



The Major Entitlement Overhaul That Could Be Part of Trump's Budget

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President Donald Trump's budget proposal, to be rolled out Tuesday, likely will include Medicaid reform. But with several approaches having been floated, definitive answers will have to wait until the White House releases the fiscal plan.

During his Senate confirmation hearings in January, Health and Human Services Secretary Tom Price said he would look at changes to Medicaid, the federal-state health insurance program for the poor.

Medicaid covers about 70 million low-income Americans. Thirty-one states and the District of Columbia expanded eligibility for Medicaid under Obamacare.

When serving as House Budget Committee chairman as a congressman from Georgia, Price advocated giving Medicaid funds to states in block grants as a way of providing more flexibility.

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"Block grants would save the federal government money, but would shift that cost to the states," Marc Goldwein, senior vice president for the Committee for a Responsible Federal Budget, a bipartisan research group in Washington, told The Daily Signal. "When a state has more skin in the game, will it be more cost-effective? Yes. But perhaps not enough to deal with the new expense."

Another solution, Goldwein said, is to cap “provider taxes,” which states impose on health care providers. He said states use the tax to get more money from the federal government without losing revenue. The federal government prevents states from taxing health providers more than 6 percent.

He said most states make deals with hospitals to increase Medicaid payments in exchange for taxing the hospital by the same amount, then go to the federal government presenting a need for a larger subsidy based on the larger payment from the state to the hospitals.

“If you phased [the state provider taxes on hospitals] out to 0 percent, it would save \$100 billion” on Medicaid, Goldwein said. “If you cut to 5.5 percent, it would save about \$10 billion.”

Fiscal hawks long have argued that the federal government’s main entitlement programs—Social Security, Medicare, and Medicaid—are the key drivers of the national debt and deficit spending.

In March, four Republican governors—John Kasich of Ohio, Rick Snyder of Michigan, Brian Sandoval of Nevada, and Asa Hutchinson of Arkansas—touted their own proposal to reform Medicaid.

In a letter to Congress, the four governors said any reform should have work requirements, allow options on eligibility and what drugs are covered, and continue to allow the Medicaid expansion that occurred under Obamacare.

A better solution would be for the government to provide premium supports to encourage people to move on to private health insurance plans, said Robert Moffitt, senior fellow for health policy at The Heritage Foundation.

“Able-bodied Medicaid recipients, we’re not talking about someone who is disabled or in a nursing home, could receive a defined premium support to be mainstreamed into private insurance,” Moffitt told The Daily Signal.

This would accomplish two things—reducing spending and helping patients, he said:

This Medicaid population would then have access to more doctors, since most doctors take private insurance and fewer are taking Medicaid. This population is also relative younger, which usually has a positive impact on the insurance pool. That could drive down cost for the rest of the American population.

About 11.5 million of the 70 million Medicaid recipients are able-bodied adults, according to government data.

In their recently passed American Health Care Act, House Republicans adopted a Heritage Foundation policy proposal that would change Medicaid to a per capita cap on funding for states that would be limited to medical inflation plus 1 percent.

Medicaid recipients’ access to doctors has become more limited, according to a study last year that found 1 in 3 available physicians don’t see Medicaid patients.

The White House Office of Management and Budget did not respond to email inquiries Friday from The Daily Signal about whether, and which, Medicaid reforms would be part of the budget proposal.

“I assume the reform will probably be tied to the House Budget Committee, and would propose to block-grant Medicaid, as the House Republican budget has proposed for years,” Chris Edwards, director of tax policy studies at the Cato Institute, told The Daily Signal.

Edwards said he also anticipates the Trump administration will go after waste, fraud, and abuse for all entitlements, including Social Security and Medicare. Doing so could save tens of billions of dollars, but still make only a little dent in budget deficits or the debt.

A report by the Committee for a Responsible Federal Budget, released Friday, dismissed tackling waste as a long-term solution. The report by the private group says:

Importantly, there is no way to make Social Security, Medicare, and Medicaid even close to sustainable simply by reducing fraud. However, broadly defined program integrity—for example, reducing excessive provider payments and using competition or negotiation to get better prices in Medicare, restricting the ability of states to inflate their federal match in Medicaid, or encouraging and helping workers with disabilities return to work in Social Security—can represent a starting point for entitlement reform. Still, it would be impossible to fix Social Security and Medicare solely through program integrity—even using a broad definition—and, ultimately, tough choices will need to be made to bring the costs of these programs under control.

Of the three main entitlements, Medicaid is the most sustainable, Moffit said.

“You can’t get control of federal debt and deficits unless you address Social Security and Medicare,” Moffit said. “Otherwise, it’s just not going to happen.”