

## John Kasich's Obamacare flip burns conservatives

By: David Nather February 4, 2013

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Conservative groups wanted to stop the march of Obamacare expansion at ground zero: the states.

But one of their best hopes just caved.

John Kasich, the fiercely conservative governor of Ohio, announced Monday that he's going to expand Medicaid dramatically using federal money — a 180-degree turn from what conservative groups swore their allies in governors' mansions would do when the Supreme Court gave them an out last year.

That leaves Kasich, who built his political identity arguing for smaller government, at odds with the same movement conservatives who propelled him to victory in Ohio and have eyed him for a presidential run in 2016.

"I think it's definitely going to weaken him with the conservative base," said Chris Littleton, the Ohio director for American Majority Action. "It's not a good idea to expand your No. 1 budget item in the middle of this kind of instability. The conservative grass roots and average voters are not going to support this in any way, shape or form."

Tea party groups gave the decision a big thumbs down, a rare moment when they've been at odds with Kasich.

"Medicaid is a broken, costly system that needs meaningful reform; expanding the system to include another 365,000 individuals is exactly the wrong policy for Ohio families," said Nicole Kaeding, state policy manager for Americans for Prosperity. "Instead of trapping families in a system that doesn't work, Gov. Kasich should devote his efforts and activities to forcing Columbus and Washington to pass badly needed reforms."

Kasich's not alone. He's joining four other Republican governors in accepting the expansion, though they're still outnumbered by the nine GOP governors who are refusing to do it — including Bobby Jindal of Louisiana and Rick Perry of Texas — and others who are leaning against it.

And now that Kasich has taken the plunge, some of Obamacare's supporters hope others will follow. Topher Spiro of the liberal Center for American Progress says Kasich's decision should be "influential" with other GOP governors.

But Ohio tea party activists are frustrated to see another Republican governor — especially one with Kasich's reputation — embracing what they see as just another government solution to a problem.

"How can that be good for Ohio to have more people dependent on government?" asked Ted Stevenot, president of the Ohio Liberty Coalition. "How can it be good for us politically, economically? I just don't see it."

Kasich says the decision will free up money to spend on mental health and other services — since the feds will pay for most of the expansion costs — and will keep everyone else's health insurance premiums down because there won't be so many uninsured people going to emergency rooms for their medical care.

He'll get a ton of money to do it — the federal government will pick up all of the costs of the newly eligible people for the first three years, and then slowly scale that back to 90 percent of the costs.

Kasich also said he had gotten assurances from White House senior adviser Valerie Jarrett that the Obama administration might be willing to give Ohio some special flexibility for doing the Medicaid expansion, like letting the newly insured people get their coverage through the law's health insurance exchange rather than through Medicaid.

And local health care and business leaders have been pushing Kasich to do it. They say Ohio will save money in the long run and that it makes business sense to do it so community hospitals aren't forced to close.

Kasich seemed to buy that argument, saying rural hospitals could have faced "financial chaos" if he had refused to expand Medicaid because they no longer would get enough funds to cover the cost of treating uninsured patients.

But the fact remains that broader Medicaid coverage is a central piece of Obama's health care law, and thanks to the Supreme Court ruling last summer, states don't have to go along with it.

Anti-Obamacare groups have lost the argument with a few other red-state governors, but Kasich isn't just any red-state governor. He's been known as the most aggressive spending hawk this side of Scott Walker and Mitch Daniels, and the winner of the "Legislative Entrepreneur Award" from the tea-party-affiliated FreedomWorks.

He's also from House Speaker John Boehner's state. And as House Budget Committee chairman in the 1990s, Kasich inspired younger conservatives who have picked up the torch of fiscal restraint — including a young staffer named Paul Ryan, who worked for one of the Budget Committee members at the time.

Now that Kasich has said yes to Medicaid expansion, the move could extend health coverage to as many as 578,000 uninsured Ohio residents, according to estimates from the Urban Institute.

But Obamacare opponents say he's throwing his political reputation away.

"He can't do what most governors do, by pretending that that money is free. He knows better than anyone that that money is not free," said the Cato Institute's Michael Cannon. "Every dollar that is spent on Medicaid expansion increases the deficit."

Boehner, however, is giving Kasich a pass.

"Gov. Kasich is no fan of Obamacare, and he's proven it repeatedly with his actions," said Boehner spokesman Michael Steel. "Governors are playing the hand they've been dealt by the Obama administration. Gov. Kasich said a strong 'no' to a state-run exchange and to federal takeovers of insurance regulation and Medicaid eligibility. Ohioans applauded him for these actions, and they trust that he's doing his best to minimize the law's harmful effects on our state as Republicans at all levels work for its repeal."

And local health care leaders are praising the move.

Jonathan Archey, a top lobbyist at the Ohio Hospital Association, calls Kasich “a political pragmatist” who recognizes that Medicaid block grants aren’t about to happen under Obama and the current Congress — so he’s using the offer of extra federal dollars as “an opportunity for Ohio to explore different ways of providing Medicaid services.”

Kasich isn’t completely alone. Nine red-state governors, including Perry and Jindal, say they definitely won’t expand Medicaid, and several others have hinted they won’t. But a few Republican governors, notably Arizona Gov. Jan Brewer, have reluctantly decided to go ahead with it, reasoning that the federal help would take some pressure off of their budgets over the long run.

Republicans in the Ohio Legislature — and pretty much everywhere else in the country — are wary of touching anything connected to Obamacare. Until now, Kasich has been as vocal an opponent of the health care law as anyone else. He’s one of the many Republican governors who refused to build a state health insurance exchange, leaving the task to the federal government.

But Kasich has been twisting himself into a pretzel trying to argue that Medicaid expansion isn’t really Obamacare — even though it’s one of the law’s main tools for covering low-income uninsured people.

“I don’t view this as Obamacare at all,” Kasich told reporters last week, according to The Associated Press. He said he still opposes the most unpopular features of the law, like the individual mandate, but “this is a different issue. This is about people who are at the lower economic end.”

Local health officials have been working hard on Kasich to say yes to Medicaid expansion. They promised that if he did, they’d work hard to convince state Republican lawmakers that the move would help Ohio rather than hurting it.

“We’re telling him we have his back on this,” said Oliver Henkel, chief external affairs officer at the Cleveland Clinic.

The clinic's message to GOP lawmakers, Henkel said, would be: "Forget how you feel about the president. Forget how you feel about Obamacare. Look at this in terms of what is in the best interest of the state of Ohio."

Kasich had plenty of reasons not to take the money — Republican lawmakers and Obamacare opponents in the state have been arguing that the state would be on the hook only for ever-growing Medicaid costs over the long run.

"Once you create things like this, history shows that they always expand. There's no way you can keep costs in check," Littleton said.

But hospital officials and leaders of the Cleveland Clinic have been telling Kasich it's smarter economics to take the feds' Medicaid money than to pass it up. They point to a study, released last month by the Health Policy Institute of Ohio and three other groups, that concluded the state would actually save \$1.4 billion from 2014 to 2022 if it expanded Medicaid.

Yes, the state would have higher costs when more people sign up, the study said — \$2.5 billion in extra spending over that time. But those costs would be easily outweighed by about \$1 billion in savings — as the federal government kicks in a greater share of the payments for newly eligible people — and from nearly \$2.9 billion in new revenues, like the taxes that the state collects on managed care premiums.

"When you can make the case that there's an economic benefit, that went a long way with the administration," Archey said.

Henkel believes the Kasich administration decided to take the pragmatic view: "If you get a financial benefit and a health benefit to your population, it's very hard to argue that you shouldn't expand Medicaid, and I think that's where they've come out."

Over the years, Kasich has changed his approach to cutting Medicaid spending. He's still focused on bringing overall spending down — his last budget cut Ohio's Medicaid spending by \$1.4 billion over two years, mostly by slashing payments to hospitals and nursing homes.

But now, he's also embracing some of the latest trends in making health care more efficient, like trying new ways to pay for and deliver medical care — the same kinds of trends Obamacare is trying to encourage.

For example, Kasich's administration is linking more of the Medicaid payments to the quality of the care in hospitals and nursing homes, rather than just paying them for doing more procedures. He's also trying to save money by creating "health homes," where people with chronic illnesses and behavioral problems can meet all of their health care needs in one place.

To manage these changes, Kasich created an Office of Health Transformation, headed by Greg Moody, a former health care policy consultant who had worked at the House Budget Committee when Kasich was chairman.

That doesn't mean the hospitals and nursing homes are pleased with the Medicaid payment cuts, of course. Archey says the hospital association is "very concerned" about the more than \$400 million in hospital cuts in the last budget, and the Ohio Health Care Association, the state's nursing home lobbying group, blasted Kasich with TV ads over the \$360 million the nursing homes lost.

But Archey gives Kasich credit for trying to change the incentives, not just slashing funds.

"What is unique about Gov. Kasich is the long view he takes toward Medicaid reform," Archey said. "It's not a rifle-shot approach. It is a comprehensive approach that is taking place over multiple budgets."