

January 2017 #17-02

## Summary:

In addition to the Medicaid expansion provided by the Affordable Care Act, Governor Brown seeks new state money to expand single-payer public insurance to those who are not “lawfully present” in the United States. Oregon simply cannot afford the ACA’s Medicaid expansion and this expensive new entitlement.

Word Count 591

***“The state has massively underestimated the costs of Medicaid expansion in Oregon.”***

## Oregon Leaders Must Reject ACA’s Medicaid Expansion

By Eric Fruits, Ph.D.

Despite an eight percent increase in general fund revenues, Governor Kate Brown and some lawmakers say the State of Oregon is facing a \$1.7 billion budget shortfall in the 2017-19 biennium. In her [inaugural address](#), the governor blames more than \$1 billion of the shortfall on the state’s choice to expand Medicaid and other taxpayer-funded insurance. The Census Bureau estimates that about one in four Oregonians are in the state’s Medicaid program.

In addition to the expansion provided by the Affordable Care Act, the governor seeks new state money to expand single-payer public insurance to those who are not “lawfully present” in the United States, under a program called Cover All Kids.

Although the federal government pays a large portion of the costs of Medicaid expansion, the state’s share of the costs is growing under the ACA. The huge costs of Medicaid mean even a small increase in Oregon’s share has big impacts on the state’s budget. State Senator Elizabeth Steiner Hayward, incoming co-chair of the Ways and Means Committee for Human Services [indicates](#) that about one-third of the deficit at the Oregon Health Authority comes from what she called a “minuscule” reduction in the federal match. This deficit is certain to grow as federal support for expansion shrinks over time, as outlined in the ACA.

The state has massively underestimated the costs of Medicaid expansion in Oregon. A 2013 report prepared for the state [estimated](#) that the Medicaid expansion would cost Oregon’s general fund \$217 million in the upcoming 2017-19 biennium. Janelle Evans, budget director for the Oregon Health Authority, now estimates a cost to the state’s general fund of at least \$353 million. For the federal government, the cost of Oregon’s Medicaid expansion will cost more than \$3.5 billion over the next two years.

Oregon simply cannot afford the ACA’s Medicaid expansion and Governor Brown’s expensive new entitlement. Nationally, expansion costs and enrollment have grown much faster than projected. Previous expansions of the Medicaid program have resulted in crowding out, the process by which taxpayer funded Medicaid replaces private health insurance. These earlier expansions have seen crowd-out rates ranging from 15 percent to 50 percent, depending on the type of expansion. Not only does the expansion crowd out private insurance, government spending on the expansion crowds out funding for other state and national priorities, such as education, infrastructure, and defense.



In Congress, repeal of much of the ACA is imminent. Oregon Congressman Greg Walden, incoming chairman of the House Energy and Commerce Committee, is working on a timeline for repealing major provisions of the health care law, including the expansion of Medicaid. In the absence of repeal, Congress should consider an enrollment freeze approach. A freeze would halt new enrollment while allowing current enrollees to stay in the program until their incomes climb above eligibility limits. It would be an intermediate step towards repeal with immediate benefits for taxpayers and current enrollees.

However repeal of the ACA rolls out, Oregon's congressional delegation should be at the forefront of ending the Medicaid expansion as soon as possible. While Congress works through the details, Oregon can take steps in the upcoming legislative session to protect the state's fragile finances. One first step would be to opt out of the ACA's Medicaid expansion and reject Governor Brown's proposal to expand coverage even further. As noted in the governor's inaugural address, the state's choice to expand Medicaid is the single largest source of the impending budget deficit. Rejecting the health care law's expansion is the clearest path to fiscal solvency and financial responsibility.

---

*Eric Fruits, Ph.D. is president and chief economist at Economics International Corp., an Oregon based consulting firm specializing in economics, finance, and statistics. He is also an adjunct professor of economics at Portland State University, an Academic Advisor to Cascade Policy Institute, and author of Cascade's report, [The Oregon Health Plan: A "Bold Experiment" That Failed](#). [This article originally appeared](#) in The Oregonian on January 27, 2017.*

***“Not only does the expansion crowd out private insurance, government spending on the expansion crowds out funding for other state and national priorities, such as education, infrastructure, and defense.”***

Attention editors  
and producers:

Cascade Commentaries are provided for reprint in newspapers and other publications, with credit given to author(s) and Cascade. Contact Cascade to arrange print or broadcast interviews on this commentary topic.

Please contact:

Cascade Policy Institute  
4850 SW Scholls Ferry Rd.  
Suite 103  
Portland, Oregon 97225

Phone: (503) 242-0900  
Fax: (503) 242-3822

[www.cascadepolicy.org](http://www.cascadepolicy.org)  
[info@cascadepolicy.org](mailto:info@cascadepolicy.org)

Cascade Policy Institute is a tax-exempt educational organization as defined under IRS code 501 (c)(3). Nothing appearing in this Cascade Commentary is to be construed as necessarily representing the views of Cascade or its donors. The views expressed herein are the author's own.