

SPOTLIGHT REPORT

September 26, 2018

Democrats Seize the Moment for Medicaid Expansion in Red States

What's Happening: Thirty-six states will hold gubernatorial elections this fall. Of those races, 13 are taking place in states that have not expanded Medicaid, an option made available to states through the Affordable Care Act (ACA). Of these 13, Democrats have a strong shot in winning four of them, including Florida, Georgia, Kansas, and Wisconsin. Additionally, three states -- Idaho, Nebraska, and Utah -- have ballot initiatives in November where voters will decide on Medicaid expansion.

Why It Matters: Since the ACA passed in 2010, 34 states (including DC) have expanded Medicaid, largely along partisan lines, as many Republican governors and state legislatures saw any association with Obamacare as a politically losing proposition. However, with the failed efforts at repealing the ACA by Republicans last year, the healthcare law has become increasingly popular across the country, including the Medicaid expansion provision. This was brought into plain view with major Democratic gains in Virginia state elections last year, which allowed the state to expand Medicaid after several failed attempts in previous years. **With the increased popularity of Medicaid expansion and the forming of a potential blue wave election year for Democrats, advocates of Medicaid expansion view the upcoming midterm elections for control of state governments as a critical point for making expansion a reality in the states that have so far yet to budge on the issue. The potential for expanding Medicaid in several states is a positive development for hospitals and other provider groups that see expansion as a paramount development to reducing uncompensated care. In particular, hospital systems with a presence in the states potentially expanding Medicaid after the midterm elections include HCA Healthcare Inc. (HCA), Tenet Healthcare Corp. (THC), LifePoint Health Inc. (LPNT), Community Health Systems (CYH), Select Medical Holdings Corp. (SEM), and SunLink Health Systems, Inc (SSY). Managed care contractors, like Centene (CNC) and Molina (MOH), will also benefit from more lucrative contracting opportunities for Medicaid.**

What's Next: The midterm elections will give voters a chance to express their views on Medicaid expansion, either directly through ballot initiatives or indirectly through supporting candidates advocating for Medicaid expansion. If Medicaid expansion does break through, it will then be up to the state lawmakers and governors who are

accepting or advocating for Medicaid expansion to craft legislation and regulations that could garner the necessary support. We expect many newly elected governors who support Medicaid expansion in red states will have to make some compromises with Republicans, like including Medicaid work requirements, if they are to ultimately be successful in their expansion efforts.

Democrats Seek to Replicate Virginia Model on Medicaid Expansion

As Democrats seek to run on healthcare as the primary policy issue in the midterm election across the country, and particularly in red states, they are hoping to replicate the success of Virginia Democrats in state elections last year. A historically conservative state that has been turning bluer the last few years, Virginia was always on the precipice of expanding Medicaid. Former Governor Terry McAuliffe (D) pushed for Medicaid expansion in Virginia, but the legislature did not acquiesce in passing expansion as part of the state's budget.

In the race to replace McAuliffe, Democratic nominee Ralph Northam, then the lieutenant governor, emphasized Medicare expansion as one of his biggest priorities. This, and the general anti-Trump mood, lifted Northam to a major victory. What's more, Democrats captured 15 GOP seats in the House of Delegates, coming within one vote of controlling the lower chamber. With an evenly divided state legislature, Northam was able to work with a few state Senate Republicans to successfully push through Medicaid, extending coverage to about 400,000 people. The bipartisan effort also included Medicaid work requirements for many non-disabled recipients.

Governor Races to Watch

Democrats are eyeing four states where they hope to replicate what happened in Virginia. These races have Democrats aggressively campaigning on healthcare and Medicaid expansion while the Republicans are against it. In all the open seats, the Republican nominees won contested primaries, thanks to endorsements from President Trump. That helped them with the Republican base, but has so far been a detriment in the general election, as many of these candidates that Republicans (and Trump) chose were the less electable of the Republicans, as Democrats are seizing the offensive in these races. The table below lays out the state of the races, including forecasts from the Cook Political Report, Sabato's Crystal Ball, Inside Elections, and RealClearPolitics (RCP) polling average, as well as the current political divide of the state legislatures. Additionally, the table includes an estimate of the number of Medicaid expansion enrollees, [according to the Kaiser Family Foundation \(KFF\)](#).

Incumbent Seats	Cook Political Report	Sabato's Crystal Ball	Inside Elections	Race Polling Avg (RCP)	Makeup of Lower State House	Makeup of Upper State House	Est. # of Expansion Enrollees (KFF)
Florida (R-open)	Toss up	Toss up	Toss up	D +4.5	R 76-41	R 23-16	702,000
Georgia (R-open)	Toss up	Lean R	Lean R	Tied	R 116-64	R 37-19	463,000
Kansas (R-open)	Toss up	Lean R	Lean R	R +1.0	R 85-40	R 30-9, 1 Ind	79,000
Wisconsin (R-Walker)	Toss up	Toss up	Toss up	D +4.7	R 63-35	R 18-14	97,000

Florida: Outside of Texas, Florida is the non-expansion state that has the largest number of enrollees who would benefit from Medicaid expansion. The Florida Senate passed Medicaid expansion back in 2015, but it was rejected by the House and opposed by Republican Governor Rick Scott. This difference almost led to a government shutdown in 2015, but the opposition ultimately prevailed.

However, with Scott not running for reelection, the Democratic nominee, Tallahassee Mayor Andrew Gillum, has made healthcare policy, including Medicaid expansion, a cornerstone of his campaign. Gillum said, "I will fight for Medicaid expansion, Medicare for all and essential protections for women's healthcare and pre-existing conditions."

Since the primaries in August, Gillum has led his Republican opponent Rep. Ron DeSantis in every poll, albeit by small margins. DeSantis is strongly against Medicaid expansion, but has surrounded himself with controversy lately regarding racially insensitive statements he has made towards Gillum, who is African-American, as well as his association with white nationalists. The latest RCP polling average has Gillum's lead at 4.5 points and he is even outpolling Democratic Senator Bill Nelson in the senate race between Nelson and Scott.

If Gillum does end up winning, he would likely take an aggressive negotiating position with the state legislature on Medicaid expansion. [According to the Tampa Bay Times](#), Gillum this month said he "expressed confidence that his veto power as governor would be enough to ensure a 'negotiation' with lawmakers, and that he is hopeful about the Democratic balance in the Senate." So far, Republican leaders in the state legislature are pessimistic Medicaid expansion can prevail. This month, incoming state Senate President Bill Galvano said, "I do not believe there is support in the Legislature for the expansion of Medicaid contemplated in the Affordable Care Act." Incoming state House Speaker José Oliva reiterated his opposition for Medicaid expansion over the summer, saying, "Medicaid expansion would do nothing to increase competition, reduce cost and therefore create more access. ...The only thing expanding Medicaid would do is create further pressure on a system created as a safety net to help low-income people and to subsidize some elderly care. It wasn't designed to do what people are trying to get it to do." While Democrats have a path to the majority in the state Senate, the state House will likely remain under Republican control. Depending on the results of the midterm elections, Gillum may have a strong hand in negotiating if there is a blue wave in Florida.

Georgia: Democrats are hopeful that the governor's race will be a galvanizing moment in Georgia state politics that will finally see the governor's mansion flip from red to blue. Former state House Minority Leader Stacey Abrams is the Democratic nominee and has sought to energize the progressive base while also seeking a pragmatic governing image.

Abrams has made Medicaid expansion a front and center issue in her campaign, calling it "a moral and economic imperative." Her campaign has sought to make Medicaid expansion an economic argument, by saying, "Expanding Medicaid actually makes our state money, bringing our tax dollars home from Washington, D.C., to keep our rural hospitals open, bring health care to nearly 500,000 Georgians, drive down health care costs for everyone, and create over 50,000 jobs." Meanwhile, Secretary of State Brian Kemp, the Republican nominee, is against Medicaid expansion.

Georgians have generally had a favorable view of Medicaid expansion, with a poll this year showing 73 percent of Georgians, including 51 percent of Republicans, supportive of it, [according to the Atlanta Journal-Constitution](#). But Governor Nathan Deal does not support Medicaid expansion and both the state House and Senate have not pushed for it. There was legislation in 2013 to create a Joint Study Committee on Medicaid reform, but it did not specifically deal with expansion.

While Abrams is in a competitive race, there are little rumblings of a blue wave among the Republican-controlled state legislature. A win by Abrams and a strong showing by Democrats in the state legislative races would create an added momentum to push for Medicaid expansion. But Republicans are likely to retain decent majorities, meaning Abrams will have to work at getting moderate Republicans on board with any Medicaid expansion plan. This could mean enticing Republicans with a Medicaid waiver or work requirement. Given Abrams' experience working in the state House, she knows the legislative mechanisms involved in getting a majority of support for any major policy initiatives.

Kansas: While having the largest Republican majorities in the state legislature among Florida, Georgia, and Wisconsin, Kansas is the one state where Republicans in the state House and Senate actually passed Medicaid expansion. In February 2017, the state House voted 81-44 to expand Medicaid coverage, with the state Senate voting 25-14 to approve the Medicaid expansion bill. However, then-Republican Governor Sam Brownback vetoed the bill, with the state legislature coming up a few votes short to override the veto. The governor's race is between a Democrat who supports Medicaid expansion, state Senator Laura Kelly, and a Republican who opposes it, Secretary of State Kris Kobach.

However, in a red-state like Kansas, Kelly is making a strong showing, in large part due to the weakness of Kobach, who beat Governor Jeff Colyer in the primary. Kobach, who received Trump's endorsement, is known for extreme views on voting rights and immigration, and has been marred with scandal around voter registration and his efforts to crack down on illegal immigration. This has led to some notable Republicans, like former Senator Nancy Kassebaum and former Governor Bill Graves, to endorse Kelly over Kobach. Graves said, "Laura Kelly is the only Democrat I have ever endorsed for public office. And the reason I'm doing that now is because I believe so much is at stake in the state of Kansas."

While Kobach may hold a small edge, a blue wave hitting Kansas in the midterm elections has a chance of flipping the governor's seat from red to blue. If that's the case, there is a

high likelihood that there will be Medicaid expansion in Kansas.

Wisconsin: Once the darling of conservatives in the Obama era, Governor Scott Walker is struggling to maintain his base of support in 2018. While rated a toss up race with Democratic nominee Tony Evers, the state's school superintendent, the race has shifted in Evers direction as of late, with the latest RCP polling average has Evers up by 4.7 points. The other statewide race for Senator Tammy Baldwin's seat shows the Democratic incumbent with a comfortable lead.

Evers campaign has focused largely on healthcare, with his first television ad of the general election criticizing Walker for rejecting federal Medicaid expansion money, [according to the Associated Press](#). Evers supports expansion for BadgerCare, the state's Medicaid program. Walker chose not to participate in the ACA Medicaid expansion, instead deciding to do a state-specific initiative. Additionally, the state legislature's Joint Finance Committee voted against Medicaid expansion in 2013.

While the state House is likely out of reach for Democrats, they do have a chance of narrowing the gap or even taking control of the state Senate. If a blue wave comes to Wisconsin during the midterm elections, Evers could find himself with some more willing partners in the legislature in seeking to expand the state's Medicaid program.

Ballot Measures

Last year, Maine became the first state where citizens voted to expand Medicaid through a petition. While Republican Governor Paul LePage is resisting its implementation and fighting it out in court, the movement to put Medicaid expansion to the ballot gained appeal across the country. This November, voters in three states -- Idaho, Nebraska, and Utah -- will decide whether to rebuff lawmakers and vote for Medicaid expansion. Despite being deeply conservative states, voters are poised to vote for Medicaid expansion in all three states.

In Idaho, voters will be deciding on [Proposition 2](#), which proposes "Expanding Medicaid eligibility to those under sixty-five years old, whose income is 133 percent of the federal poverty level or below and who are not eligible for other state insurance coverage." While there is no current polling on the proposition, Idahoans have shown a proclivity to support Medicaid expansion. After the state legislature failed to do so, a [poll from 2016](#) found that 64 percent of Idahoans disagreed "with the Legislature's inaction of Medicaid expansion." Both candidates to replace Governor Butch Otter (R) have said they'll respect the outcome of the proposition. KFF estimated 43,000 Idahoans would be eligible to enroll in the expansion.

In Nebraska, voters will be deciding on [Initiative 427](#), which proposes to "Require the state to provide Medicaid for persons under the age of 65 and with incomes equal to or below 138 percent of the federal poverty line." While Governor Pete Ricketts (R) is strongly against Medicaid expansion, he has not indicated he would oppose the initiative if it were

to pass. Currently, there is no public polling on it. KFF estimated 34,000 Nebraskans would be eligible to enroll in the expansion.

In Utah, voters will be deciding on [Proposition 3](#), which proposes to "Provide Medicaid for persons under the age of 65 and with incomes equal to or below 138 percent of the federal poverty line and...Increase the sales tax from 4.70 to 4.85 percent to finance the state's portion of the costs to expand Medicaid." A [Salt Lake Tribune poll from June](#) showed the proposition with 54 percent support from registered voters, compared to just 35 percent of voters opposed. Despite opposing the proposition, Governor Gary Herbert (R) said he would not block Medicaid expansion if it passes. KFF estimated 91,000 Utahns would be eligible to enroll in the expansion.



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