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Medicaid Expansion in Colorado: An Exercise in Futility - Summary*

With the ongoing debate in Oklahoma of whether or not to expand Medicaid under the federal Affordable Care Act (Obamacare), experiences of states that have done so are illuminating. An official study conducted in one expansion state, Colorado, specifically explored how the finances of hospitals were impacted. It evaluated the argument that if more people were covered by Medicaid, prices would moderate or fall since they are high to compensate for unpaid bills. The study shows that rather than lowering insurance premiums, Medicaid expansion encouraged hospitals to improve their profitability all the more, at public and private expense. The same phenomenon has been documented in Arizona. Were Medicaid expanded in Oklahoma, we could expect the same.

The report is authored by the Colorado Healthcare Affordability and Sustainability Enterprise Board, a unit of Colorado government that makes policy recommendations regarding hospital reimbursements under Medicaid. The full paper from which this summary is derived provides fuller detailed explanations of each individual bullet point from the Colorado report's summary.

Health Care - the Richest Sector in the Economy

- Health care spending represents nearly one-fifth of the U.S. economy (17.9 percent of GDP in 2017; \$10,379 per person).
- Thirteen of the 15 highest paying occupations in the United States are in health care.
- Large nonprofit hospitals in Oklahoma are awash in cash and often provide rich salaries to top managers.

Health Care's Unique Environment

- Only a dime of every dollar that pays for health care in the U.S. comes directly from patients. Thus, 90 percent of every health care dollar is paid by "third-party payers" – government and private health insurance.
- Thus, *there is no such thing as a true market in health care.*
- Health care pricing is not rational. It is not driven by competition like most industries' prices.

The Colorado Study: Utterly Predictable Results

- The Colorado Health Care Affordability Act (CHCAA) expanded Medicaid in that state in accordance with the federal Affordable Care Act (ACA or Obamacare).
- While Medicaid expansion decreased the number of uninsured Coloradans and reduced losses to hospitals due to bad debt and charity care, this merely means that taxpayers are paying for more people's health care, so hospitals make more money. This does NOT mean hospitals were saved from financial ruin or that health outcomes improved.
- Insurance premiums have been rising because hospitals' expenses AND their profit margins have been increasing.
- Given that both costs AND margins for hospitals in Colorado are rising, it is clear that hospitals are increasingly inefficient AND taking price advantage of the insured.
- Total hospital costs grew more than 4 times faster than the rate of growth in the number of patients.
- Hospitals have it in their power to better control their costs. Hospitals choose not to because the third-party payer system allows them to be wasteful. Thus, health insurance companies/customers did not see savings as more people were covered by Medicaid.
- Hospitals COULD have saved commercial health insurers and their clients (employers and patients) money when the government covered more people with Medicaid expansion, but they didn't.

Conclusion

The federal government substantially created health insurance as we know it today. It is provided through employers because federal income tax law does not tax non-cash benefits. The lesson from Colorado, Arizona, and other states like them, is that promises the health industry makes about the benefits of Medicaid expansion are often false. The fourteen states that have not yet expanded Medicaid, including Oklahoma, should continue their stand.