

Medicaid Reform Could Create Huge Deficit Reduction

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For the past several months, just about everyone in Washington, DC, in both political parties, has talked about reducing the deficit. They all seem to understand that it's what the American people want. And if it's something they actually want to deliver, they have an opportunity to do so right now, to the tune of hundreds of billions of dollars. They need to block-grant Medicaid.

President Barack Obama and his administration claim his health care law would create deficit savings of \$114 billion over ten years. That was a key point of their argument during the health care debate, emphasized by House Speaker Nancy Pelosi and Senate Majority Leader Harry Reid.

Those claims are almost certainly false. They are based on a near-fraudulent use of smoke and mirrors, even to the point of double-counting money—a fact HHS Secretary Kathleen Sebelius recently admitted in a House committee hearing.

But let's assume, for the sake of argument, that President Obama is correct and nearly every budget analyst in the nation is wrong—that his law really will save \$114 billion over a decade. The White House should be very proud of this statistic. It is, even in Washington, a rather sizable number.

What, then, would the president say if he could more than double that money?

According to a newly released report from the Congressional Budget Office, the deficit savings from block-granting to the states just one portion of Medicaid's services—long-term care—would result in savings of \$287.4 billion over a decade.

With this one policy step—for which multiple governors are clamoring, and which would represent a true triumph of centrist policy—CBO found Obama could achieve budgetary savings more than double the most generous estimates implausibly offered for his program.

What's more, if this block-granted care came with provisions giving states flexibility in how they spend Medicaid dollars, the financial benefit for the nation could be a good deal more impressive.

Medicaid is overwhelmingly a one-size-fits-all program in which states have little ability to prevent the rapid growth of an unwieldy system that fails to deliver high-quality care. Federal regulations greatly restrict states' ability to direct funds toward the people who need them most.

Even before Obama's law was passed, estimates showed Medicaid was on an unsustainable track. And with Obama's dramatic expansion of the program, states are facing massive increases in costs. According to calculations by the Cato Institute, increases in eligibility will result in a 17.1 percent hike in Medicaid costs in Florida, a 16.5 percent increase in New York, a 12.9 percent rise in Texas, and a 28.1 percent increase in Illinois.

These are costs states simply cannot afford to bear without massive increases in taxes, which would only further cripple the nation's economy.

Obama's attempts at triangulation since Republicans took control of the House have thus far amounted to nothing but rhetoric. It's time he actually crossed the aisle to support a bipartisan policy that would empower states, help close their budget holes, and establish him as a true deficit-cutter. Giving states the flexibility to tackle their Medicaid costs head-on would achieve all of those goals.

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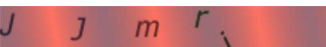
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