaska Department of Health and Social Services proposed additional cuts to services for individuals with developmental disabilities who are already on the program.⁴³

Even more tragic, the state could eliminate this waiting list altogether for less than the state share of ObamaCare expansion costs.⁴⁴⁻⁴⁵



California

COST OVERRUN: \$32.1 BILLION
PERIOD: 2.5 YEARS



California state officials predicted expansion enrollment would top out at 910,000 able-bodied adults and would cost taxpayers \$11.6 billion during the first two and a half years of operation.⁴⁶⁻⁴⁷ But by July 2017, total enrollment exceeded a staggering 3.8 million.⁴⁸ The actual cost to taxpayers during that time: a whopping \$43.7 billion, nearly four times what was expected.⁴⁹⁻⁵⁹

California's Medicaid program has spiraled out of control. More than a third of all Californians are now dependent on the program.⁶⁰⁻⁶² Over the past decade, the state's Medicaid budget has nearly tripled, reaching more than \$100 billion per year.⁶³⁻⁶⁴ And more than 62 percent of all new state spending over the last decade has gone to Medicaid, crowding out funding for other critical priorities including education, public safety, and infrastructure—a problem that will only worsen as ObamaCare continues to put extreme pressure on the budget.⁶⁵⁻⁶⁷



Illinois

COST OVERRUN: \$4.6 BILLION
PERIOD: 3 YEARS

PROJECTED
COST

\$4.6 BILLION

ACTUAL
COST

\$9.2 BILLION

As officials from then-Governor Pat Quinn's administration lobbied Illinois state legislators to expand Medicaid under ObamaCare, they promised low and predictable enrollment. Specifically, the Illinois Department of Healthcare and Family Services projected 380,000 able-bodied adults would ever be eligible for the expansion, with just 342,000 of them expected to ever enroll.⁶⁸ But in under three months, Illinois shattered its maximum projections.⁶⁹

By March 2017, more than 655,000 able-bodied adults had signed up for the state's ObamaCare expansion.⁷⁰ That means nearly twice as many able-bodied adults than the state thought would ever even be eligible have enrolled in the expansion.

This has resulted in significant cost overruns. While state officials pegged expansion costs at nearly \$4.6 billion for its first three years, actual ObamaCare expansion costs totaled more than \$9.2 billion during that timeframe—more than twice what was expected.⁷¹ Because these costs are far higher than state officials expected and lawmakers did not set aside a dedicated funding source for the program, policymakers are now scrambling to find funds to cover the state's growing share of the costs.

Right now in the state, more than 19,000 children and adults with autism, epilepsy, developmental disabilities, and other critical conditions are currently languishing on a Medicaid waiting list for needed home- and community-based services.⁷² Nearly 70 percent of those individuals have reported an emergency or critical need for services.⁷³ And tragically, since January 2014, when the statewide expansion began, more than 800 individuals on the waiting list have died before ever getting the services they so desperately needed.⁷⁴⁻⁷⁶

Cost overruns for ObamaCare's Medicaid expansion are only making these problems worse because every dollar spent on ObamaCare expansion is a dollar that cannot go to the truly vulnerable.



Ohio

COST OVERRUN: \$7.1 BILLION
PERIOD: 3.5 YEARS

PROJECTED
COST

\$7.4 BILLION

ACTUAL
COST

\$14.5 BILLION

In 2013, Ohio lawmakers passed legislation prohibiting Governor John Kasich from expanding Medicaid under ObamaCare. Kasich proceeded to use a line-item veto to scrap that provision from the budget and expand Medicaid unilaterally.⁷⁷

His office initially predicted that no more than 447,000 able-bodied adults would ever sign up for the expansion and it would cost taxpayers just \$7.4 billion during the first three and a half years.⁷⁸ But actual enrollment blew past the state's projected maximum in less

than a year.⁷⁹ By May 2017, more than 725,000 able-bodied adults had signed up for Ohio's ObamaCare expansion.⁸⁰

To make matters worse, per-person costs have also been significantly higher than anticipated, putting even further strain on Ohio's Medicaid budget.⁸¹ Altogether, Ohio's ObamaCare expansion costs hit \$14.5 billion for the first three and a half years—nearly twice what was initially forecast.⁸²⁻¹²⁴ Lawmakers have scrambled to find funding to cover the state's share of the costs. Medicaid already makes up roughly half of the state's general operating budget, leaving little room for policymakers to sweep existing funding from other priorities.¹²⁵

Gov. Kasich has already proposed slashing payments to pediatric hospitals and cutting eligibility levels for pregnant women in order to rein in the Medicaid budget.¹²⁶ In 2016, the Kasich administration also eliminated Medicaid eligibility for more than 34,000 seniors and individuals with disabilities.¹²⁷ With ObamaCare expansion cost overruns mounting, these cuts may simply be a sign of what is to come.



In West Virginia, Democratic Governor Earl Ray Tomblin unilaterally expanded Medicaid through executive order, predicting 95,000 able-bodied adults would ever enroll and the program would cost less than \$1.3 billion during the first two and a half years.¹²⁸ But actual enrollment shattered that supposed maximum in fewer than three months, with enrollment continuing the climb thereafter.¹²⁹ By December 2016, more than 181,000 able-bodied adults had signed up for the state's ObamaCare expansion—nearly twice as many as the state said would ever enroll.¹³⁰

Cost overruns are now mounting as a result, with costs during the first two and a half years hitting more than \$1.8 billion—roughly 45 percent more than anticipated.¹³¹⁻¹⁴¹ Even if expansion costs flatline, state policymakers must find tens of millions of dollars in new funds to cover these higher-than-expected costs.¹⁴²



DID YOU KNOW...

MEDICAID SPENDING ON ABLE-BODIED ADULTS HAS MORE THAN DOUBLED SINCE OBAMACARE BEGAN?

Similar enrollment explosions and cost overruns have occurred in expansion states across the country.¹⁴³⁻¹⁷⁴ Altogether, Medicaid expansion has cost taxpayers nearly 157 percent more than state officials initially expected.¹⁷⁵ Higher-than-expected enrollment and higher costs in these states will ultimately leave fewer resources available for all other priorities—including services for the truly vulnerable, education, and public safety.

IT IS TIME FOR OBAMACARE TO END

ObamaCare's massive enrollment explosion and cost overruns are pushing taxpayers to the edge of fiscal insolvency. The out-of-control program is diverting resources away from individuals who truly rely on the Medicaid program to survive. Policymakers at the state and federal levels should act quickly to end the ObamaCare nightmare once and for all.

First and foremost, Congress should ensure no new states go down the ObamaCare path.

Short of an outright prohibition on new expansions, Congress could accomplish this easily by eliminating the enhanced federal funding for additional states. It is the right thing to do: this enhanced funding encourages states to prioritize able-bodied adults over the truly needy.¹⁷⁶

Secondly, non-expansion states should continue to hold the line against ObamaCare.

As expansion enrollment and costs continue to soar, states that rejected expansion look smarter by the day. Reversing course now would be a horrible decision for their budgets, their taxpayers, and the truly needy in their states.

Finally, states that wrongly expanded ObamaCare should work to roll it back.

States can begin unwinding ObamaCare expansion and they should do so with great urgency. One simple strategy would be to freeze enrollment in the expansion immediately. Under this approach, no new applications for ObamaCare's Medicaid expansion would be approved, but those already enrolled would be allowed to stay in the program until their situations improved and they became ineligible. After closing the front door, enrollment would immediately begin to decline, freeing up limited resources for the truly needy. States have successfully used this approach in the past to unwind earlier expansions.¹⁷⁷

ObamaCare has wreaked havoc on taxpayers and the truly needy since its inception, trapping more than twice as many able-bodied adults in welfare as promised and costing more than twice as much as expected. Policymakers in the states and in Washington D.C. should work together to undo it.

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