

Congressional Republicans Hack Away at Medicaid While the Rich Hollow It Out From the Inside

Sunday 31 July 2011

by: Russ Wellen, Truthout | News Analysis



From left: Rep. Paul Ryan (R-Wis.) and House Majority Leader Eric Cantor (R-Va.) after a Republican response to President Barack Obama's speech on the national debt at the Capitol in Washington, April 13, 2011. (Photo: Philip Scott Andrews / The New York Times)

Republican assaults on social service programs have finally yielded some significant advances, with the Obama administration offering to push the eligibility age for Medicare up from age 65 to 67. Also, as part of a bargain to raise the debt ceiling, the administration has offered to dial down cost-of-living increases in Social Security benefits.

But it's Medicaid, which, as the health provider of last resort for the most vulnerable segment of society, has long been a tempting target for Republicans.

To remind the young, to whom Medicaid and Medicare tend to blend together, the former is a program jointly funded by the state and federal governments that pays for medical care for those who can't afford it.

In March, Republican House Budget Committee Chairman [Paul Ryan](#) helped devise a plan to cut Medicaid by one-third over ten years. Also, Republicans sought to turn Medicaid into a block grant, which is a fixed amount with few strings attached for states, as opposed to an adjustable amount should certain contingencies arise. But Republicans soon realized that Ryan was coming perilously close to that social services third rail that

has come to haunt many a Republican in elections past. They then, instead, introduced the [State Flexibility Act](#) to pave the way for states to accept fewer applicants to Medicaid.

Ironically, Medicaid is under assault at a time when a new paper - which a RAND Corporation [economist](#) said is destined to be a "classic" - demonstrates just how much enrollment in Medicaid enhances the well-being of the poor. A few years ago, Oregon experienced a shortfall in Medicaid funding, which the state managed by conducting a lottery among applicants. However out of luck the losers were, it was an ideal situation for a double-blind experiment to determine the effect on the lives of those on Medicaid as opposed to those who weren't, but who were equally needy.

Among the results as cited by Gina Kolata of [The New York Times](#): once on Medicaid, the likelihood of enrollees who "said their health was good or excellent increased by 25 percent [and] were 40 percent less likely to borrow money or fail to pay other bills because they had to pay medical bills."

Whether or not this study will have any effect is debatable. At a time when funding for everything is up for debate - even defense and nuclear weapons (even if the cuts are token) - it appears that Republicans will never let up in their relentless crusade to roll back social service programs, in particular, Medicaid, the lowest-hanging fruit of all social services.

Like all social service programs, in the opinion of many Republicans, it just enables those on the underside of society to continue their slothful ways. Never mind that, in the case of Medicaid, we're speaking typically of the aged and disabled - hey, if those in succeeding generations see that we're not coddling today's disadvantaged, maybe they'll eat better, exercise and save their money.

Nature Abhors a Vacuum - Doesn't It?

If Medicaid is stripped down in the future, what program will replace it to take care of the sick and poor denied access? Remember, Medicaid pays for an average of [63.6 percent](#) of all nursing home residents nationally. Somehow, letting them die at home and then holding monthly [bring-out-your-dead](#) days seems less than ideal. In fact, it's true that, in yet another form of privatization, some states contract out Medicaid to a managed care network run by private insurance firm.

How's that working out? At the Century Foundation's blog Health Beat, which she edits, health care journalist Maggie Mahar quotes a Commonwealth Fund [brief](#): "plans operated by publicly traded companies will enroll the majority of the expanded Medicaid population" after the Affordable Care Act goes into effect in 2013." But [Mahar](#) herself writes that "it's not clear that managed care in its current incarnation will save money for states. In Connecticut, for example, Gov. Dan Malloy decided earlier this year to drop managed care contracts it had with Aetna, United Health and a non-profit community health network." According to an audit, Connecticut overpaid by at least \$50 million a year.

The Commonwealth Fund brief also reported that those plans "paid out the lowest percentage of their Medicaid premium revenues in medical expenses and reported the highest percentage in administrative expenses." Where have we heard that before? Oh, right, health insurance companies versus the public option. The brief also informs us that those "plans also received lower scores for ... preventive care, treatment of chronic conditions, members' access to care and customer service."

Not only is managed care a poor substitute, but it does not replace Medicaid. It's not comparable to private health insurance, with which the Republicans would like to replace Medicare. Nor does it parallel personal savings accounts, with which they'd like to replace Social Security. In other words, if funds dry up for Medicaid, they dwindle, as well, for managed care, which is just outsourced Medicaid.

Still, conservatives don't like to think of themselves as heartless. But before we explain one of the reasons that they don't seek to replace Medicaid, you'd better sit down. Here goes: one reason Republicans are unconcerned about replacing Medicaid is that some believe that most individuals on Medicaid could, in reality, afford private health insurance. Yes, you heard that right.

Pity the Poor Health Care Companies

In May of 2010, Michael Cannon, director of Health Policy Studies at the libertarian Cato Institute, [wrote](#), "Economists of all political stripes acknowledge that Medicaid crowds out private health insurance, which provides better access to medical care."

[Jonathan Gruber](#), who teaches health economics at MIT and has consulted with the Obama administration, coined the use of the term "crowd-out" in this context. "The notion that public insurance expansions simply erode private insurance coverage," he wrote, "rather than providing coverage to those otherwise uninsured, is known as 'crowd-out'." By which he seems to mean that some who apply for Medicaid were covered by private health care insurance, which, presumably they had been able to afford.

Aw, poor health care companies. Cannon wrote that Gruber (emphasis added) "has estimated that, in effect, as *many as six out of every ten enrollees added to Medicaid and similar programs would otherwise have had private coverage.*" Upon writing to Professor Gruber, he responded that he stood by those numbers. Not only that, but, writes Cannon, "Gruber's MIT colleague Amy Finkelstein finds that Medicaid also crowds out private long-term care insurance."

Never mind that the term "crowd-out," by all rights, should refer to those crowded out of health care by high premiums. Who are these people who are choosing Medicaid over private health care or long-term care insurance? Or, more to the point, managing to qualify for a means-tested program like Medicaid when, in fact, they can afford private insurance.

President Obama elides the existence of crowd-out when he implies that every single senior receiving Medicaid's nursing home benefits "wouldn't be able to afford nursing

home care without Medicaid." That's simply not true. An entire cottage industry of elder-law attorneys has emerged to help seniors qualify for Medicaid without spending down their wealth.

Artificial Impoverishment

In an email, Mahar explained:

... this 2011 essay on Medicaid and the Future of [Long Term Care](#) points out: "assets may be unlimited as long as they are held in exempt form, such as a business, home, automobile, term life insurance, prepaid burials, etc. Medicaid's income and asset eligibility rules are easily stretched ... Medicaid estate planning attorneys.... who routinely make six-figure incomes and seven-figure firm revenues.... are in the business of doing just that. By means of creative legal strategies, they artificially impoverish ... even affluent clients to qualify them for Medicaid's LTC benefits...."

In the process, though, these attorneys are "diverting Medicaid's scarce resources from people truly in need to their often-affluent clients.... I would add that this is why Medicaid doesn't have enough money to provide good care for the truly needy.... This practice has had devastating consequences for the program.

Finally, an issue on which conservatives and progressives would seem to be able to achieve bipartisan consensus. Republicans have no wish to see Medicaid's equivalent of welfare queens gaming the system, while progressives don't want precious funds diverted from those who most need them. Not only that, assuming Medicaid continues, Republicans have been kind enough to devise an idea to "strengthen" Medicaid - [cost sharing](#).

Who exactly would share the costs? Why, the elderly and disabled will be asked to pony up. Maybe not a problem for affluent abusers of Medicaid, but if the poor had any money to share the costs of Medicaid with the state and federal government, they obviously wouldn't apply for Medicaid in the first place. But their families might. Imagine the [financial stress](#) that making up a shortfall in Medicaid would inflict on working- and middle-class families. If both members of a couple were working, it might require the entire salary of one. Or if that's deemed too expensive, the couple might elect to bring mom or dad home as the husband or wife quits his or her job to provide eldercare.

Guess Who Else Might Suffer Blowback From Medicaid Cuts? The Rich

One can make the case that, however despicable the rich are for gaming the system, there's no reason that they, like those less affluent, should be the victim of today's exorbitant health care costs, which are an equal opportunity bankrupter. Mahar, however, reminds us in her email:

... if you think about it, transferring assets to qualify for Medicaid is a way of further consolidating wealth among families at the top of the income ladder. Why should ... a

couple earning \$60,000 a year who cannot afford to send their child to college ... pay for an upper-middle-class person's nursing home care while [the latter] transfers \$100,000 or \$500,000 or \$1 million, to her upper-middle-class 30-something children (who have joint income of \$125,000 - and in ten years, may well be earning twice that amount)?

She also said, "Most Republicans really don't care how or where the cuts are made.... they just want to cut spending on Medicaid." Or, as Paul Krugman told Benjamin Wallace-Wells of [New York Magazine](#), "I think what people like Paul Ryan are trying to do is set us on a glide path to a much harsher society. A country in which, step by step, more and more people are cast out into a situation of not having health insurance and poverty and so we slide back to a Victorian notion that life is full of evils and that's too bad but that's the way that God made the world." O.K., maybe Republicans are heartless.

In practice, however, no one, rich or poor, escapes Medicaid cuts unscathed. As we all know, conservatives excel at developing long-term messaging and electoral strategies. But they seem to have failed to plan for a scenario in which, bereft of Medicaid, their poor relations come a knockin' at their door.

The Republican man of the house might consent to his wife's mother moving in and paying for her care. But, standing by his Republican guns, his instinct might be to cast other relatives out into the wilderness. "We send the wrong message if we help people who failed to plan for their retirement." "You know what you can do with your messaging," his wife replies. "My brother has no money and he'll die without cardiac surgery."

She seems oblivious to the angina pain she's ignited in her husband with this news. After all, both benevolent acts carve huge swaths out of even a rich man's portfolio. Besides when he gives succor to one, there will likely be no end to the mendicants at his door. Watch out what you wish for, in other words.

Trying to thwart Republicans from cutting social services is certainly a never-ending story. Preventing the affluent from hollowing it out from the inside, though, might not be as daunting a task. Mahar said that "rather than lower thresholds for eligibility, or paying doctors less, I think the government should crack down on people who are transferring assets so that others pay for their long-term care. Perhaps the 'look-back' period should be 10 years or fifteen years. (In other words, the state looks back to see what assets you transferred 15 years before applying for Medicaid.) Under Germany's socialized long-term care system, the look-back period is 10 years."

It's ironic that when conservatives and libertarians, such as those at the Institutes CATO and Heritage, try to attack Medicaid by going after those gaming the program, they're inadvertently taking a position adversarial to the affluent, also often Republican. Nevertheless, in the end, Medicaid finds itself under assault from two directions: Congressional Republicans attempt to slash funding, while the affluent core it out from the inside.



This work by Truthout is licensed under a [Creative Commons Attribution-Noncommercial 3.0 United States License](https://creativecommons.org/licenses/by-nc/3.0/us/).

1366

Email

Russ Wellen