

# Lottery or not, Medicaid will tank Alabama's fiscal future



heap of dollars with stethoscope (*merznatalia*)



By **Cameron Smith**

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I've tried about every way under the sun to explain that Alabama's primary budget problem is Medicaid. While there's no limit to the tax revenue my liberal brethren would like, they don't run Alabama politics at the moment. The current political crowd wasn't elected to raise taxes, and they're not likely to do it in any meaningful way.

Even if the legislature wanted to raise taxes, they'd have to do so almost indefinitely to keep up with Medicaid. That makes all but the most tax happy politicians understandably squeamish.

This is a math problem, folks. So just put your partisan feelings about Medicaid on ice for a moment.

As I've **noted before**, Medicaid spending has increased an average of \$25 million a year in Alabama since 2008. If Governor Robert Bentley secures the extra \$85 million he wants for FY 2017, that moves the average nearer \$36 million annually. The Centers for Medicare and

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Medicaid Services (CMS) currently [claims](#) that Medicaid "expenditures [nationwide] are projected to increase at an average annual rate of 6.4 percent."

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With no additional funding, Medicaid and corrections already account for 60 percent of Alabama's General Fund for FY 2017. Put another way, the two programs cost us more than the rest of state government other than education.

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Let's just say Alabama spends \$785 million on Medicaid this coming fiscal year when the dust settles. Alabama's Medicaid Agency projects the program will cost the state \$865 million in FY 2018 and \$895 million the following year. Even if we follow Medicaid's average growth rate from there, the numbers get radically ugly in a hurry.

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Legislators I've spoken with peg Alabama's baseline of recurring revenues to Medicaid from the General Fund at around \$700 million. That means we need to find the difference from new or existing sources if we're not doing spending-side reforms. Think one-time money, transfers from the Education Trust Fund, and a host of other patch solutions.

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Paying off the state's debt service with BP money could free up about tens of millions per year depending on how much we pay off. Between that and one-time money for FY 2017, we might just make it to the \$785 million ballpark for Medicaid in the next year.

[Bentley's shame game: Support lottery or watch kids die](#)

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Then what? What do we do in the following year when Medicaid increases again?

We'd need to cobble together \$865 million for Medicaid in the budget that legislators will encounter in February. But it's not that simple. Responsibility for the Children's Health Insurance Program (CHIP) will likely shift back to the state at a cost of roughly \$70 million per year. That's an \$935 million fiscal nightmare if we fund at those levels.

If we assume the General Fund will be around \$1.9 billion for FY 2018, Medicaid and flat corrections funding could require a 25 percent across-the-board cut for all other General Fund programs if we're to remain in the black. There's certainly some play with the numbers. Legislators could refuse to fund at Medicaid's requested levels, but it's a matter of degree rather than kind.

That's the clear impetus for a lottery and other forms of gaming. Unfortunately the lottery is likely static at best in terms of growth, and Alabama isn't Las Vegas. Even if we're willing to ignore the political, economic, and social problems with the various gambling options, Medicaid will simply eat that as well within a few years. It buys us time, not a solution.

I'm all for limited government, but the idea of our state government solely consisting of education, corrections and Medicaid is our future if we don't quickly curtail Medicaid's fiscal expansion. Pick your favorite general fund line item: Alabama law enforcement, mental health, or child services. Medicaid isn't a picky eater as far as devouring resources.

That's why everyone, regardless of politics, should take Medicaid reform seriously. We should help poor children and the disabled, but we need to make sure we're getting the best deal we can to provide those services. That's a costly political proposition, but it's far less damaging than the political price of raising taxes in perpetuity, going bankrupt, or radically hobbling state government.

Medicaid math is ugly, and it won't get any better until our leaders have a fiscal perspective that extends further than one legislative session.

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