



## The Daily Dish

# State Budget Shortfalls Make the Case for Entitlement Reform

CHRISTOPHER HOLT, PATRICK HEFFLINGER | SEPTEMBER 1, 2016

On Wednesday President Obama announced seven appointees who will run an outside control board focused on repairing Puerto Rico's finances. In June, Congress passed a law which authorized the creation of the oversight board and gave the board the power to veto fiscal plans put forward by Puerto Rican officials. The board will be dissolved once Puerto Rico "is able to balance its budget for four years running and regain access to financial markets for its debt."

On Tuesday the Bureau of Land Management (BLM) issued a rule in the Federal Register that will allow for drilling rights sales to be conducted online. According to the BLM, online lease sales will allow for "greater efficiencies, cost savings, and expanded participation." The move will also allow for the agency to reduce disruptions and cancellations of lease sales caused by protestors. While the new rule allows for online lease sales to occur, it does not require the BLM to hold sales online. All oil and gas lease sales previously had to be done in person at agency offices.

**Eakinomics: State Budget Shortfalls Make the Case for Entitlement Reform:** *Guest Authored by Christopher Holt, AAF Director of Health Care Policy*

You may have missed it over the last few weeks—distracted by the meltdown of the Affordable Care Act's (ACA) insurance exchanges—but there's been a rash of news coverage warning of impending, Medicaid-driven, budget crunches in states all across the fruited plain. A smattering of headlines from just the last week and a half includes:

- "Illinois' Medicaid expansion proving to be more expensive than expected" – [Illinois News Network](#).
- "Rise in Medicaid rolls has continuing impact on state budget," – [Georgia Health News](#).
- "Lottery or not, Medicaid will tank Alabama's fiscal future," – R Street's Cameron Smith in a column for [com](#).

On Sunday, the Boston Globe [reported](#) that Massachusetts' "spending on Medicaid [...] has skyrocketed," and warns that "the program eats up an increasingly large portion of the budget pie, constraining the cash available for everything else from education to support for cities and towns."

The ACA's [Medicaid](#) expansion has long been presented by advocates of the law as a boon for cash strapped state budgets, but in reality the reverse has been true. While the federal government initially picked up the entire tab for newly eligible beneficiaries, those previously eligible are reimbursed at the lower, pre-ACA federal share. And states will be expected to start paying a portion of the expansion population costs beginning next year. Simultaneously, per enrollee costs are climbing; expenditures for newly eligible enrollees were [16 percent higher](#) in 2015 than 2014. Kentucky officials [estimate](#) their state will be on the hook for an extra \$1.2 billion in Medicaid spending over the next five years as the federal share of expansion population coverage is phased down from 100 percent. Additionally, next September, the long-delayed Medicaid [Disproportionate Share Hospital](#)

(DSH) [payment cuts](#) will finally go into effect, leaving states with less money to reimburse providers for uncompensated care.

Medicaid already accounts for [nearly a quarter](#) of state budgets and, according to the National Association of State Budget Officers, state general revenues grew 3.9 percent in 2014 while state expenditures for Medicaid increased 4.2 percent. With states unable to keep pace, Medicaid is crowding out all other policy priorities. It's an unfortunate mirroring of the same budget crunch seen at the federal level where spending on health entitlements will soon leave the entirety of the discretionary budget high and dry. The picture is stark, but clear; entitlement reform simply can't wait.