

House GOP Health Plan Threatens Nearly One Million Oregonians Relying on the Oregon Health Plan

Rural Oregon would suffer the most harm

By Janet Bauer

A Republican proposal to cut Medicaid recently unveiled in a congressional committee led by U.S. Rep. Greg Walden (OR) would likely cause hundreds of thousands of Oregonians to lose health insurance, undermine coverage for many more, and harm the state's economy. The impacts of the plan, which inevitably would fall on the nearly one million Oregonians relying on the Oregon Health Plan, would be particularly harsh for Oregon and rural residents of the state.

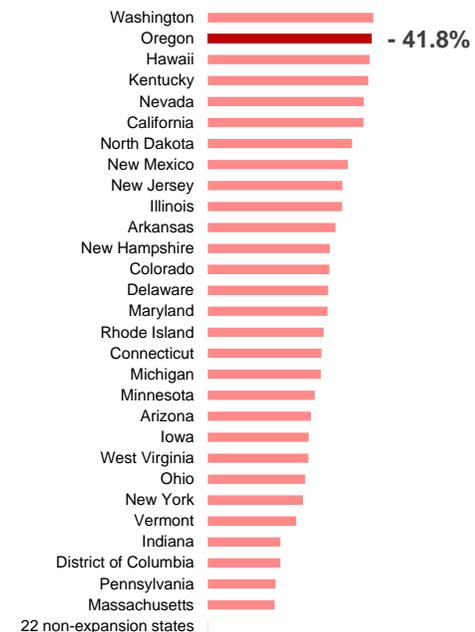
375,000 Oregonians would likely lose coverage; Oregon hit particularly hard

The GOP-proposed American Health Care Act introduced in the U.S. House Energy and Commerce Committee proposes to end the federal matching funds that since 2014 have enabled states, including Oregon, to extend Medicaid insurance to more low-income residents. More than 375,000 Oregonians in this expansion group are insured through the Oregon Health Plan (OHP), our state's Medicaid program.¹ The expansion has made it possible for these Oregonians to get preventive and primary care, as well as acute care. Most in the group work, but their job does not come with health insurance.²

The House GOP plan phases out the additional federal matching dollars for the expansion group, starting in 2020. Effective that year, there would be no additional federal money for new applicants. Funds would continue for those in the expansion group already covered by OHP, but only for as long as they remained enrolled without interruption. Changes in income among the expansion group are common; people cycle on and off the program when their job hours increase or decrease, for instance.³ It would not take long for attrition to decimate the extra federal funds that largely finance coverage for the expansion group.

The funding hit to Oregon would undoubtedly have catastrophic consequences for the expansion group. To make up the lost federal dollars, Oregon would need to nearly quadruple its contribution toward insuring the group.⁴ Given the magnitude of the shortfall and the challenge Oregon would face to make up the difference, the GOP proposal would

Oregon would take bigger hit than most other states



Change in federal Medicaid dollars without expansion population.
OCPP analysis of data as of 2015 from State Health Reform Assistance Network.

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effectively end OHP coverage for the expansion group. Thus, the GOP plan would likely take away health coverage for more than 375,000 Oregonians. That is more people than live in Eugene, Bend, Medford, and Grants Pass, combined.⁵

Oregon's Medicaid program would take a bigger hit than nearly all other states, should the GOP proposal be enacted. This is because the federal Medicaid expansion dollars support a larger share of our Medicaid program budget than in nearly every other state. This is due, in part, to a highly successful Medicaid expansion enrollment effort.

If the extra federal dollars were to go away as a result of lost coverage for the expansion group, the Oregon Health Plan would lose 41.8 percent of the federal funds for the program. Only the State of Washington would lose a larger share — 42.2 percent — of federal Medicaid dollars.

Children, seniors, and others relying on OHP would likely suffer

An additional 600,000 Oregonians — including seniors, people with disabilities, and two out of five children in the state — would suffer additional cuts wrought by the GOP plan to shrink the federal commitment to Medicaid.

For the past 50 years, when a state's program has paid for someone to see a doctor, the federal government has contributed toward the cost. If someone gets very sick and the treatment is expensive, the federal government still pays its share. The Medicaid shared responsibility model has been an incentive for states to invest in this pillar of our country's health care infrastructure. It has compensated hospitals for providing indigent care and has helped Oregon protect the health of residents during good economic times and bad.

The House GOP plan to cut Medicaid would end this successful financing partnership and shift costs to states and to households. The plan would give states a capped "allotment" for each person covered — the same amount each year per person regardless of what health issues people are facing or the cost of treatment. If more people get sick with serious conditions, the cost of treatments goes up more than expected, or new effective but expensive therapies emerge, Oregon would have to shoulder the higher costs alone. If Oregon were unable to pay its increasingly large share, our state would face difficult choices: Taking away health insurance for people who have no other options, refusing to pay for some types of essential care, or reducing the amount paid to health providers.

The Congressional Budget Office (CBO) estimates that cutting funds for the expansion group and capping dollars for the remaining enrollees as proposed would shrink the federal role in Medicaid by \$880 billion over ten years. The CBO notes that the impact of a cost-shift to states of this scale would put health care for those served by the program at risk⁶ — a group that in Oregon totals nearly one million people.⁷

The GOP plan would harm Oregon's economy

Deep cuts to the Oregon Health Plan would ripple through Oregon's economy. In the upcoming budget period, OHP will bring \$11.2 billion in federal funds into the state, a sum larger than the size of Oregon's agriculture, forestry, fishing, and hunting industries combined.⁸

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Those federal Medicaid dollars help make Oregon's economic engine run. The jobs created extend far beyond the health care field. Health care dollars stimulate growth in other industries when hospitals and clinics purchase local goods and services for their operations and when their employees spend their earnings to meet their basic needs. Nearly all of the jobs created are in the private sector.⁹

If the House GOP plan were enacted, many of those jobs would disappear. Cancelling the Medicaid expansion alone by 2019 would cost Oregon an estimated 37,000 jobs that year.¹⁰ While some of those job losses would be in health care, many more would be in other industries, such as construction, real estate, retail trade, and finance.¹¹

Medicaid cuts would cost Oregon 37,000 jobs



Projected Oregon job losses in 2019 with elimination of Medicaid expansion. OCPP analysis of data from the Commonwealth Fund.

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Rural areas and hospitals would suffer most

Eliminating the expansion group from the Oregon Health Plan would hurt Oregonians in rural areas more than those in urban areas. A larger share of residents in rural areas rely on the Oregon Health Plan. Specifically, 30 percent of residents in Oregon's rural counties rely on the OHP, compared to 24 percent of residents in urban counties.¹²

Oregon's most rural congressional district, District 2, represented by Greg Walden, has the highest share of residents relying on the Oregon Health Plan. Twenty-nine percent of residents in the district benefit from OHP. Oregon's second-most rural district, District 4, represented by Peter DeFazio, has the second largest share of residents relying on Medicaid – 27 percent.¹³

Rural Oregon children are at particular risk under the House GOP plan. More than half of the children in the more rural districts of Walden and DeFazio rely on the Oregon Health Plan.¹⁴

Over half of children in Rep. Walden's district threatened



Share of congressional district population under age 18 relying on Medicaid. OCPP analysis of American Community Survey data, 2015.

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The plight of hospitals has a particular significance for rural communities. Hospitals typically offer many jobs, and Oregon hospitals provide a larger share of jobs in rural communities than in urban ones.¹⁵ When fewer people have health insurance to help pay their hospital bills, hospital operating margins shrink and hiring can diminish.

The cycle of hospital strain is compounded by the circumstances of the uninsured. Chronic diseases like asthma and diabetes can worsen when people don't have a regular source of care. More uninsured people means more people seeking charity care through hospital emergency rooms, where they cannot be refused life-saving treatment. Uncompensated care borne by

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Oregon providers — primarily hospitals — would more than double if the proposed cuts to the Medicaid expansion funding were to come to pass.¹⁶ Uncompensated care burdens the entire health care system since a portion of the cost is passed on to other consumers.

The stakes for hospitals under financial strain are particularly high in Rep. Walden's district. Despite the fact that its community hospitals are relatively small, there are 21 of them serving residents throughout the region. The number of hospitals in the other Oregon congressional districts are fewer, ranging from 14 in Rep. DeFazio's district to six in Rep. Blumenauer's district.¹⁷

Instead of cutting Medicaid, Congress should follow Oregon's example

Instead of throwing people off of their health insurance and overturning the time-tested federal-state funding structure, Congress should help states make health care more efficient by following Oregon's example. Using the flexibility already in Medicaid law, Oregon has been lowering costs in OHP by devising ways to keep Oregonians healthy and avoid expensive health conditions. The "coordinated care model" Oregon started in 2011 has saved the federal government and the state millions by keeping people healthier and out of emergency rooms.¹⁸

Oregon has made significant progress in increasing health insurance coverage, improving the quality of care provided, and making each health care dollar go further. For our state and nearly one million Oregonians, much is at risk from the GOP health plan.

Endnotes

¹ "Congress reveals legislation to repeal and replace Affordable Care Act," *Oregon Health Update*, Oregon Health Authority, March 10, 2017, available at <https://content.govdelivery.com/accounts/ORDHS/bulletins/18c9652>.

² Sixty-six percent of adult, non-elderly, non-disabled Oregonians with Medicaid are employed. Rachel Garfield, Robin Rudowitz and Anthony Damico, *Understanding the Intersection of Medicaid and Work*, Kaiser Family Foundation, February 2017, available at <http://files.kff.org/attachment/Issue-Brief-Understanding-the-Intersection-of-Medicaid-and-Work>.

³ 1.8 million Oregonians were estimated to be enrolled in the Oregon Health Plan in 2016, with about one million enrolled at any point in time. *Oregon Basic Health Program Study*, Wakely Consulting Group and Urban Institute, October 31, 2016, available at http://www.ocpp.org/media/uploads/pdf/2014/11/Oregon_BHP_Report20141029.pdf.

⁴ Oregon would need to increase its investment in the expansion group 364.5 percent to make up for the lost federal dollars. OCPP analysis of Oregon Health Authority data.

⁵ The populations of Eugene, Bend, Medford and Grants Pass total 364,700. OCPP analysis of 2016 data from the Population Research Center, Portland State University.

⁶ *Cost Estimate, American Health Care Act*, Congressional Budget Office, March 13, 2017, available at https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/costestimate/americanhealthcareact_0.pdf.

⁷ *Oregon Health Plan/Medicaid: Total Eligible Population for February 15, 2017*, Oregon Health Authority, available at <http://www.oregon.gov/oha/healthplan/DataReportsDocs/January%202017%20Total%20Eligibles%20by%20Eligibility%20Group%20and%20County.pdf>.

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⁸ Oregon's agriculture, forestry, fishing, and hunting industries combined is expected to be \$8.6 billion in the 2017-19 biennium. Janet Bauer, *Oregon Should Turn to Health Industry to Fill Medicaid Budget Gap*, OCPP, January 18, 2017, available at <http://www.ocpp.org/media/uploads/pdf/2017/01/rpt20170118MedicaidFunding-fnl.pdf>.

⁹ Leighton Ku, E. Steinmetz, E. Brantley et al., *Repealing Federal Health Reform: Economic and Employment Consequences*, The Commonwealth Fund, January 2017, available at http://www.commonwealthfund.org/~media/files/publications/issue-brief/2017/jan/ku-aca-repeal-job-loss/1924_ku_repealing_federal_hlt_reform_ib.pdf.

¹⁰ Ibid.

¹¹ Ibid.

¹² Rural counties include Baker, Clatsop, Coos, Crook, Douglas, Gilliam, Grant, Harney, Hood River, Jefferson, Josephine, Klamath, Lake, Lincoln, Linn, Malheur, Morrow, Sherman, Tillamook, Umatilla, Union, Wallowa, Wasco, and Wheeler, as defined by the Oregon Office of Economic Analysis. OCPP analysis of Oregon Health Authority data.

¹³ OCPP analysis of 2015 American Community Survey data. Analysis used ProximityOne analysis for evaluation of the share of a district's residents living in rural census tracts.

¹⁴ Ibid.

¹⁵ OCPP analysis of data from Oregon Association of Hospitals and Health Systems.

¹⁶ Elimination of the ACA Medicaid expansion would mean uncompensated care borne by Oregon providers would rise by an estimated 154 percent. OCPP analysis of data from Matthew Buettgens, Linda J. Blumberg, John Holahan, and Siyabonga Ndwandwe, *The Cost of ACA Repeal*, Urban Institute, June 2016, available at <http://www.urban.org/sites/default/files/publication/81296/2000806-The-Cost-of-the-ACA-Repeal.pdf>.

¹⁷ OCPP analysis of data from Oregon Association of Hospitals and Health Systems.

¹⁸ Oregon's contracts with coordinated care organizations are expected to save \$600 million in state funds in 2017-19 and \$1.9 billion in federal funds over the same period. *Wrap-Up Governor's Balanced Budget 2017-2019*, presented to the Human Services Legislative sub-committee on Ways and Means, March 9, 2017, page 8, available at <https://olis.leg.state.or.us/liz/2017R1/Downloads/CommitteeMeetingDocument/105014>.

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