

Utah's Medicaid expansion hits funding roadblock

By Rachana Pradhan

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One red state's unprecedented effort to finance Medicaid expansion through a broad array of health care sectors - from hospitals and doctors to drug makers and pharmacies - is running into serious roadblocks.

Utah Gov. Gary Herbert and legislative leaders in July announced a deal to expand Medicaid, agreeing on a framework that would require "providers and benefactors of Medicaid dollars to pay their fair share." But months later, Utah leaders are still facing objections from industry groups who argue they're being asked to pay too much.

The dilemma in Utah could portend trouble for other states that will have to figure out how to pay for expansion starting in 2017, when the federal government stops covering the full cost of the program. State lawmakers reluctant to use state budget dollars could look to industry players to help fund the expansion.

In Utah, a group of key lawmakers are looking at 16 classes of health care providers, including hospitals, health plans, doctors, nurses and pharmaceutical manufacturers, state Rep. Jim Dunnigan wrote in an email to POLITICO. The effort has received especially strong pushback from physicians, who argue that Medicaid expansion won't necessarily result in immediate benefits for their practices. Others say that charging other parts of the health care system, such as the pharmaceutical industry, could also present political and operational problems.

"It would be a very interesting dynamic, about how to structure that and actually collect the money," said Kip Piper, a consultant with Sellers Dorsey and former Wisconsin Medicaid director.

Utah has estimated it will be responsible for up to \$78 million in annual expenses beginning in fiscal 2021. About \$50 million of that comes from the expansion population and \$28 million from the "woodwork effect," in which individuals who were previously eligible for the program enroll.

The Utah Medical Association will fight against the entire plan if a physician tax or fee increase is proposed to help pay for expansion, CEO Michelle McOmer said. Lawmakers are considering taking more than \$12 million per year from doctors, she said.

"It would be enough to make us fight it, if they're not willing to work at all [on an alternative]," McOmer said. She added that physicians might be more accepting of reductions in reimbursements as a payment mechanism, since that would only affect doctors who care for expansion enrollees.

The Utah group representing family physicians also didn't rule out that its members could end up fighting the plan.

"This idea that doctors are being enriched by the expansion of Medicaid is mistaken, especially primary care doctors," said Jennifer Dailey, the head of the Utah Academy of Family Physicians. "We don't want to say, 'No, absolutely not a dime.' But, on principle, where do you draw the line?"

State leaders are considering having hospitals pay more than \$17 million, said Utah Hospital Association President Greg Bell. It's important to have a buy-in from various parts of the health care sector to push lawmakers to approve expansion, he added - and that's especially true in Utah, where the Republican-led House has long resisted it.

"When you take their original opposition based on their antipathy for Obamacare and then you have serious stakeholder groups saying they oppose it, a narrow vote may become a vote against it," he said.

Some other states have required hospitals to help cover the cost of expansion since they're expected to quickly benefit from a decline in uncompensated care as more people gain coverage. Arizona is using a hospital assessment to pay for its program, and Indiana uses a combination of a hospital fee and cigarette tax revenue. Tennessee Gov. Bill Haslam late last year unveiled a plan that would cover costs through a hospital fee.

Joan Alker, executive director of the Georgetown University Center for Children and Families, said she thinks many states will continue to ask hospitals to help pay for expansion, but she would be surprised if other states try to mimic Utah's broader approach. State legislatures will likely hold more discussions about Medicaid expansion financing during their sessions in 2016, the last year of full federal support for the program.

"I don't really see the Utah model catching on," she said. "But you never know."

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