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Why Indiana shouldn't fall for Obamacare's Medicaid expansion

By: Michael Cannon – April 24, 2013

Ever since the Supreme Court let states opt out of the new health-care law's Medicaid expansion, supporters have been pressuring them to opt in. Before dissecting the supporters' unbelievable arguments, it's important to look at what they're asking states to expand.

Medicaid already spends \$460 billion annually, ostensibly on health care for the poor. A lot of that money never reaches the poor. Shady providers, drug dealers, organized criminals, states and even middle-class families all take a big slice. Medicaid fraud and abuse cost taxpayers maybe \$100 billion annually.

Meanwhile, many enrollees can't even find a doctor. One-third of primary care physicians won't take new Medicaid patients. Only 20 percent of dentists accept Medicaid. In 2007, 12-year-old Deamonte Driver died — yes, died — because his mother couldn't find one of those dentists.

Only one reliable study has tried to measure whether this 47-year-old program even improves health. It has so far found only questionable gains in self-reported health, and no evidence that Medicaid saves lives.

Rather than reform this unhealthy program, the health-care law pulls millions of more patients into it. According to one estimate, more than 80 percent of adults who would enroll in the expansion currently have private coverage, where access to care is better.

Washington's 90 percent share of the cost totals \$1 trillion over the next decade. According to economist Jagadeesh Gokhale, who advises Social Security on how to make such projections, the expansion would cost states like Florida, Illinois, and Texas \$20 billion apiece — and that's *if* Washington keeps paying 90 percent. Politicians from both parties, including President Obama, have proposed reneging on that commitment. To cover their share, states would have to raise taxes or cut existing services like education, year after year.

It's not easy to sell such a rotten deal, but that hasn't stopped supporters from trying. Here are their main arguments:

- If we don't expand, other states will get our share of the money. Supporters pretend Congress has collected a fixed pot of money from all states that it will divide among states that participate in the expansion. Yet Congress hasn't collected or set aside a dime. When states choose to participate, the Treasury will *borrow* money to cover its share of

the cost, which taxes future taxpayers, not current ones. States can therefore reduce federal deficits by not participating.

- Not expanding could hurt a state's credit rating. Perhaps, but according to Moody's, "sensitivity to federal spending reductions [and] dependence on federal transfers" can also hurt a state's credit rating.
- Not expanding will expose employers to penalties. In states where the expansion is a live issue, those penalties are illegal. If supporters care about employers, they should challenge those illegal penalties in court (like Oklahoma has).
- States can always drop out later. Even if federal law allows participating states to quit the expansion, which legal experts dispute, states almost never curtail Medicaid eligibility.
- God favors Medicaid expansion. Though Ohio Gov. John Kasich and others have made this claim, Jesus never instructed anyone to put Caesar in charge of healing the sick.
- Using expansion dollars to purchase private insurance would reduce costs. Arkansas hopes to use federal dollars to buy "private" coverage for expansion enrollees, yet estimates by the non-partisan Congressional Budget Office suggest this option would *increase* costs for state and federal governments by 50 percent.
- Expanding Medicaid would create jobs. Dead wrong. Government spending eliminates jobs. Besides, as two Harvard economists write in the *New England Journal of Medicine*, "Treating the health care system like a (wildly inefficient) jobs program conflicts directly with the goal of ensuring that all Americans have access to care at an affordable price." The moment this *health care* program becomes a jobs program, we should eliminate it, not expand it.

The expansion would only worsen Medicaid's pre-existing conditions, which include fraud, abuse, poor access to care, crowded emergency rooms, inefficient care, high taxes, deficit spending, and dependence on government. No wonder supporters want to distract voters from how much the expansion would cost, and how little it would help.