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Hospital lobby fears they might not get Medicaid subsidies

By: Michael F. Cannon, *Director of Health Policy Studies*
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Hospitals across the nation are threatening that unless state lawmakers implement the Patient Protection and Affordable Care Act's — Obamacare — Medicaid expansion, the law's new taxes and spending cuts will lead to layoffs and closures.

There's a dual irony here. First, hospitals put themselves in this position when they lobbied for that law. Second, many of the law's erstwhile opponents, like Arizona Gov. Jan Brewer (R), Florida Gov. Rick Scott (R) and Ohio Gov. John Kasich (R) are now displaying Stockholm syndrome, taking pity on their captors and supporting the Medicaid expansion. Fortunately, many state lawmakers are refusing to punish taxpayers for the sins of the hospital lobby.

Originally, Obamacare would have forced states to open Medicaid to 17 million additional people. Hospitals would have received so many subsidies, they scarcely minded the law's new taxes and spending cuts. With near-unanimity, they "strongly urge[d]" Congress to pass the PPACA "with or without bipartisan support" as a matter of "national security, equity and fairness." The hospital lobby hailed the law as "historic," "a giant and essential step forward," and a "major first step" full of "great improvements."

Then in June 2012, seven Supreme Court justices let states choose whether to participate in the expansion.

Now, the hospital lobby is terrified. If states don't expand Medicaid, hospitals won't get their subsidies. Obamacare now means the same thing for hospitals that it has always meant for consumers and employers: costs are a certainty, but promised benefits may not materialize. The difference is that hospitals have only themselves to blame.

Rather than call for repeal, as one union that used to support the law has done, the hospital lobby is doubling down. According to one report, "Hospital associations have paid for television and newspaper ads, organized rallies, and choreographed legislative testimony," demanding that state lawmakers unlock those subsidies. According to the hospital lobby's curious logic, lawmakers who consistently oppose Obamacare will somehow be responsible for the harm that law imposes on the hospitals that support it.

Govs. Brewer, Scott and Kasich believe they must rescue their captors, and at taxpayers' expense. Given that the expansion offers states \$9 of federal cash for every \$1 they spend, with no upper limit, such flip-flops are hardly surprising. Lawmakers in all 50 states

basically swear two oaths of office: to uphold the law, and to grab as many federal dollars for their state as possible.

The real story here is that as many as half of the states might refuse to participate. Obamacare supporters are dangling an unlimited stream of federal money at the end of their line, yet only 25 states have taken the bait.

States have lots of reasons for rejecting the expansion, but the biggest one is the cost. My colleague Jagadeesh Gokhale projects that expanding Medicaid would cost states like Florida, Illinois, and Texas \$20 billion each over 10 years. Actual costs will exceed those projections because they always do, but also because practically every politician and deficit-reduction commission in Washington has already proposed renegeing on that 9-for-1 offer. To cover their ever-increasing share of the cost, states would have to raise taxes and/or cut spending for education and other services.

In dozens of states, lawmakers are fighting to rescue taxpayers from this fiscal time bomb, even at the risk of bucking the leadership of their own party. With encouragement from legislators like Rep. Stan Saylor (R), Pennsylvania Gov. Tom Corbett (R) recently announced his opposition to the expansion. Florida House Speaker Will Weatherford (R), Ohio Speaker Bill Batchelder (R), Arizona Senate President Andy Biggs (R) and Rep. Adam Kwasman (R) are standing with their GOP base and standing up to Scott, Kasich, and Brewer.

Hospitals save lives every day. In this fight, however, the hospital lobby is no different from any other hotshot that made a bad bet and then begged for a taxpayer bailout. Despite claims that the tide is turning in favor of Obamacare, the movement to prevent that law's massive expansion of the entitlement state is alive and well, even if a few big-government Republicans develop Stockholm syndrome.

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