Kentucky Is Obamacare's Undeniable Success Story. This Man Is Trying To Burn It All Down.

BY EMILY ATKIN & JOSH ISRAEL SEP 14, 2015 8:20AM

Though it has been largely ignored by national media and pollsters, Kentucky's November gubernatorial election could mean striking changes for the Bluegrass State. The nation's most unlikely Obamacare success story — a state system that has provided more than 500,000 Kentuckians with affordable health insurance — might well be ransacked by a Tea Party candidate named Matt Bevin.

From the earliest days, Kentucky's efforts to implement Obamacare have earned national acclaim. As the troubled roll out of the national health care exchange website was ruthlessly mocked by late night television, Fortune praised "one health exchange success story": Kentucky's new state-level marketplace.

Unlike most southern states, Kentucky opted to both set up its own state exchange (the Kentcuky Health Benefit Exchange, commonly known as "Kynect") and to expand Medicaid under the Affordable Care Act. These efforts, ordered by Gov. Steve Beshear (D) and overseen by Governing magazine's 2014 Public Official of the Year Carrie Banahan, helped get 521,000 Kentuckians insurance coverage in the first year alone. According to a Gallup poll, by the first half of 2015, Kentucky's uninsured rate had fallen from 20.4 percent in 2013 to just 9 percent, the second largest drop of any state. Governing feted Kentucky as "one of the few states that got everything right."

In testimonials provided to ThinkProgress by Kentucky Voices for Health, a coalition of health advocacy groups, many Kentuckians agreed. "Thank God for Kynect," said Eddie Alvis, who after years of struggling financially was able to get health insurance, and discovered he had severe asthma. "It has really empowered me," said Lynn Young, a Louisville resident who got insured despite her recent unemployment. And Helen Spalding, who lost her job and benefits after a serious car accident, was also able to purchase insurance. "Kynect has been here for me," she said. "It's a blessing."

But with Beshear term-limited, Bevin, the GOP nominee, has made it clear he wants to reverse course. The Tea Party-backed candidate vows he'll do away with both the successful state exchange and the Medicaid expansion that has helped hundreds of thousands get affordable health care — moves that the governor could likely make unilaterally.

It's a prospect that worries many state-based health experts, business groups, and public officials who spoke to ThinkProgress about the upcoming election and the state of Kentucky's health care system. One of those officials was Beshear himself, who accused Bevin of playing politics with the hundreds of thousands of Kentuckians who now have insurance for the first time.

"It terrifies me," Beshear said. "There's over 300,000 [Kentuckians that are on expanded Medicaid], and Matt Bevin is just going to take it from every single one of them."

A Long-Time Obamacare Hater

If Bevin's name sounds familiar, it's probably because last year he mounted a primary challenge to Kentucky Sen. Mitch McConnell, the current Republican leader. Among Bevin's top priorities was a full repeal of Obamacare. Calling the law "already a disaster," the manufacturing millionaire vowed to use any means necessary to
stop the law, even if it meant voting for a government shutdown.

“Washington politicians say they oppose Obamacare, but they continue to vote for spending bills that fund it,” Bevin wrote on his campaign website at the time. “This has to stop. Matt will not vote for any spending bills that fund Obamacare. None.”

A year and a campaign later, Bevin has not given up on the crusade. While his message was not enough to unseat a five-term incumbent U.S. senator in 2014, it did generate him enough support to win the gubernatorial nomination this May. His current site features a “Blueprint for a Better Kentucky” that proposes to “bring relief from Obamacare to the taxpayers of Kentucky.”

“As governor, I would close the Kynect state exchange and facilitate the transition of enrollees into the federal health care exchange,” Bevin pledges. “Closing Kynect would begin to free Kentucky from this financially ill-advised program and leave Obamacare management in the hands of the federal government.”

A Switch In Time Saves Nothing

But his promise to switch from Kynect to the federal health insurance exchange would likely be fiscally disastrous, could have a chilling effect on enrollment, and has prompted some experts to question whether Bevin really understands what he is proposing.

Bevin calls Kynect and the Medicaid expansion “financially ill-advised.” But, as of now, the programs don’t actually cost state taxpayers anything. Kentucky received $253 million from the federal government for the development of Kynect, and private insurance companies pay for the system’s operation.

As for the Medicaid expansion, the federal government currently pays the entire tab, and will continue to do so until 2017. After 2017, Kentucky will begin paying 2 percent of the cost of the expansion, which will increase yearly until the state eventually pays 10 percent in 2021. By then, the state estimates, the program will have saved enough money and created enough jobs to more than offset the cost.

So why, then, is Bevin saying the programs are too expensive for the state?

“Nobody’s ever tried to nail him down on that,” said Al Cross, an associate professor of journalism at University of Kentucky and founder of the website Kentucky Health News. “He’s difficult to question.”

Beshear chalks these unsubstantiated claims up to Bevin simply not understanding the policies at hand. In his conversation with ThinkProgress, Beshear said Bevin often confuses the actual health benefits exchange — where people purchase private insurance plans — with the state’s Medicaid expansion, which increased the number of people eligible to enroll in the public health insurance program.

“He mixes the two up in his conversations,” Beshear said. “His statements in general just talk about Obamacare, and ‘we’ve got to do away with the whole thing,’ and he doesn’t really distinguish between the exchange and Medicaid.”

There is also an element of ideological inconsistency in his approach. Bevin embraces a radical “tenther” view of the U.S. Constitution, believing that state governments are not obligated to follow federal laws they do not support. In the same vein, one of his biggest priorities is to fight against what he calls “federal government overreach.” Still, he proposes to unilaterally eliminate a Kentucky-designed, Kentucky-controlled system and instead cast the state’s lot with the federal bureaucracy.

Bevin’s campaign did not respond to multiple ThinkProgress interview requests.

Eliminating Kynect: ‘In A Word, Stupid’

Beshear is far from the only person with some harsh words for Bevin, thanks to his views on Kentucky health care policy.

“Bevin’s proposal to do away with Kynect is, in a word, stupid,” said Kentucky Health News’ Cross, who also directs the Institute for Rural Journalism and Community Issues. “It’s a national model. It would take tens of millions of dollars to decommission it.”

How many millions, exactly? Beshear estimates that the change would cost the state anywhere from $23 million to $25 million. Then, once the change is made, Kentuckians would have to pay more for their insurance — while Kentucky only charges a 1 percent fee on plans, the federal government exchange charges a 3.5 percent fee.

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Aside from financial consequences, groups that work to enroll people in health insurance through Obamacare-created exchanges warn of other likely problems for consumers. Enroll America deputy communications director Justin Nisly warned of “uncertainty and confusion for consumers” if a switch occurred.

Emily Beauregard, executive director of Kentucky Voices for Health, agreed, saying the employees of Kynect are generally local people with relevant regional expertise. “They become very trusted sources of information,” she said. “People come back to their Kynect-ers and let them know how they’ve been doing, and [customers have] shown a lot of appreciation for having that coverage.”

These concerns might be enough to discourage any state with a functioning exchange from switching to the federal system at this point. But thanks to its technical prowess and proven success, Kynect is not just any state exchange.

Even as the federal exchange stumbled in its early days through technical problems, Kentucky’s online site proved well-tested and durable. A 2014 Time article by Stephen Brill documented this, and in the piece Beshear recalls getting a phone call from President Obama who, half-kidding, asked, “Hey, Steve, you have any computer people you can lend me?”

http://thinkprogress.org/health/2015/09/14/3698831/matt-bevin-kentucky-eliminate-health-care/
Today, Beshear says he is “extremely proud” of the system he approved. He likes to point to two reports — one, a 2013 white paper from before Kentucky expanded Medicaid, which found that expanding Medicaid would infuse $15 billion into the state’s economy and create 17,000 new jobs over the next eight years. The other, conducted a year after the state expanded Medicaid, found that 12,000 health care-related jobs had already been created — and upped the jobs creation estimate to 40,000 over the next eight years.

And aside from the nearly unprecedented enrollment numbers, actual health care services have gone up as well. Last month, the state Department of Medicaid Services released data showing a staggering increase in preventative care services like physical exams, diabetes and cancer screenings, and flu shots. In a state deemed “one of the sickest states in America” a decade ago, these are hugely important improvements.

“From an economic standpoint, it's going to really help Kentucky's economy,” Beshear said. “But most importantly, from a human standpoint, for the very first time in our history here in Kentucky, every single Kentuckian has access to affordable health insurance, and over a generation, that will make a huge positive impact on our state.”

Bevin himself has said little about the benefits that Kynect and the Medicaid expansion have rendered so far, and has indicated that he doesn't think the state exchange creates jobs. “It's absolute nonsense,” he's quoted as saying in a WDRB article from earlier this year, when confronted with Beshear's notion that Medicaid expansion would grow the economy.

Kynect Is As Popular In Kentucky As Mint Juleps

While Bevin’s proposal to dismantle Kentucky’s flourishing health care system may seem out of the blue, Beshear’s decision to build a state exchange was no snap judgement.

Julia Costich, a professor of health management and policy at the University of Kentucky, pointed ThinkProgress to a 2011 stakeholder survey by the state government, which found that 83 percent of respondents with an opinion preferred that the state design its own exchange. Those backers included the Kentucky Chamber of Commerce, Kentucky Association of Manufacturers, Kentucky Hospital Association, the Kentucky Medical Association, and several prominent insurance companies.

“At the time, I'm confident in saying the respondents cannot possibly have anticipated the trouble some other states had with state marketplaces,” Costich said. But after seeing the success of Kynect, she recalled, “I was not alone in saying 'Who knew that we could actually do something at a level of competence, of execution that exceeded that of almost any other state in the nation?'”

Since then, Kynect has been noteworthy for its popularity — even in state that gave Mitt Romney a 60 to 38 victory over Obama in 2012. A May 2014 Marist poll found plurality support for Kynect in the state, despite 57 percent disapproval for Obamacare among the same registered voters.

A June 2015 Public Policy Polling poll showed similar results — and found its approval equaled that of the mint julep, a Kentucky Derby tradition. Of course many people do not realize that Kynect is functionally the same thing as the Affordable Care Act, which likely contributes to its relative support.

Even Mitch McConnell, who has denounced the Affordable Care act as “one rolling disaster after another,” said in a 2014 debate that he would like to repeal Obamacare completely but keep the state exchange.

McConnell — who had defeated Bevin easily in that Republican primary — endorsed his former rival’s 2015 gubernatorial candidacy and has sent him at least $2,000
But McConnell is not the only Kentucky conservative to oppose dismantling the state exchange. Last week, Kentucky state Sen. Ralph Alvarado (R) not only warned that a move now to the federal exchange would be “disastrous,” but even proposed that the state charge its neighboring states to use Kynect’s infrastructure and use the funds to pay the state’s share of the cost of Medicaid expansion. Notably, Alvarado ran for office highlighting his opposition to “Barack Obama’s plans to destroy our health care system with a costly government takeover that will only saddle our children and grandchildren with more debt.”

Cross of Kentucky Health News believes the statements from Alvarado and McConnell represent a “new tune” on Obamacare from Republicans, at least within the Commonwealth.

“They seem to have accepted that it is going to stay with us,” he said. “They’ve never liked Obamacare, but now it’s been forced upon them and they see constituents are benefiting, and they can’t afford to take it away.”

But even the state’s Chamber of Commerce disagrees, deeming a state exchange still a better option than Bevin’s proposed switch.

“Despite the Kentucky Chamber’s serious concerns about the ACA’s impact on business, we do not believe the Commonwealth should cede power to Washington, but chart its own course in health care reform,” Dave Adkisson, the trade association’s president and CEO, told ThinkProgress in an emailed statement. “We have serious questions as to the financial impact of dismantling a system that seems to be working for Kentucky.”

Aside from Bevin, the most significant stakeholder criticism of Obamacare in Kentucky has come from the Kentucky Hospital Association. Though the trade group backed the state exchange as preferable to a federal one and cheered the decline in uninsured Kentuckians, it released a May report warning that declining reimbursement rates are hurting the financial stability of the state’s hospitals.

But their report largely attributes these problems to other health policies that are unrelated to Kentucky’s decision to work toward implementing Obamacare. For instance, the Affordable Care Act cuts hospital’s Medicare and Medicaid reimbursement rates under the assumption that the law’s coverage expansion will reduce the need to absorb the extra costs of treating uninsured patients who can’t pay their bills. On top of that, Costich explained, some of these issues also stem from separate Medicaid managed care reforms in the state that simply “happened to have taken place at roughly the same time” as Obamacare implementation.

**Misplaced Loyalties**

Though these Kentucky voices strongly oppose Bevin’s plans, he has a strong incentive to hold firm: His out-of-state supporters.

The Koch Brothers’ Americans for Prosperity, which has spent millions in opposition to the health care law, recently launched an independent expenditure ad campaign aiming to boost Bevin by attacking Conway for supporting Obamacare.

In addition, the anti-Obamacare Republican Governors Association is bankrolling ads complaining that Conway “supported Obamacare, stating he would have been proud to vote for it.”

And while it does not appear either has gotten involved in his 2015 race, Bevin’s two largest independent backers in 2014 were anti-Obamacare groups Senate Conservatives Fund (more than $450,000) and FreedomWorks for America (more than $200,000).

“I understand that, from a political perspective, the Republican candidate cannot possibly do otherwise than to advocate against Medicaid expansion,” the University of Kentucky’s Costich added. “But the consequences at this juncture, I think, would be pretty grim.”

**An Inferior Model**

If Bevin does dismantle Kentucky’s successful state exchange, he would need another plan to replace it. Though he hasn’t been totally specific on what that plan might be, he has hinted that he favors a system like Indiana’s.

Indiana currently operates under the federal exchange. And while the state did expand Medicaid, the specific terms of that expansion make it one of the most conservative plans in the country. USA Today described Gov. Mike Pence’s (R) Medicaid waiver as one “that injects personal responsibility into the health care program for the poor” by requiring low-income participants to contribute to the cost of their care. In other words, Indiana has introduced premiums to the public health program, just like the monthly fees that Americans pay for private plans. This, of course, means that some low-income residents are locked out of getting health care altogether, while others have reduced benefits because of their inability to pay.

But just how successful is Indiana’s health care system compared to Kentucky’s?
When it comes to participation, Kentucky is winning by a mile. Indiana, which has a population of about 6.6 million, had only 180,529 people enroll in its federally run exchange by the end of March 2015. Meanwhile, at around the same time, Kentucky — which has a population of 4.4 million — had enrolled approximately 521,000 people in Kynect plans. Put another way, that means about 2.7 percent of Indiana's population has signed up for new health care plans under Obamacare, compared to 11.8 percent of Kentucky's.

Kentucky also seems to be far outpacing Indiana in actually reducing its uninsured population. Before Obamacare, 15.3 percent of Indiana's population was uninsured, compared to 20.4 percent of Kentucky's, according to Gallup. Considering their respective populations, that means about 1 million people were uninsured in Indiana, while approximately 897,000 people were uninsured in Kentucky.

If everyone who enrolled through these exchanges had been uninsured beforehand, that would mean Kentucky decreased its uninsured population by a whopping 58 percent, while Indiana only decreased that population by 17.8 percent.

**A Real Possibility**

Beshear hopes Bevin will not be his successor, in part because of his adamant and seemingly unwavering stance against Kynect. "It has nothing to do with the benefits or the arguments for or against it," he said. "It's just the fact that, who the president was at the time it was passed, makes him automatically against it. And that's about as short-sighted as you can be."

But the end of Kynect is not some far-fetched possibility. The most recent data, a Public Policy Polling survey in June, showed Bevin leading Democratic nominee Jack Conway 40 to 38. With voter turnout typically low in "off-year" Kentucky elections, it is anybody's guess who will succeed Beshear in January. For hundreds of thousands of people, that result could well determine whether they return to the ranks of the uninsured.