

Rich Hospital, Poor Hospital Divided by Politics and a River

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By Zachary Tracer and John Lauerman

(Bloomberg) -- When hospital executive Jeanette Wojtalewicz visits CHI Health's Mercy Council Bluffs facility across the Missouri River in Iowa, she sees the new clinics and doctors' offices partly paid for by the state's decision to expand Medicaid to thousands of residents.

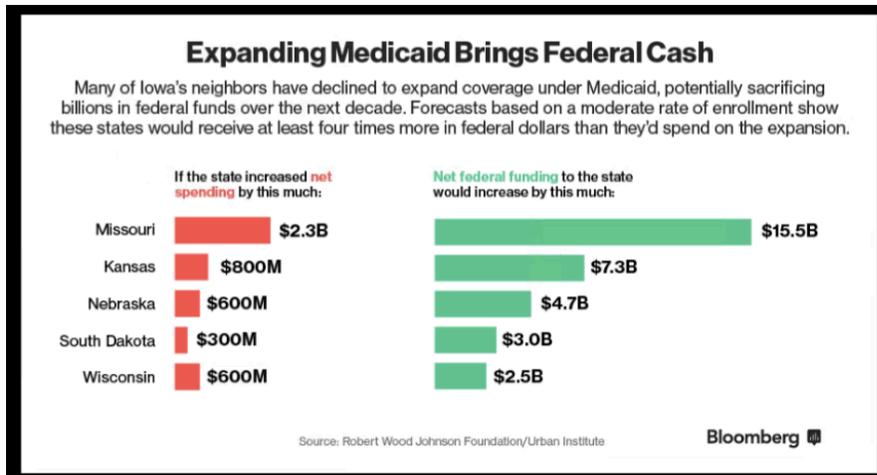
Back on her side of the river is CHI Health's Creighton University Medical Center in Omaha, Nebraska, a state that opposed making more low-income people eligible for the government health-insurance program. While Mercy thrives about seven miles away, Creighton is cutting 250 beds to raise efficiency amid slumping financial results.

"There's not a big geographical difference, but because of the regulations, there are big differences in the numbers," said Wojtalewicz, chief financial officer at CHI Health, a 15-facility, nonprofit hospital system.

Obamacare, the U.S. president's signature health-care law, is as divisive as ever six years after its passage, with Republicans including presidential candidate Donald Trump vowing to repeal it. Yet as critics focus on the legislation's insurance mandates and penalties, the biggest impact has come from Medicaid expansion, a decision made at the state level. The 31 states that adopted it are receiving billions of dollars in federal funds, enabling more patients to gain access to care and shoring up the finances of hospitals strained by unpaid bills.

Now the pressure is on the 19 states that haven't embraced it -- mostly because of objections from Republican governors or legislatures -- as administration officials push for coverage gains in their last months of power to burnish President Barack Obama's legacy. Democratic presidential candidate Hillary Clinton has pledged, if elected, to work with governors to get more states on board.

"This isn't a question of if, it's a question of when," Health and Human Services Secretary Sylvia Mathews Burwell said in a July interview in Iowa. "Our job right now is to do everything we can to make that 'when' be faster."



It won't be easy. Opponents like Nebraska Republican Governor Pete Ricketts say costly entitlement programs aren't a good solution to fight poverty, and states should look to private insurance to get more people covered, rather than rely on the federal government.

The number of uninsured people has dropped by an estimated 20 million since Obamacare was enacted in 2010. And yet more than 24 million adults are still without coverage today -- many of them in states that aren't widening Medicaid coverage, according to U.S. Census Bureau data released on Tuesday.

Welcome Move

For their part, Iowa patients who became eligible after the state expanded have welcomed the move.

"It's saved me, pretty much," said Faith Van Gilder, a 57-year-old school cafeteria cook in Dayton who previously couldn't afford insurance offered by her employer and scraped by on medication samples and assistance programs.

Medicaid now pays for all of her drugs, and she sees a clinician every six months for diabetes care. On a day in July at a community health center in nearby Fort Dodge, she was getting treatment for an ear condition. She can also get her teeth cleaned or a checkup when needed.

Patients are "relieved and grateful," said Janet Lippis, who works in financial assistance at the city's hospital, UnityPoint Health's Trinity Regional Medical Center.

"They do follow-ups, and they're doing preventative care and things like that that they did not do before," Lippis said.

Uncompensated Care

Hospitals also benefited from the extra care covered with federal money. Those in expansion states saw costs of uncompensated care fall by 35 percent in 2014 from a year earlier, while the costs in nonexpansion states declined 1.1

percent, according to a Kaiser Family Foundation analysis published in June. Expansion would bring hospitals an estimated \$2.9 billion in revenue next year in states that have resisted it as an additional 4.25 million individuals gain insurance, according to Bloomberg Intelligence.

At Mercy Council Bluffs in Iowa, charity care and bad debt fell 7.5 percent from 2013, before expansion began, to June 2016, allowing for some improvements. Meanwhile, in rural areas where facilities often operate at thinner margins than in urban locations, hospital leaders say the lack of expansion hurts.

Negative Margins

In Missouri, another Iowa neighbor that hasn't expanded Medicaid, hospitals like Northwest Medical Center struggle with the costs of providing care for poor and uninsured patients. At the facility, located in Albany, about 30 miles south of the Iowa border, uncompensated care is running \$300,000 higher than budgeted, while revenue will decline slightly to just under \$23 million this year, according to its president, Jon Doolittle. The facility has had negative operating margins for several years, and expanding Medicaid would probably send the hospital an additional \$250,000 to \$500,000 in cash, he said.

Missouri should broaden eligibility for Medicaid to preserve the level of lifesaving care provided by facilities like his, Doolittle said. "We're not in an area that believes in expanding entitlements for the sake of expanding entitlements." Missouri -- where Democratic Governor Jay Nixon has urged lawmakers to expand Medicaid for years without success -- has missed out on an estimated \$3.2 billion in U.S. funds since the beginning of 2014, according to the state hospital association. Meanwhile, Nebraska is passing up more than \$1 million a day, according to that state's hospital association.

Tough Budget Decisions

For states facing tough budget decisions, however, the issue isn't as simple as getting free federal assistance, because the portion of expanded coverage paid by the U.S. will fall over time, to 90 percent by 2020 from 100 percent now. Over the next decade, Missouri and Nebraska would bear about \$2.3 billion and \$600 million, respectively, in net costs if they expanded, according to the Robert Wood Johnson Foundation, the largest U.S. health-focused philanthropy.

"States don't have a huge pile of money sitting around to spend on Medicaid," said Avik Roy, a former health policy adviser to Republican presidential candidates including Mitt Romney. "There are legitimate policy reasons to believe that the Medicaid expansion is unwise."

Conservative arguments are fueling sustained opposition in many parts of the country, like Nebraska.

"History has shown that taking money from taxpayers and giving it to another group of individuals through an entitlement program does not result in real or sustainable economic

development,” Governor Ricketts wrote on his website. “If you could simply grow an economy through the transfer of wealth by government, poverty would not have existed under Soviet rule of Russia.”

Party Lines

Opponents and proponents don't always fall along party lines, though. Conservative leaders in Tennessee and Utah have considered expansion. In Iowa, Governor Terry Branstad -- a Republican who said in 2012 that “we're not going to have any part of it” -- adopted it after developing a waiver program providing some flexibility to deploy the funds. And Republican Governor Matt Bevin has applied for a waiver as well, rather than dismantle Kentucky's Medicaid program outright.

In Nebraska itself, an expansion initiative was supported by Galen Hadley, Republican speaker of the state legislature.

“Why should we not get some money back from the government to help us when 31 other states are?” Hadley said.

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