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What Nebraska Loses Without LB 577

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Nebraska and Nebraskans stand to suffer significant losses if the Nebraska Legislature fails to adopt LB 577, the bill that would implement the new Medicaid initiative for low-income working adults.

► **Money.** The most recent LB 577 Fiscal Note from the Legislative Fiscal Office estimates that in Year 1 of LB 577 (state fiscal year 2013-14) the state will receive over \$274 million in federal aid to implement the LB 577 Medicaid initiative.¹ That works out to over \$751,000 per day that the Legislature is turning its back on.

► **State Budget Savings.** The Legislative Fiscal Office also states that LB 577 would save the state nearly \$3.7 million in program savings in Year 1 of the new initiative.² In Years 2 and 3 of the LB 577 initiative (state fiscal years 2014-15 and 2015-16), state budget program savings more than offset state General Fund spending, making LB 577 a state budget saver (nearly \$6 million over these three years).

► **Lives.** Enacting LB 577 would prevent over 300 deaths in Nebraska. Recent research shows that one death per year would be prevented for every 176 adults covered under an expanded Medicaid program such as called for in LB 577.³

¹ Fiscal Note, LB 577, Revision 03, April 16, 2013. Legislative Fiscal Office accessed at http://www.nebraskalegislature.gov/FloorDocs/Current/PDF/FN/LB577_20130416-091542.pdf

² *Id.*

³ Sommers, BD, Baicker, K, Epstein, AM. "Mortality and Access to Care Among Adults After State Medicaid Expansion," *New England Journal of Medicine*, July 25, 2012.

► **Business Penalties.** Nebraska businesses are facing potential fines and penalties between \$9.8 million and \$14.7 million as a result of the Legislature failure to enact LB 577.⁴ These business penalties are a result of the “shared responsibility” businesses with 50 or more employees face for employee health insurance pursuant to the Patient Protection and Affordable Care Act. Under the law employers with 50 or more employees that do not offer health insurance coverage face penalties if even one employee receives subsidized insurance through the new health insurance marketplaces. In general, employer responsibility and penalties for failure to meet that responsibility are waived if employees have access to health insurance through Medicaid.

► **Higher Health Insurance Premiums and Higher Federal Costs.** Failure to enact LB 577 makes those with incomes between 100 percent and 138 percent of the federal poverty level (between \$11,490 and \$15,856 for an individual and between \$19,530 and \$26,951 for a household of three) eligible for federal health insurance premium subsidies under the Affordable Care Act. The Congressional Budget Office (CBO) has estimated this will increase health insurance premiums for those purchasing insurance in the individual market by 2 percent assuming all states expand their Medicaid programs for those up to 138 percent of the federal poverty level. CBO estimates premium increase will be higher in states that do not adopt the new Medicaid initiative, such as Nebraska if LB 577 is not adopted.⁵ Nebraska has among the highest health insurance coverage rates in the nation through the individual market, with 8 percent of health insurance for adults in the state through the individual market.⁶ The rate is significantly higher in rural Nebraska with many farmers, ranchers and small businesses covered through the individual market. Consumers not receiving federal health insurance premium subsidies (generally those over 400 percent of the federal poverty level) and the federal government (taxpayers) will bear the burden of increased premium costs due to the inaction of the Nebraska Legislature on LB 577. As a result, Nebraska taxpayers will pay federal taxes for states that do expand their Medicaid programs plus taxes for increased premium subsidies for states that do not. Nebraska taxpayers will get little in return for the Legislature’s inaction on LB 577 beyond higher insurance premiums.

► **Rural Hospitals.** Without LB 577 rural Nebraska is in danger of losing its hospitals. It is estimated that in the next six years Nebraska health care providers (primarily hospitals) will provide \$1.06 billion in uncompensated care, medical services that a patient cannot pay and for which there is no insurance to reimburse the provider. It is estimated that LB 577 would reduce this figure by approximately 72 percent.⁷ This suggests Nebraska follows a national trend – the dependence of rural health care providers on public health insurance. Physicians in rural areas

⁴ Haile, Brian. 2012. *The Supreme Court’s ACA Decision and Its Hidden Surprise for Employers: Without Medicaid Expansion, Employers Face Higher Tax Penalties Under ACA*. Jackson Hewitt Tax Service Inc.

⁵ American Academy of Actuaries. *Implications of Medicaid Expansion Decisions on Private Coverage*. September 2012.

⁶ Kaiser State Health Facts, 2013.

⁷ Stimpson, JP. *Medicaid Expansion in Nebraska under the Affordable Care Act*. Omaha, NE: UNMC Center for Health Policy. 2012

receive 20 percent of patient revenue from Medicaid.⁸ Nationally, 60 percent of all rural hospital cash flow is tied to Medicare and Medicaid.⁹ Thirty-five (35) percent of rural hospitals operate at a financial loss.¹⁰ Federal payments to rural hospitals were eliminated by the Affordable Care Act under the assumption that Medicaid would cover more people and more uncompensated care. It is estimated those will cost Nebraska hospitals \$159 million annually.¹¹ Continual actual and proposed federal budget cuts to rural hospital programs place rural hospitals at increased financial risk. LB 577 is one response that can financially save rural hospitals.

⁸ Rural Policy Research Institute. 2006. *Medicaid and Its Importance to Rural Health*. Columbia, Missouri: University of Missouri.

⁹ Ziller, Erika, Coburn Andrew F. and Yousefian, Anush E. 2006. "Out-of-pocket Health Spending and the Rural Uninsured," *Health Affairs*, Vol.25, No. 6, 1688-1699, 2006.

¹⁰ Based on 2009 data. National Rural Health Association. 2013. "Stop Assault on Rural Hospitals."

¹¹ Martha Stoddard, "Backer of Medicaid expansion uses uncommon legislative maneuver to revisit issue." *Omaha World-Herald*, May 2, 2013.