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Health Care Law Imposes Medicaid and Spending Burden on States

By Jim Angle

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Under the new federal health care law, half the reduction in the number of uninsured Americans would come from a federal expansion of Medicaid, the federal program that provides health care for the poor. The plan would push some 16 million new patients into the program when it takes effect in 2014.

"Under the current law, our Texas Medicaid program will expand by 65 percent," said Arlene Wohlgenuth, executive director of the Texas Public Policy Foundation. "That's a lot of folks."

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The states pay a share of the cost of Medicaid, and they're already struggling.

"It's about 21 percent of Virginia's budget now," Virginia's Republican Governor Bob McDonnell said. "To put it in perspective: it used to be five percent just a couple of decades ago."

In fact, McDonald says, Medicaid spending in Virginia has gone up 1600 percent over the last 27 years. He adds that the new health care law will push that up to about 28 percent of the state's budget.

In Texas, it will be even worse when the Medicaid expansion hits in 2014.

"They'd be looking at the budget requirement for Medicaid that would be 46 percent of our entire state's budget," Wohlgenuth says. "That means that we are spending nearly 50 percent of our state's budget on the one program."

That will leave the states with some ugly choices. They will either have to cut programs such as education, or raise taxes.

"We also have very strict debt limits so we can't print money," McDonnell said. "We can't go into this massive unsustainable debt like the federal government."

While the cost of Medicaid is shared by the states and Washington, during the first few years of the Medicaid expansion, the feds pick up the tab.

"In 2014, when the Medicaid expansion is scheduled to be in place, as you know, the federal government is picking up 100 percent of the cost of the newly eligible Medicaid recipients for a period of three years and gradually that cost-sharing decreases," Health and Human Services Secretary Kathleen Sebelius said in a hearing on Capitol Hill last week.

But there's still a problem. The new law will require everyone to have insurance or pay a fine. So many people already eligible for Medicaid, but who had not signed up, will now be forced to in order to avoid the federally mandated fines.

Analysts call that the woodwork effect, meaning people will come out of the woodwork to sign up for Medicaid.

"We're looking at having to come up with additional fifteen billion dollars in new state money to pay for this in two years," Wohlgenuth added.

And for that group, the Administration gives no additional money. But officials do seem to recognize the problems.

"We are committed to working with governors to help them manage their Medicaid costs, their Medicaid programs," White House Press Secretary Jay Carney said.

There are lots of ideas about how to make the law more flexible. And without that flexibility, many governors say they have no idea how they'll pay for it.

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