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Medicaid expansion looks good - for now

By: Paul Mulshine – February 27, 2013

If I may frame this Medicaid issue in terms from the "Godfather" movies, Barack Obama made Chris Christie an offer he couldn't refuse.

The governor's decision, announced yesterday, to enroll New Jersey in the president's Medicaid expansion was not a tough one on budgetary terms.

On political terms, though, it may be a different story.

Budgetarily, governors are always scraping for a few hundred million dollars around this time of the year. The Medicaid decision frees up \$227 million in the fiscal 2014 budget introduced yesterday. That's the amount New Jersey will save by handing some of its Medicaid costs off to the federal government.

That gift from our Democratic president will aid our Republican governor as he runs for re-election this November. It helped him craft a budget with no tax increases and no significant cuts in services.

Nationally it may be a different story, though. Fiscal conservatives and tea party types are dead set against this expansion because it is part of Obamacare. One of the most prominent critics is health policy analyst Michael Cannon of the free-market Cato Institute in Washington. "It's as if someone gave you a baby elephant to take care of," said Cannon. "In a few years that elephant's going to grow pretty big."

The expansion will add about 100,000 New Jerseyans to the Medicaid rolls. The feds will pick up 100 percent of the cost — but only for the first three years. After that the match drops to 90 percent.

That still sounds like a pretty good deal compared with the 50 percent reimbursement rate for the current Medicaid program. But there's a problem: The feds don't have a source of revenue to cover a new health care entitlement of this scope, said Cannon.

"The federal government can't keep giving you that 90 percent," he said "Every deficit reduction proposal here in D.C. goes after Medicaid."

He predicts that when the tab comes in for this expansion, the feds will simply raise the state share. Instead of saving a couple hundred thousand a year, we could be on the hook for billions, he said.

When I bounced that off state Treasurer Andrew Sidamon-Eristoff, he replied that the state could then pull out of the program.

"We have to keep a careful eye on the federal government and make sure they follow through," said the treasurer. For now, he said, the deal "delivers significant savings and allows us to cover some people who don't have coverage now, and that's a plus."

The same can't be said for another Obamacare program the governor recently refused to join. That's the health insurance exchange that would offer insurance to people who are above the Medicaid level, which will be 138 percent of the federal poverty line once this expansion takes effect.

Setting up that exchange would have required the state to impose a tax on businesses that don't offer coverage. That would have been the first tax hike ever imposed by Christie. Now the feds will have to set up that exchange, which is required as of Jan. 1. And the feds will have to collect that tax.

That's a big plus for Christie. New Jerseyans will still get subsidized health insurance but he can blame any tax hikes on the Democrats.

That's not a bad position to take if he decides to jump into the 2016 Republican presidential primary race. As for this Medicaid decision, it's a minus. Conservatives see it as what Cannon termed "predatory federalism."

"Predatory lenders get you hooked on a low rate and then jack it up," he said. "This is the same thing."

It almost certainly is. But that may not matter by 2016. The feds will be picking up all the cost of this expansion through that year. And that gives the governor clear sailing right through the presidential election year.

If he wants to win that race, all he'll have to do is come up with a plan to replace Obamacare with some brilliant health insurance scheme that will give old people, young people and poor people excellent medical coverage with no tax hikes and no rate increases.

As for that elephant here in New Jersey, feeding him will be the next governor's problem.