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Medicaid Expansion is Not Needed by the Hospitals

By Michael W. Thompson

4/20/2015 -- Although the expansion of Medicaid has been defeated in the Virginia General Assembly, the advocates of Obamacare and for expansion of Medicaid under this program vow to keep this issue alive. It could well be an issue in this fall's state elections.

Last September the Thomas Jefferson Institute published a study that showed the profit and loss and net worth of the acute care hospitals here in Virginia. That report was published because the largest business group supporting Medicaid expansion was the hospitals. They said our hospitals needed Medicaid expansion because of their financial health required it. This study last fall highlighted the financial health of our hospitals and let the readers draw their own conclusions. This report can be found [here](#).

And today the hospitals continue to be the major advocates outside of government for an expansion of Medicaid. And that will likely continue to be the case.

The Washington Post on March 16, 2015 ran an article about the shaky financial health of rural hospitals in our country. That is also the case here in Virginia as our study clearly indicated. Most of the hospitals that are in a difficult financial situation are the small, rural hospitals.

A new study ([here](#)) by the Thomas Jefferson Institute, "Hospitals and the Proposed Virginia Medicaid Expansion," is written by Marc Joffe of Public Sector Credit Solutions and Jason Fichtner, an adjunct professor at the Georgetown Public Policy Institute, Johns Hopkins School of Advanced International Studies, and the Virginia Tech Center for Public Administration and Policy. This study highlights the most current financial standing of Virginia's hospitals as available at the Virginia Hospital Information website. And it shows that, overall, our hospitals are still doing very well. And yet, as these authors point out, the smaller rural hospitals are indeed the ones in trouble and they point out that public policy might indeed want to help these health care facilities. The authors maintain that expanding Medicaid is not the best way to do this. It would be better, these authors argue, for Virginia to spend more on these hospitals directly rather than expand Medicaid.

This new study shows how the for-profit and non-profit hospitals are doing financially. The overall net income for the for-profit hospitals was \$243 million in 2013 and for the non-profit hospitals the net income was over \$1 billion in 2013. And the authors also highlight the compensation that the top administrators and doctors are making in Virginia's non-profit hospitals which is important for our citizens to know.

Medicaid is already the fastest growing part of our state budget. And the way that the law is currently crafted, it tells the states that if they expand Medicaid, the federal government will pay 90% of the cost for the expansion of this major entitlement program. But can it really do so?

Earlier this year, I attended a briefing with Congressman Paul Ryan who now chairs the United States House of Representatives' Committee on Ways and Means. In that briefing, Congressman Ryan made it very clear that the proposed expansion of Medicaid could not continue to be funded at the promised 90% federal level. He said that the federal payment will have to be reduced to match the current payment structure for the rest of Medicaid. That is basically a 50% federal payment and 50% state payment. This means that any expansion of Medicaid in Virginia will end up being extraordinarily expensive, far beyond what the advocates are saying today.

This is not the first time the federal government has promised to pay new costs for a federally mandated program. The 1975 Individuals with Disabilities Education Act (IDEA) imposed new conditions on local school systems to provide students with disabilities with a free, appropriate public education. The American Association of School Administrators has pointed out that "the law proposed that federal funds should cover up to 40% of the excess cost of educating students with disabilities." Today, the federal government covers less than 16 percent of those costs. Those who trust promises on Medicaid might consider the record on IDEA.

This new study is published by the Thomas Jefferson Institute in order to show that the hospitals in Virginia are, overall, doing pretty well financially. The hospitals that are the main non-government advocates for Medicaid expansion are not in financial difficulty. The smaller rural hospitals need assistance and that should be our focus.

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Michael Thompson is currently the Chairman and President of the Thomas Jefferson Institute for Public Policy, a non-partisan Virginia focused foundation dealing with the issues of improving education, government reform, economic development and environmental stewardship. This foundation is the state's premier independent public policy foundation and has gained broad based respect from political and business leaders throughout Virginia. Mr. Thompson may be reached at mikethompson@erols.com.