

NATIONAL REVIEW

The Uninspiring Medicaid Debate

Michael Tanner

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If you want a quick guide to what is wrong with the debate over repealing and replacing Obamacare, just look to the ongoing fight over Medicaid. Democrats have dug in over any change to the current program, solemnly declaring that changing so much as a comma or semicolon in the ACA's expansion of the program would immediately sentence millions of children to death. Meanwhile, Republicans, having been thoroughly cowed, are debating how best to pretend that they reformed Medicaid without actually reforming it.

Not exactly inspiring. Still, in a debate almost completely dominated by politics and public relations rather than good policy, it might be worth keeping a few small facts in mind.

1. Medicaid is unaffordable without reform. Medicaid is the third-largest federal spending program, representing 10 percent of the federal budget. That's nearly a third of what we spend on all domestic discretionary spending and defense combined. Today, it costs taxpayers \$389 billion annually — and without changes, that's scheduled to rise to more than \$650 billion per year by 2027. That may well understate future costs, because earlier this month the program's chief actuary warned that the per capita cost of Medicaid expansion is going to be far higher than previous projections: about 10 percent higher through 2022 than estimated last year, and roughly 50 percent higher than CBO projected when Obamacare was enacted.

2. The Medicaid expansion had nothing to do with women and children. While pregnant women and children make sympathetic victims in Democratic campaign commercials, changes to Obamacare's Medicaid expansion don't apply to them, because the expansion didn't apply to them in the first place. It dealt almost exclusively with childless adults. Eligibility for pregnant women and children was raised to 138 percent of poverty as far back as the 1970s and '80s. You could eliminate the entire expansion without necessarily hitting a single child or pregnant woman. It's also worth noting that nearly two-thirds of Medicaid spending actually goes to the elderly and disabled in nursing homes. In fact, an entire industry of eldercare lawyers and accountants exists to help the middle-class elderly shield their assets so that Medicaid can pick up the tab for their long-term care. Medicaid reform might actually force states to consider whether all Medicaid recipients are equally in need of taxpayer-funded support.

3. Cuts are in the eye of the beholder. After the Republicans finish “cutting,” “slashing,” and “destroying” Medicaid, the program will still be growing at a rate of about 2 percent per year. In any place outside of Washington, D.C., that might be seen as an increase. And while the Republican plan would hold Medicaid enrollment roughly where it is today, at 70 million Americans, that’s still some 15 million more people on the program than there were in 2010. True, Republicans would hold the rate of growth below the previous baseline and below expected rates of medical inflation. But since that baseline is unsustainable (see point 1 above), it’s hard to call that a cut in any meaningful sense.

4. Medicaid’s value is debatable. One might justify spending all this money on Medicaid if Medicaid were a better program. But the evidence on Medicaid and health outcomes is decidedly mixed. One study out of Massachusetts suggests that increased coverage may have reduced mortality. Another, better-designed study from Oregon showed no improvements in medical outcomes from being in Medicaid compared with being uninsured. Other studies show that Medicaid may offer some benefits for pregnant women and children — who, as noted above, were not part of Obamacare’s Medicaid expansion — but few benefits for single adults. There is also some evidence to suggest that states that contract out management of Medicaid have better outcomes than do those that try to run the program themselves. The data is all sufficiently muddled to make us cautious about predicting how many people Medicaid cuts will kill.

Moreover, while Medicaid may be better than nothing for people without insurance, it does not provide coverage nearly as good as that provided by private insurance. We know, for example, that one-third of primary-care doctors won’t accept Medicaid patients, and that Medicaid patients have more difficulty getting timely appointments than those with private insurance. Further, studies by the Robert Wood Johnson Foundation and others show that increased Medicaid coverage crowds out private insurance, suggesting that Medicaid expansion may have pushed some working poor to switch to worse coverage.

5. This is the first skirmish of many entitlement battles to come. Medicaid is really the low-hanging fruit of the entitlement wars. If Congress can’t reform Medicaid, how can it ever be expected to make changes to Social Security and Medicare, which have wider and more powerful constituencies? Yet there is no way to get control of government spending and rein in our massive and growing debt without tackling entitlements. Social Security faces more than \$32 trillion in unfunded future liabilities, while Medicare is looking at an astonishing \$58 trillion in future red ink. The changes required to deal with shortfalls of that magnitude will be enormous. If just slowing the growth of Medicaid is impossible, does anyone really think we can do the much harder lifting necessary to reform Social Security or Medicare.

Given Democratic intransigence, the deep divisions among congressional Republicans, and the indifference of President Trump, there is little reason to be optimistic about the prospects for Medicaid reform. Still, this is a fight worth fighting.

*Michael Tanner is a senior fellow at the Cato Institute and the author of *Going for Broke: Deficits, Debt, and the Entitlement Crisis*. You can follow him on his blog, TannerOnPolicy.com.*