

Protecting and Improving the Affordable Care Act

by

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for the

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I. Introduction

Chairman Alexander, Ranking Member Murray and members of the committee, thank you for the opportunity to speak today about the importance of preserving and protecting the health progress that the Affordable Care Act has made possible, both in my home state of Kentucky and nationally. I would like to share with you a governor's perspective on the critical benefits the Affordable Care Act brought to my state and many others, including significant gains in health, economic activity, and overall well-being.

As Governor of Kentucky, I embraced the Affordable Care Act for one simple reason: Kentucky's collective health had long been terrible, and what we'd been doing for generations wasn't working. In almost every measure of health, Kentucky ranked near the bottom or at the bottom, and had done so for a long time. The suffering was deep, and it took a toll on my state. Kentuckians were sicker than most, we died too early, and our families were going bankrupt paying to treat diseases and chronic conditions.

It is undeniable that there was and remains a direct line between poor health and almost every challenge Kentucky faces, including poverty, unemployment, lags in education attainment, substance abuse and crime. And Kentucky's poor health had devastating consequences for the state as a whole, including decreased worker productivity, depressed school attendance, a poor public image, difficulty in recruiting businesses, enormous healthcare costs, and a lower quality of life for Kentuckians. And while Kentucky was very slowly improving on some health metrics, such as smoking rates and enrollment of eligible children in health insurance, I knew that incremental progress was no longer sufficient. In the 50 years since the Medicaid program's inception, Kentucky had spent over \$100 billion in public funding on health care for the most vulnerable, but remained one of the sickest states in the nation, with one of the nation's highest uninsured rates.

The ACA gave us an opportunity to change that using a state-based, market-driven approach, and I seized the chance. For me, the ACA was never a partisan issue. Rather, it was an invaluable tool to address my state's longstanding poor health. And it worked. In a transformative way, it helped me improve the future of our state and the lives of our families. Today, having seen the objective evidence that proves that the ACA benefited not only Kentuckians, but also tens of millions of other Americans, it is vitally important that we build on that success rather than simply repeal the ACA to make a political statement and jeopardize the gains the country has begun to realize.

The path forward is not to make it more difficult for people to afford insurance, nor to offer skimpier benefit plans that fail to cover people when they most need help, nor to retreat to the days when insurers could refuse to cover pre-existing

conditions or cancel policies when individuals became ill. Rather, any replacement plan must be judged on how well it achieves the objectives of a universal coverage program like the ACA: will everyone have a realistic path to coverage, and will the insurance cover people both for preventive care and when they get sick? As a former Governor, I urge all governors to reject any proposal that will leave their states with less federal funding, reduced coverage, and less robust benefit packages – and this includes repealing the ACA without a viable plan in place to help people get the care they need.

II. Kentucky’s Affordable Care Act Success

Kentucky’s success in implementing the Affordable Care Act was shaped by many things, and many people, but two primary decisions strongly influenced the positive results in the Commonwealth: the expansion of Medicaid and the creation of a state-run health benefit exchange.

As Governor, my decision to expand Medicaid rested not only on the morality of providing much needed health care to the most vulnerable Kentuckians, but also on the economic sustainability of the program. Like governors around the country, I was concerned about the affordability of expansion. So before I committed to the Medicaid expansion, I engaged Pricewaterhouse Coopers and the University of Louisville’s Urban Studies Institute to conduct an economic analysis of Medicaid expansion. The results were compelling. The study concluded that expanding Medicaid would inject \$15.6 billion into Kentucky’s economy over eight years, create nearly 17,000 jobs, shield Kentucky hospitals from the impact of scheduled reductions in funding for indigent care, and create an overall positive budget impact of \$802 million over eight years. With that evidence, it became clear that Kentucky couldn’t afford not to expand Medicaid.

The decision to create a state-run health benefit exchange was even more straightforward. Virtually every stakeholder in Kentucky – from healthcare providers to business organizations to advocates for the poor – urged me to create, manage and operate a state exchange. It would give us control, flexibility and accountability, and we could customize the experience to meet Kentuckians where they were, rather than imposing a “one size fits all” model through the federal exchange. And we did that by calling our exchange “kynect” and engaging in an extensive marketing and outreach campaign designed and led by Kentuckians. The choice to create our own exchange paid off. In the early days of the ACA, when the federal exchange struggled, Kentucky had a virtually seamless enrollment experience that continued through subsequent enrollment years. And by creating a Kentucky “look and feel” to our exchange, Kentuckians were more easily able to overcome their personal political preferences and embrace the lifesaving potential of the ACA. Not only that, our commitment to making kynect and the ACA work allowed us to form strong partnerships with our insurance companies to create a competitive market, and during my time as governor we saw continued increases in the choice of plans offered to consumers.

The results of Kentucky's intentional decision to seize the opportunity presented by the ACA speak for themselves. By creating kynect and implementing the Medicaid expansion, more than 500,000 low-income Kentuckians became insured, including more than 400,000 through the Medicaid program, and Kentucky experienced the sharpest decline in the nation of residents with no health insurance. As of February 2016, Gallup polling data showed that Kentucky experienced the largest drop in its uninsured rate of any state in the country since the ACA took effect in 2014, from 20.4% to 7.5%, lower than the national rate of uninsured. This nation-leading progress was confirmed in late 2016 by U.S. Census data, which found Kentucky's uninsured rate to be 6%, an all-time low for Kentucky and among the lowest rates of uninsured in the country.

Moreover, according to independent research commissioned by the Foundation for a Healthy Kentucky, since the implementation of Medicaid expansion Kentucky has seen an increase in preventive care and substance abuse treatment utilization by Medicaid enrollees and a drop of 78.5% in uncompensated care (inpatient and outpatient charity and self-pay from rural and urban hospitals, 2013-15). The increase in substance abuse treatment is critically important in Kentucky, which has suffered more than most states from the opioid epidemic. And although improved health outcomes typically lag behind health policy changes (often years behind), a recent study found that low-income adults in Kentucky and Arkansas received more primary and preventive care, made fewer emergency room visits, and reported higher quality care and improved health compared with low-income adults in Texas, which did not expand Medicaid.¹ In short, as a result of the ACA, all evidence indicates that Kentuckians are seeing improved health and beginning to reverse decades of poor health statistics. And this evidence is consistent with the countless stories that Kentuckians, including farmers, teachers, students, entrepreneurs, and others have shared with me about how the ACA has positively changed their lives.

Beyond improvements in health, research shows that the ACA has conferred a tremendous economic benefit on Kentucky and states across the country. Numerous studies show the expansion of Medicaid is financially sustainable, and is in fact beneficial both for the state budget and the Kentucky economy as a whole. For example, after the first full year of Medicaid expansion, I retained Deloitte Consulting and the University of Louisville Urban Studies Institute to update prior projections on the economic impact of Medicaid expansion using the actual performance data from the first year of implementation. That study revealed that the economic benefits of Medicaid expansion were even more than had originally been anticipated, concluding that Medicaid expansion had already generated 12,000 new jobs and \$1.3 billion in new revenues for providers (growing to almost \$3

¹ Sommers BD, Blendon RJ, Orav EJ, Epstein AM. Changes in Utilization and Health Among Low-Income Adults After Medicaid Expansion or Expanded Private Insurance. *JAMA Intern Med.* 2016;176(10):1501-1509.

billion in the first 18 months of expansion). In addition, the study found that Medicaid expansion was projected to have a \$300 million positive impact on the state's 2016-18 biennial budget. And by 2021, Kentucky would see the creation of 40,000 new jobs, as well as a nearly \$900 million positive state budget impact and a \$30 billion overall economic impact. These projections included the state Medicaid funding match required beginning in 2017. So with the jobs created and revenue generated, expanded Medicaid is sustainable and is paying for itself for the foreseeable future.

The economic benefits of expansion are not unique to Kentucky – as the Robert Wood Johnson Foundation recently confirmed, considerable economic benefits of Medicaid expansion exist in every state that has expanded. In April 2016, RWJF found that the 30 states, plus Washington DC, that expanded Medicaid in 2014 reported general fund savings and new revenue, along with both higher rates of health sector job growth and slower growth in state Medicaid spending relative to non-expansion states. In addition, RWJF found that rural hospitals in expansion states are significantly more financially stable than those in states that have not expanded. In short, there is simply no data to support partisan claims that Medicaid expansion is unsustainable. On the contrary, all the data point to the conclusion that Medicaid expansion is a great deal for Kentucky and every other state. In fact, Medicaid expansion has transcended politics in a number of states, with Republicans like Gov. John Kasich, Gov. Rick Snyder, former Gov. Jan Brewer, Gov. Brian Sandoval, and even now-Vice President Mike Pence adopting the Medicaid expansion in their states. In short, the ACA has helped states create healthier workforces, improve their economic competitiveness, stabilize rural hospitals, and improve the health of their populations.

III. The Path Forward: Build on the Success of the Affordable Care Act

No one has ever claimed that the Affordable Care Act is a perfect plan. But the ACA has been undeniably successful in its core aims of increasing the number of individuals covered by insurance and in improving the quality of the coverage provided. Today, more than 20 million previously uninsured individuals have gained health insurance. But the benefits of the ACA affect every American, not just those 20 million. Under the ACA, individuals cannot be discriminated against based on a pre-existing condition, nor can insurers impose restrictions such as annual and lifetime limits on coverage, which cut off benefits when they are most needed. Women are no longer charged more for health insurance as a result of their gender, and Americans have been freed from so-called “job lock,” allowing them to start new businesses without fear of losing their health insurance.

Still, there is room for improvement. Congress should increase subsidies to improve the affordability of insurance for middle-income families, consider broadening the services that are covered with no cost-sharing to beneficiaries, and take steps to address prescription drug prices. And last week, more than 100 healthcare organizations signed a letter urging the Trump administration to continue the work

that has begun on value-based payment initiatives. These are all sensible proposals that would, if implemented, help to stabilize the market, improve the affordability of insurance, reduce healthcare costs, and improve the quality of care.

In stark contrast to that are most of the so-called “replacement” proposals that have circulated in recent weeks and years. Governors should be exceedingly wary of block grants or other capitated funding mechanisms for the Medicaid program. As a Governor, I certainly would have enjoyed having more flexibility to administer Kentucky’s Medicaid program. But flexibility becomes considerably less useful when accompanied by significant funding cuts – without adequate funding, governors will have to use their enhanced “flexibility” to make impossible choices of which individuals to cut from the program, or which benefits to eliminate. In a state like Kentucky, which suffers from poor health on virtually every front, a Medicaid block grant would be a disaster, leading to fewer people having coverage, a reduced benefits package, and a reversal of the progress we have begun to see.

Likewise, in the Marketplace, any proposal that results in fewer people being covered, or in benefits being reduced, should be rejected. Replacing the subsidies with tax deductions or tax credits unrelated to financial need will be an enormous hardship for middle-income families, most of whom will lack the ability to prepay for health insurance and wait for reimbursement in their tax refunds the following year. Relatedly, the use of Health Savings Accounts will be meaningless for most American families, who lack the discretionary income to fund the accounts. Similarly, proposals that would lock individuals out of the market for lengthy periods of time for failure to maintain continuous coverage are unnecessarily punitive and misunderstand the financial realities faced by most Americans. And the idea that high-risk pools are a viable mechanism to insure the sickest and most vulnerable Americans is unsupported by the evidence, for the simple reason that high-risk pools operate in a way that is fundamentally contrary to the purpose of an insurance market. High-risk pools are enormously expensive to fund and cover very few people for the dollars invested. For example, in Kentucky, the high-risk pool that existed prior to the ACA was subsidized through a combination of tobacco settlement money and an assessment on all insurance plans sold within the state. Even so, the program covered only about 4,000 individuals at a time and only 18,000 total over its 13-year life span, premiums were too expensive for all but upper income families, and the coverage was not as robust as that offered by the ACA. Finally, the sale of insurance across state lines will eviscerate the ability of states to regulate insurers, creating a race to the bottom and destabilizing insurance markets across the country.

In short, the path forward is not a “replacement” plan that covers fewer people and provides less robust benefits. Rather, Congress should build on the progress to date by continuing and expanding measures that already have bipartisan support, such as value-based payment initiatives, and seeking solutions that improve the affordability of coverage while maintaining the robust consumer protections of the

ACA. The starting place for discussion must be how to make Americans better off, not worse.

IV. Conclusion

It is now apparent that it will be difficult at best to move forward on the heated campaign rhetoric promising to “repeal and replace” the Affordable Care Act. Remember, polls show that most Americans want the ACA to be fixed rather than repealed. And it will not be possible to keep the most popular parts of the ACA, like the ban on discrimination based on pre-existing conditions and allowing children to remain on their parents’ plans until age 26, without retaining its other core provisions. So rather than push forward with a rushed repeal, which will almost certainly destabilize the insurance markets and may well cause millions to lose coverage, we must pause to consider the consequences of a rush to action. The campaign is over, and it’s time to govern.

There is a choice to be made. The ACA has saved lives, led millions to gain coverage, and benefited every American. Repeal without a broad, comprehensive replacement will cause millions to lose their insurance, and many will die. Americans value pragmatic, practical solutions that improve their lives. As Governor, I put politics aside and made decisions based solely on what was best for Kentuckians – and the evidence shows that the ACA worked in Kentucky. If Congress can adopt the same approach in reforming the Affordable Care Act, Americans will thank them.