



**CENTER *for***  
**RURAL AFFAIRS**  
Lyons, NE 68038      Population 851

**TESTIMONY OF THE CENTER FOR RURAL AFFAIRS**

**IN SUPPORT OF LB 577**

**HEALTH AND HUMAN SERVICES COMMITTEE**

**FEBRUARY 28, 2013**

Members of the Health and Human Services Committee, my name is Jon Bailey, Director of Research and Analysis at the Center for Rural Affairs. I come before you today to offer testimony in support of LB 577.

Medicaid is a critical part of access to health insurance and access to health care in rural Nebraska. Nebraska's rural counties have lower health insurance coverage rates than more urban counties for residents under 65. The most recent Census Bureau data show that Nebraska's rural counties have a 15.5 percent uninsured rate, higher than any other county type in the state. As county population decreases uninsured rates increase. Counties with "high" uninsured rates (21 percent or greater) exist only in non-metropolitan Nebraska. As a state we need to adopt public policy that reduces the rural uninsured rate and provides more rural people better access to health care.

Medicaid can be an important policy response to the health insurance disparity found in rural areas. Nationally, it is estimated that 20 percent of Medicaid recipients reside in rural areas. However, in Nebraska that rate may be higher. In the most recent data available from the Nebraska Department of Health and Human Services, Medicaid average monthly eligibility is split almost evenly between urban and rural counties. Presumably, expanding Medicaid as called for in LB 577 would have the same result in rural Nebraska.

Overall, we have found that the new Medicaid initiative in the Affordable Care Act as contained in LB 577 would provide health insurance coverage to a significant number of rural Nebraskans and could potentially reduce the rural uninsured rate nearly in half. We also conservatively estimate that nearly one in five households under the age of 65 in rural legislative districts would qualify for Medicaid under LB 577.

Lower incomes in rural Nebraska, especially among working age adults, results in a significant population that is uninsured and in need of health insurance coverage. We have found that about

three-quarters of rural Nebraska small businesses do not provide or offer health insurance to their employees. Based on the average wages paid these employees, many would qualify for Medicaid health insurance coverage under LB 577. LB 577 would relieve small businesses of any obligation to offer or provide health insurance to their employees while also providing health insurance coverage to those employees. We can tell you from personal experience with our small business development program that expanding Medicaid as in LB 577 is an intriguing prospect for rural small businesses to be able to hire and retain employees.

LB 577 will also help stabilize the rural health care infrastructure. Medicaid is a critical source of revenue for rural physicians, hospitals, and long-term care providers. But a rural health insurance market that leaves more rural people without insurance or without adequate insurance also leaves rural providers without payment for the services provided to many of their patients. Medicaid payment rates may be insufficient but still represent an important share of provider revenue. The ACA Medicaid expansion was meant to help cover the uncompensated care costs of hospitals and other providers. Without the new Medicaid initiative, rural health care providers will be left with significant uncompensated care costs without a means to pay for them. In that scenario, many rural health care providers will be in dire financial circumstances, thus amplifying rural health care access challenges.

Medicaid is also vital for long-term care, the type of health care services that exist in rural areas in large numbers. The most recent data show that Medicaid was responsible for 43 percent spent nationally on long-term care, making Medicaid the primary payer for long-term care services. For the group receiving old age (65+) long-term care, Medicaid spends more per recipient than for any other group. Nursing facility beds are more plentiful in rural areas, and a higher percentage of rural elderly are eventually admitted to long-term care facilities. With the high costs of long-term care many elderly eventually have no choice but to enroll in Medicaid. Reducing the amount of uncompensated care borne by rural health care providers is critical to providing long-term care services to the rural elderly and in keeping rural health care facilities viable.

For the financial and economic benefits to the state we urge the committee to advance LB 577. But most importantly, for the health and well-being of Nebraska's people we urge the advancement of LB 577.