



**IDAHO FREEDOM
FOUNDATION**



MEDICAID IN IDAHO

A POLICY PRIMER

BY: Fred Birnbaum // Ronald Nate, PhD // Niklas Kleinworth



**IDAHO FREEDOM
FOUNDATION**

**Our mission is to make Idaho into a
Laboratory of Liberty by exposing,
defeating, and replacing the
state's socialist public policies.**

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HISTORY OF MEDICAID IN IDAHO

Ron Nate

“War is hell,” as the saying goes. Every war comes with costs on and off the battlefield, especially wars fought when there is no intention of ever winning. President Lyndon Johnson’s “war on poverty” is such a war.

It’s a welfare monstrosity with a 57-year history of collateral damage including families it was supposed to help, taxpayers, and states left with budget-busting programs. Medicaid and Medicare were the heavy artillery of Johnson’s war, and Idaho has not been spared the costs of this well-meaning but grossly ill-conceived government welfare policy.

Flashback to 1965. Johnson signed the Medicare and Medicaid Act, known as the Social Security Amendments of 1965. Idaho Governor Robert Smylie called for an extraordinary legislative session for February of 1966 to revise Idaho’s public assistance laws to incorporate the new medical programs and money coming from the federal government. Even further back, prior to 1965, assistance to the poor for their medical care came largely from state policies via public assistance but more directly from communities and churches.

Medicaid is an entitlement program available to qualifying low-income individuals and families. Unlike Medicare, which is run by the federal government, Medicaid is administered by state governments under federal guidelines and with much of the costs coming from federal spending. Nonetheless, government spending is government spending, and taxpayers bear the costs regardless of the source. The Medicaid program is designed to make sure the poor and those who become poor because of high medical costs are still able to obtain medical care.

How has this part of the war on poverty gone? Have we conquered poverty? Let’s look at just Medicaid. Here are a few indicative years along the way to see how Medicaid has grown to become the largest sector of government spending in Idaho today.

Medicaid expansion was passed by voter initiative in 2018 and became effective in January of 2020. The Legislature failed to repeal the measure and attempted to implement work requirements for eligibility, but the federal government rejected

Idaho's waiver application. So, part of the jumps in enrollment and cost from 2017 to 2023 are due to expansion of eligibility requirements (up to 133% of the federal poverty threshold) putting about 145,000 more Idahoans to the welfare program. The eligibility increases were estimated to be between 59,000 and 91,000, but those numbers were eclipsed easily. The federal government picks up most of the cost of expansion. Despite this, the cost increases for Idaho from Medicaid expansion are more than double what was estimated before expansion passed.

IT'S TIME FOR IDAHO LAWMAKERS TO WISE UP TO DECADES OF FAILURE

The appropriations for this mammoth program are stunning. This government program purported to help bring an end to poverty has expanded at an alarming rate, taken up larger chunks of our public dollars,

and the poverty rate has remained around 12-15% for most of the years we're looking at. Medicaid is the single largest spending category in Idaho's budget. The director of Idaho's Department of Health and Welfare reported to the Legislature how federal guidelines prevent Idaho from removing ineligible recipients from the welfare rolls. He estimates as many as 151,000 Idahoans may not belong on the rolls. We are not winning the war. We are paying more and more and creating new generations of families dependent on government welfare.

When a business experiences ever increasing costs with no measurable impacts on productivity, the business must abandon the effort, seriously rework its methods, or go out of business altogether. When a government sees increasing costs with no measurable impacts on productivity, it demands more money, expands its programs, and claims success. Medicaid is the poster child for this process.

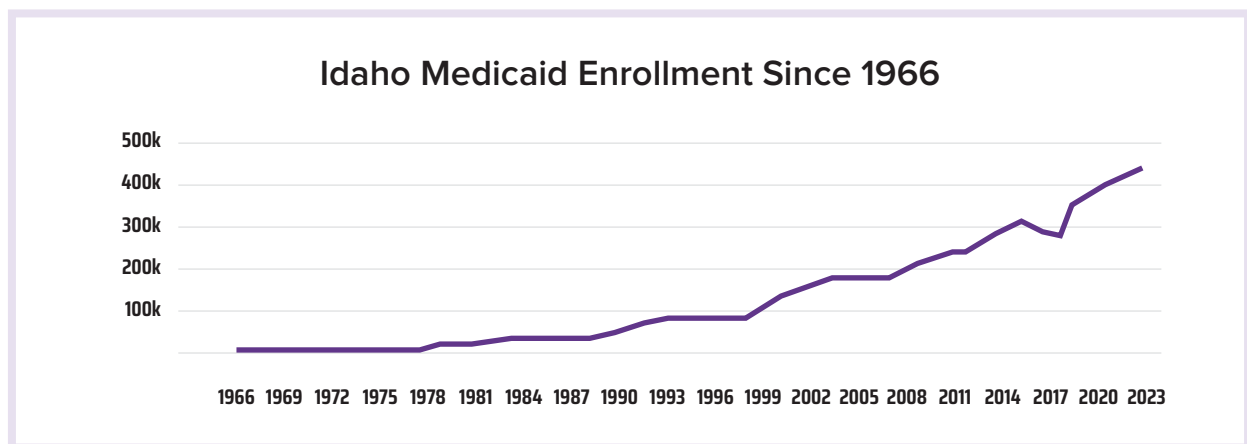
President Ronald Reagan famously said, "The closest thing to eternal life on earth is a government program." He's not wrong. Medicaid in Idaho is the epitome of a government program promising great outcomes, consistently under-delivering, but always demanding more of the state budget in the hopes that better results are just around the corner. It's time for Idaho lawmakers to wise up to decades of failure and consider other paths. We can and should repeal Medicaid expansion and begin the process of restoring state

sovereignty on welfare issues. Even better, restore the autonomy of families and communities in helping those in need around them.

There are individuals and families truly in need in Idaho. And we should find the best means for helping them while guarding against creating dependencies among the able-bodied and otherwise responsible adults. We can and should meet the needs of the least of our neighbors while encouraging work and self-reliance. Our Medicaid system, as it stands in Idaho, does a poor job of meeting needs, while doing a great job of destroying incentives. Remember, our recent liberal Presidents

(Clinton, Obama, Biden) have all expressed the desire to create a single-payer, socialist healthcare system in the U.S. Medicaid, including Idaho's role in it, is well on its way to achieving their disastrous goal.

Imagine the true good for Idaho families coming from ending or severely cutting the broken Medicaid system and allowing them to keep more of their tax dollars, shop for the best private insurance and healthcare, be more charitable in their communities and families in providing personal assistance, and leave more money available for the limited and proper role of government in Idaho.



THE REAL COST OF MEDICAID EXPANSION IN IDAHO

Fred Birnbaum

You can usually tell when a major program that is the cornerstone of the modern socialist project isn't working as promised, because the establishment media avoids talking about it. I am speaking of Medicaid, the program originally designed to provide health care services to those receiving welfare benefits: low-income children without parental support, the blind, and individuals with disabilities.

After years of resisting the “free federal money” to expand Medicaid to able-bodied adults, Idaho voters approved expanding Medicaid with Proposition 2 in 2018.

Mind you the voters didn't expand Medicaid in a vacuum. The entire medical establishment, the Idaho Association of Commerce and Industry, the establishment media, every leftist group, and every Democrat politician as well as Butch Otter (sporting a cowboy hat) were advocating for Medicaid expansion and singing the praises of “free federal money.”

There is a large problem and a small catch. The small catch is that the Legislature must review the impacts of Medicaid expansion and make a recommendation for its continuation.

Senate Bill 1204, approved in the 2019 session following the passage of Proposition 2, requires the following: “No later than January 31 in the 2023 session, the Senate and House of Representatives health and welfare committees shall review all fiscal, health and other impacts of Medicaid eligibility expansion pursuant to this section and shall make a recommendation to the legislature as to whether such expansion shall remain in effect.”

The large problem is that everything promised related to cost control has been obliterated and health outcomes haven't been shown to have improved, even though the financial health of large hospitals has.

In a normal world where the federal government can't simply print money, the case for repealing expansion would make itself. Let's make that case anyway.

In 2018, we were told that expansion would cost about \$412 million per year. As the expansion took place during fiscal year 2020 (FY20), we didn't have a full year, but we did in FY21. The original appropriation of \$403 million was close to the original \$412 million cost estimate for the first full year of expansion. The problem is the actual cost for FY21 was \$670 million, about 66% higher. For FY22, the original estimate was \$440 million, but the FY22 appropriation was \$847 million, nearly double.

The FY22 actual costs were \$856 million. And as FY23 is the current fiscal year, we can only make an estimate based on the supplemental requests already proposed by the Department of Health and Welfare. That cost will likely be closer to \$1 billion. The FY24 request just for the expansion population is \$1.036 billion.

And the Biden administration has added another wrinkle to the whole Medicaid program.

With the Covid pandemic, the federal government offered states an enriched federal match (Medicaid is a federal-state program). The federal government picks up about 70% of the total cost of Medicaid in Idaho, and the feds offered a higher

match if Idaho (and other states) would only remove people from the Medicaid rolls who died, left Idaho, or voluntarily disenrolled.

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So, people who clearly didn't qualify for Medicaid under the pre-Covid rules are now given presumptive eligibility in exchange for more free federal money. It

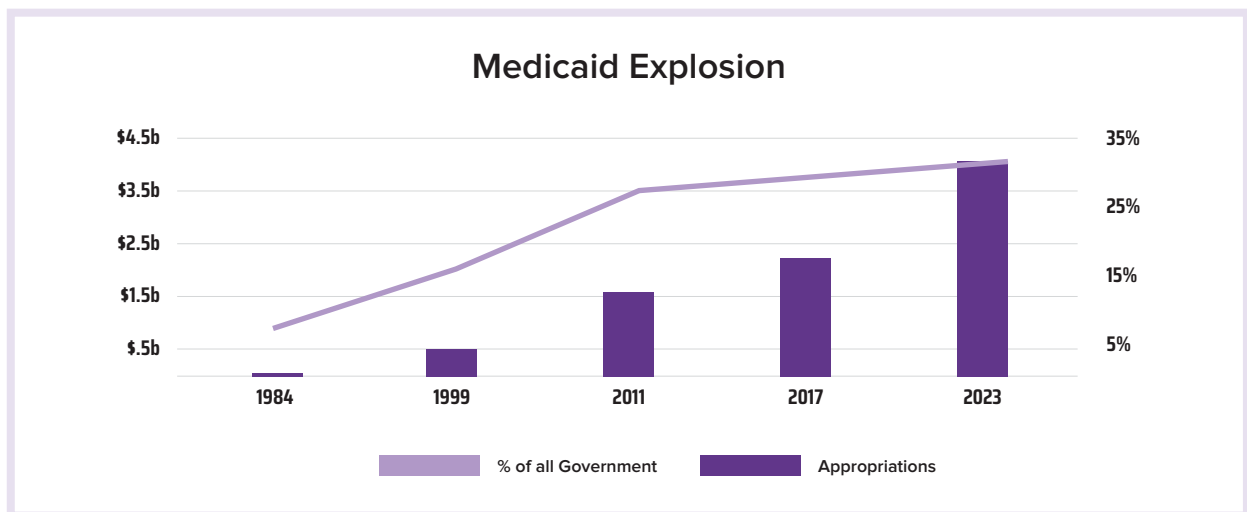
is difficult to accurately estimate the exact number of those who weren't eligible but now are, but it is about 151,000, including about 67,000 expansion participants. And the administration just extended the "public health emergency" through January, guaranteeing more federal money.

If your head is spinning, keep a couple of thoughts in mind. The first is that one of the reasons annual federal deficits routinely exceed \$1 trillion and the accumulated federal debt is over \$31 trillion is because of Medicaid and its expansion. And every state that voluntarily took the money has played a role in ballooning the federal debt.

The second thought is that Idaho is at a crossroads. We can continue to hitch

our wagon to the broken federal welfare train, or we can begin to regain some independence by repealing expansion, which would make us the first expansion state to do so. As I write this, the Biden administration is proposing a permanent change to federal rules making it easier to enroll in Medicaid, meaning even further growing the program.

Remember how the Affordable Care Act was seen by the left as a stepping stone to putting the entire medical system and the US population under the federal government's thumb? Medicaid expansion was a first step, and Covid was an accelerant. Time for Idaho to jump off this run-away train.



MENTAL HEALTH DECLINES AS MEDICAID FUNDS RECORD PSYCHOTROPIC DRUG USE

Niklas Kleinworth

According to a lawsuit filed against the Idaho Department of Health and Welfare (IDHW), the agency has been using the Medicaid program to fund hormone replacement therapy for gender transitions.

One of the plaintiffs — identified as MH throughout the brief — alleges that he has been receiving feminizing hormone treatments since 2019. Now he and another plaintiff jointly want Idaho taxpayers to fund the removal of their male genitalia so they can pose as females.

Previously, the IDHW has been mute regarding its policies about whether they will fund gender transitions and hormone therapies. Agency Director Dave Jeppesen even noted earlier this year that the department has “no policy related to authorizing surgeries or hormone therapies for gender dysphoria and there are no current plans to implement one.” If MH’s claims are

true, Idaho would join 25 states that fund this type of treatment through their Medicaid programs.

It is likely the IDHW assumed its policy for remaining neutral on the issue would prevail as the safest legal avenue for mitigating gender transition claims to the Medicaid system. However, providing approval for hormonal treatments opened the door to questions about why the department won’t fund more invasive medical procedures.

The complaint stresses how the department denied “medically necessary” care on the basis that it is cosmetic according to the Idaho Administrative Code. This is in spite of the fact the policy says it will only fund reconstructive surgery designed to “restore function of the affected or related body part(s),” thus excluding the prospect of adding new or removing functional body parts.

Contrary to claims made by the plaintiffs, the efficacy of using transition surgeries is far from settled. A 2020 report in the *American Journal of Psychiatry* (AJP) had to be corrected to reflect the fact that gender transition surgeries do not reduce the need for mental health counseling, hospitalization, or medications. If the whole argument is that sex changes preserve life because they prevent transgender suicides — as the complaint appears to assert — then the updated findings of the report from the AJP suggest that this treatment is purely cosmetic and should not be funded under the program.

This case has the potential to open a new demographic of clientele interested in getting their free (that is, taxpayer-funded) gender transition procedures and treatments. Despite this being a policy that would receive much support from the healthcare establishment, it serves as yet another example of the medical community saddling patients with a lifetime of expensive therapies, medications, and surgeries to chase symptoms while ignoring the underlying cause of the disease.

What should upset taxpayers most is that the cost of the Medicaid program has already exploded in recent years due to the 2018 eligibility expansion. The lawsuit suggests at least one of the plaintiffs is a beneficiary of the expansion.

Should the verdict go against the IDHW, Idahoans can expect to fund gender transitions for all expansion beneficiaries. It is unclear how much IDHW is spending on

hormone therapies and how many people are receiving them, but an unfavorable ruling would only add to the cost. The IDHW has not responded to a request for more information on this matter.

Idaho has faced a suit like this before, albeit against a different department. In 2019, the 9th Circuit Court of Appeals ruled that Idaho must pay for the gender transition surgery of Andree Edmo, an inmate incarcerated in the Idaho Corrections System for molesting a child. Legislators must do something to prevent taxpayers from having to foot the bill for such audacious requests.

In 2022, lawmakers attempted to make moves in this policy area. The Idaho House of Representatives overwhelmingly passed House Bill 675 to ban the gender transitions of children only to be stopped by anti-conservative leadership in the Senate. After a resounding win for conservatives in the May election and encouraging races shaping up for Republicans this November, it is likely that revisiting legislation on such matters would be possible once again in 2023.

Once the Legislature goes into session in January, lawmakers could push for legislation that clearly defines that the Idaho Medicaid program will not fund gender transition surgeries or hormones. Texas and Alabama are the only two states to explicitly ban spending Medicaid dollars on such procedures.

Idaho should work to join them by protecting Idaho tax dollars from abuse.

MEDICAID POLICY REFORMS

1. Beginning with the 2023 session, Idaho should direct H&W remove ineligible people from Medicaid as expeditiously as possible by July 1, 2023.
2. Idaho should repeal Medicaid expansion. This expansion has grossly exceeded the original cost estimates by a factor of 2 to 1. What originally was going to cost around \$400 million is now over \$1 billion. With low unemployment, able-bodied adults should seek work and can purchase health insurance.
3. A full audit, conducted by an outside accounting firm, of payments to providers is needed. Approximately 98% of the Medicaid budget is payments to providers, nearly \$4 billion. Despite record budgets some providers claim that the payments are insufficient. During the 2022 session about \$200 million of discretionary provider rate increases were appropriated simply based on the requests of providers. A full audit is needed.
4. Benchmarking Medicaid service costs with other states. How does Idaho's per patient per month costs compare with other states? This has never been thoroughly reviewed. Benchmarking with the best performing states is needed.
5. During the 2022 session it was estimated that replacing the Medicaid Management Information System would cost \$138.5 million over the 5-year implementation. Just several months later, in October, the estimated cost was revised upward to \$175.9 million. Why? One reason is that the federal government picks up 90% of the cost, which is a terrible excuse for non-performance. A thorough review of this project is needed.
6. New leadership is needed at the Department of Health and Welfare.



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