

Five key signs ObamaCare expansion is not a silver bullet for hospitals

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KEY FINDINGS

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OBAMACARE'S MEDICAID EXPANSION HAS NOT MATERIALLY IMPROVED HOSPITALS' FINANCIAL HEALTH.



2

PROMISED HOSPITAL JOBS NEVER MATERIALIZED AFTER MEDICAID EXPANSION.



3

NON-EXPANSION STATES HAVE SEEN FASTER HOSPITAL JOB GROWTH.



4

HOSPITALS ARE STILL CLOSING IN EXPANSION STATES.



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MEDICAID EXPANSION SHIFTS ABLE-BODIED ADULTS OUT OF PRIVATE INSURANCE AND INTO LOWER-PAYING MEDICAID.



BOTTOM LINE:
OBAMACARE EXPANSION IS NOT A SILVER BULLET FOR HOSPITALS.

Background

Under ObamaCare, states have the option to expand their Medicaid programs to include a new class of able-bodied adults. For years, hospital lobbyists and ObamaCare advocates have tried to persuade lawmakers with claims that Medicaid expansion will be an economic boon for states, often with little pushback. But six full years after the program's launch in most expansion states, data now shows these claims are overstated at best. Activists have made lofty promises of massive hospital job creation and improved hospital finances if states expand Medicaid under ObamaCare. For example, prior to expansion, Nevada was promised 40,000 new jobs and massive economic growth following expansion.¹ Similarly, Kentucky was promised the creation of 17,000 new jobs.²

Unfortunately, for those states that took the bait and expanded their Medicaid programs, these promises never came true. Promised jobs have not materialized. Not only that, but states that did expand Medicaid saw fewer hospital jobs created in the time after expanding compared to those states that did not. Some states that expanded Medicaid even lost jobs. Moreover, Medicaid expansion's impact on hospital health has been minimal to nonexistent. Indeed, Medicaid expansion may have actually produced negative outcomes for hospital financial health.

Still, expansion advocates in states that have not expanded Medicaid continue to make the same promises. In North Carolina, supporters claim expansion would create 37,000 new jobs.³ In Missouri, advocates say that expansion would create more than 24,000 new jobs and would prevent the closure of rural hospitals.⁴

Despite all of the claims made by supporters of Medicaid expansion, the fact remains: Medicaid expansion is not a catalyst for job creation or hospital health. Lawmakers in states that have not expanded Medicaid should be wary of claims that Medicaid expansion will bring massive economic benefits, as many states have found that these promises rang hollow.

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1. OBAMACARE'S MEDICAID EXPANSION HAS NOT MATERIALLY IMPROVED HOSPITALS' FINANCIAL HEALTH

Hospital lobbyists have been desperate to convince policymakers that, absent ObamaCare expansion, local hospitals would be forced to shutter their doors. But these claims are based more on hope than on reality.

Indeed, an analysis of six full years of hospital financial data and more than 1,700 hospitals, comparing non-expansion states to expansion states, found this to be true: expansion was found to be associated with "higher Medicaid payment shortfalls."⁵ With regards to expansion's impact on hospital finances, the study's authors concluded "the net effect is close to zero."⁶

These findings are consistent with earlier studies by Moody's Investor Service, the firm that issues the credit ratings for hospitals nationwide. Moody's analysis of hospitals' own financial data found that there was "no significant difference" in improved financial status in expansion states as compared to states that rejected ObamaCare expansion.⁷

The data clearly show that, regardless of how many hospitals claim they will close down if a state chooses not to expand Medicaid, Medicaid expansion does not meaningfully improve hospitals' bottom lines.

2. PROMISED HOSPITAL JOBS NEVER MATERIALIZED AFTER MEDICAID EXPANSION

Expansion proponents have also long promised that the influx of new federal dollars would spur economic activity in ObamaCare states, leading to the creation of tens of thousands of new hospital jobs. This is a consequential promise because states have budgeted on these assumptions, counting on increased revenue from increased economic activity to help offset their massive new Medicaid expansion costs. But while job creation claims may be a useful advocacy tool for supporting a taxpayer-funded expansion of welfare, the data once again provide a different reality.

In fact, nearly 40 percent of ObamaCare expansion states lost hospital jobs in the first year of the program.⁸

This includes states like Arkansas—a state that expansion advocates have long heralded as a shining model of ObamaCare expansion’s success. Before the state’s decision to expand Medicaid in 2013, hospital lobbyists and Medicaid expansion supporters touted the job growth in the state that Medicaid expansion would allegedly create.⁹ However, Arkansas hospitals actually lost 732 jobs in the first year of expansion.¹⁰

Iowa had a similar experience. Before Medicaid expansion, a report published by the Iowa Hospital Association promised that expansion would create hundreds of hospital jobs.¹¹ Just like in Arkansas, Iowa hospital jobs declined after expansion, with hospitals shedding more than 1,000 jobs in the first year alone.¹²

In Kentucky, ObamaCare supporters promised nearly 8,000 jobs in health care and related fields in the first year of implementation.¹³ But researchers at the University of Louisville found that Kentucky actually lost more than 1,200 health care and related jobs in the first year of expansion.¹⁴

In total, 11 states and the District of Columbia lost hospital jobs in their first year of ObamaCare expansion—including later expanding states Louisiana and Michigan.¹⁵

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ELEVEN OBAMACARE EXPANSION STATES AND D.C. LOST HOSPITAL JOBS AFTER EXPANSION

STATE	MONTH BEFORE EXPANSION	ONE YEAR LATER	HOSPITAL JOBS LOST
Arkansas	41,318	40,586	732
Connecticut	60,351	59,271	1,080
District of Columbia	27,704	27,129	575
Iowa	41,432	40,381	1,051
Louisiana	77,802	77,194	608
Maryland	104,596	103,031	1,565
Michigan	195,780	195,703	77
Minnesota	105,220	104,294	926
New Jersey	142,874	142,807	67
North Dakota	17,895	17,497	398
Rhode Island	23,354	23,306	48
West Virginia	40,100	39,728	372
COMBINED			7,499

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This is a critical reality for states currently considering ObamaCare expansion—perhaps even more critical than for states that have expanded previously—because states are now required to cover a significant portion of the program’s cost.¹⁶ If promised hospital jobs do not materialize quickly, states will be in an even bigger budget pinch.

Ultimately, it was always silly to expect that a massive expansion of welfare to able-bodied adults would create jobs or spur economic activity. Indeed, as the Congressional Budget Office has explained, Medicaid expansion discourages work amongst able-bodied adults and shrinks the economy.¹⁷

But now, with years of expansion in the rearview mirror, it is even clearer that policymakers should resist making a decision of this magnitude based on the false promise of “job creation.”

3. NON-MEDICAID EXPANSION STATES HAVE SEEN FASTER HOSPITAL JOB GROWTH

The story of ObamaCare expansion’s impact on the hospital economy does not end here. Not only have hospital jobs in ObamaCare states failed to materialize as promised, but hospital job growth has actually been more rapid in states that rejected this failed welfare expansion.

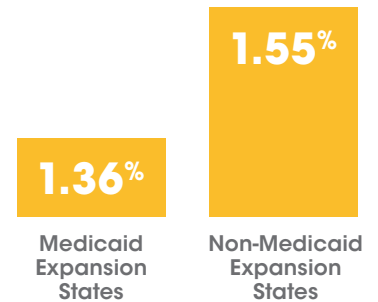
Over a period of nearly five years, non-expansion states enjoyed annual hospital job growth of 1.55 percent on average, compared to just 1.36 percent for ObamaCare expansion states.¹⁸ This means that non-expansion states are growing hospital jobs roughly 14 percent faster than expansion states.¹⁹

The takeaway is obvious: if ObamaCare expansion was the end-all, be-all for hospital job creation, the rate of growth would certainly be higher in states that have embraced it. Yet, after years of expansion, new hospital jobs are generating at a faster rate in states that have protected themselves from ObamaCare’s impact.

While hospital lobbyists peddle horror stories about the dangers of rejecting expansion, hospitals in non-ObamaCare states are adding jobs more quickly.

NON-EXPANSION STATES HAVE ADDED HOSPITAL JOBS AT A HIGHER ANNUAL RATE

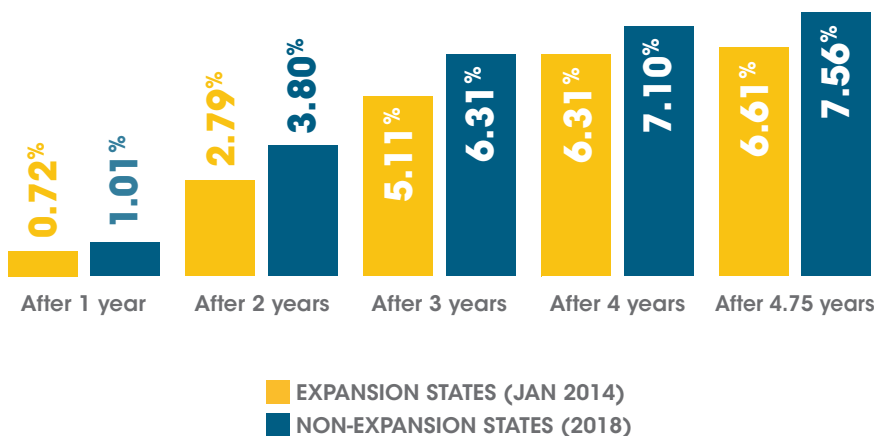
Average annual growth of hospital jobs by state, by expansion status



Source: Bureau of Labor Statistics

HOSPITAL JOBS IN NON-EXPANSION STATES HAVE GROWN AT A HIGHER RATE THAN EXPANSION RATES

Cumulative hospital job growth by year, by expansion status



Source: Bureau of Labor Statistics

4. HOSPITALS ARE STILL CLOSING IN OBAMACARE EXPANSION STATES

Medicaid expansion supporters are quick to blame hospital closures on a state's failure to expand Medicaid. But hospital closures are nothing new; hospitals have been closing in rural and urban areas for decades. And, even in states that have expanded ObamaCare on the false hope that it would rescue struggling hospitals, hospitals continue to close.

When the Arkansas legislature first debated ObamaCare expansion, hospital lobbyists warned that refusing to expand would cause hospitals to close their doors and lay off workers, while Medicaid expansion was promised to keep "Arkansas hospitals open."²⁰

There may have been substantial increases in Medicaid enrollment following expansion, but many of the state's hospitals still face huge operating losses. Arkansas has seen massive hospital layoffs, including the closing of 600 positions at the largest state-run hospital.²¹ The state's largest private hospital has posted record losses, even after years of expansion dollars flowing in.²² News reports have classified the condition of state hospitals as "condition critical," after six full years of ObamaCare expansion.²³

Despite lobbyists' promises to the contrary, Arkansas has one of the highest rates in America for financial distress among rural hospitals.²⁴ Indeed, Arkansas has more rural hospitals in financial distress than nearby non-expansion states Kansas and Missouri.²⁵

Similar promises were made in Kentucky, which expanded Medicaid in 2014. Later that year, the Nicholas County Hospital—a critical access hospital—shut its doors.²⁶ In early 2015, Parkway Regional Hospital closed.²⁷ In 2016, the New Horizons Medical Center—another critical access hospital—and Westlake Regional Hospital both closed.²⁸ Six years after expansion, one in four rural Kentucky hospitals are in danger of closing because of financial problems.²⁹

A year after Nevada expanded Medicaid, Nye Regional Medical Center in Tonopah ceased operations.³⁰ Five years after Medicaid expansion in Pennsylvania, Ellwood City Medical Center closed its doors after years of financial problems.³¹

Hospitals and Medicaid expansion advocates decry lawmakers for choosing not to expand Medicaid, supposedly at the expense of rural hospitals. But taken in context, hospitals have been closing for as long as they have been built. ObamaCare expansion is not a magic cure.

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5. MEDICAID EXPANSION SHIFTS ABLE-BODIED ADULTS OUT OF PRIVATE INSURANCE, WORSENING THE FINANCIAL OUTLOOK FOR HOSPITALS

Medicaid expansion has failed to deliver financial security for hospitals. In fact, expanding ObamaCare may even worsen the problems that hospitals face by shifting able-bodied adults out of private insurance and into Medicaid.

Medicaid reimburses hospitals at far lower rates than private insurers, paying roughly 60 percent of what private insurance pays, even after accounting for supplemental payments.³² Indeed, hospitals report that reimbursement rates are below the actual cost to treat Medicaid patients.³³ But when states expand Medicaid, they shift able-bodied adults out of private insurance and into Medicaid, leading to lower reimbursements and further fueling a cycle of hospital dependency on taxpayers.³⁴

If the remaining non-expansion states expand ObamaCare, they could drive more than two million additional Americans out of private insurance plans and into Medicaid.³⁵

Practically speaking, this means millions more Medicaid patients for hospitals and millions fewer privately insured patients who would carry higher reimbursement rates and more revenue for hospitals.

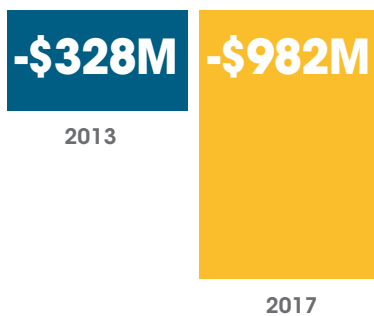
ProMedica in Toledo, Ohio suffered a \$9.8 million operating loss in the first quarter of 2019, five years after the state expanded Medicaid.³⁶ The health system representatives blamed a more expensive expansion population as well as the lower reimbursement rates that came with these new enrollees.³⁷ The hospital representatives said that if the operating losses continue, they would have to exit the Medicaid business entirely, exacerbating a nationwide epidemic of Medicaid provider shortfalls.³⁸

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**COLORADO
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Source: Colorado Department of Health Care Policy and Financing

Moody's public finance group recently detailed this exact phenomenon, highlighting how many hospitals in Louisiana and Kentucky reported that individuals went from being commercially insured to being enrolled in Medicaid.³⁹

But perhaps nowhere is this clearer than in Colorado. The Colorado Department of Health Care Policy and Financing recently reported that hospitals' operating losses for treating Medicaid patients have tripled since expanding ObamaCare, growing to nearly \$1 billion by 2017.⁴⁰ These losses more than offset the small reduction in charity care or bad debt that Colorado hospitals experienced over that same time.⁴¹

Advocates for Medicaid expansion like to tie hospital closures to a state's refusal to expand Medicaid. But an increase in Medicaid patients actually threatens the viability of hospital finances. Individuals may drop insurance for free Medicaid or employers may scale back on private benefits. Not only are these factors a result of Medicaid expansion—it is likely that expanding Medicaid would further exacerbate the problems advocates claim it would solve.

Bottom line: ObamaCare expansion is not a silver bullet for hospitals

ObamaCare expansion has been in place for six full years in most expansion states, and America still faces many of the same problems they faced before the law took effect. More importantly, the issues facing hospitals have deeper roots than not having Medicaid expansion. Policymakers must understand that hospitals will still have these problems even after a state expands Medicaid and expansion will actually make the problems worse.

Further, job data shows that supporters' claims of massive hospital job growth in states that expanded Medicaid have not borne out. States that did not expand Medicaid showed higher job growth in the hospital sector, even without the influx of federal dollars, which supporters of expansion say are necessary to put a hospital on every street corner.

Lastly, the problems associated with rural hospital closures date far beyond a state refusing to expand Medicaid. Hospitals are still facing financial issues following states' decisions to expand Medicaid and increasing the number of Medicaid patients that hospitals treat may be negatively impacting their operations.

The evidence is clear that, despite all of the lofty promises from Medicaid expansion supporters, this massive expansion of welfare is not a job creation tool nor a silver bullet for struggling hospitals.



**HOSPITALS'
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