



Medicaid, the Next Obama Disaster

By: Bruce Bialosky

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President Obama is doing his victory dance, telling us how his health care plan has become a success because his more than his targeted number (8 million) clicked their desire to have health insurance on a website. We will soon see how many are real policyholders, and later we will see their real costs as everything shakes out with co-pays and renewals next year. What we do know is that Medicaid is a pending disaster waiting to happen.

When the Obamacare registration period started we were regularly hearing about all those new Medicaid sign-ups. Then we did not hear about it. There are a few reasons for that. Some believe it was because some of the sign-ups were actually people who had insurance plans cancelled as part of the Obamacare realignment. Michael Tanner of the Cato Institute told me the Obama Administration had put out a figure (8 million) that was shot down by every source as preposterous. He states the real figure is somewhere between 1.1 million and 1.8 million new sign-ups, and Tanner tells me his source on those numbers is legit. Now the Administration claims the figure is three million new sign-ups, bringing the total Medicaid recipients to 61 million.

So is that a good thing? Since Obamacare was supposedly established to address the now estimated 46 million uninsured Americans and one could presume that some just did not have the resources to pay for their own insurance, the answer would seem to be yes. Until you look at the facts.

Jason Fodeman, a physician and adjunct scholar at The James Madison Institute, did just that. His detailed policy study looked at Medicaid in Florida. Florida may not be a microcosm of the other 49 states, but as the third most populace state it certainly can be perceived as a reasonable indicator. Florida is one of the 21 states that rejected expanding Medicaid with federal tax dollars allegedly picking up 90% of the tab.

Some Governors have been running around stating they are being smart bringing tax dollars back to their states that would be taken by other Governors. There are two problems with their analysis. First, the government is not returning tax dollars to the states to pay for new Medicaid participants. That is because the funds used to cover these transfers are coming from debt financing. It would be different if we had a balanced budget, but anyone taking these additional dollars is helping to build the national debt.

Second, Michael Tanner made a very important point on which we are not focusing. The matching federal dollars at 90% are for new enrollees whose income exceeds the poverty line. Up until the implementation of Obamacare, someone getting Medicaid had to be at or below the poverty line. The new rule is that your income can be up to 138% of the poverty line thus expanding the amount of people eligible for Medicaid. The states have gone out and attracted new enrollees, but many of the new sign-ups are from people who previously were eligible under the old rules. The feds are not picking up 90% of those people and thus the state will get stuck with the tab for those new participants.

As Fodeman points out in his study, Florida is already spending \$21 billion a year on Medicaid. The rate of growth in the cost of the program over the last 12 years has been five times faster than general revenues have grown and currently eats up 30% of the Florida budget. What Fodeman does not point out is that it is quite obvious Medicaid is squeezing out other necessary state obligations. To encourage more people to sign up would further squeeze funding for education, prisons, road repair and other basic needs. The national budget for Medicaid was \$431 billion with just 58% (\$251 billion) coming from the federal budget. That means states are already bearing \$180 billion before any new enrollees.

The biggest issue remains who is going to service the medical needs of these new participants. Obamacare deals only with demand and not supply. With new people availing themselves of health insurance, there needs to be more doctors, nurses, and hospitals. There are currently no more and all indications are the program is driving many doctors into retirement, further worsening supply.

Medicaid is even worse. In 2011, 31% of all doctors refused new Medicaid patients because of poor reimbursement rates. Fodeman states "Given that many of the current patients with Medicaid are struggling to find a provider, it raises the question of where hundreds of thousands of potential new Medicaid patients would find care." In addition Fodeman cites in a Kaiser study stating "In 2008, Florida's Medicaid reimbursements averaged 63 percent of Medicare fees for all services, and 55 percent of Medicare fees for primary care." With comparable pay rates like this why would any doctor take on a Medicaid patient?

In the past a vicious cycle has occurred. As more people signed up for Medicaid, politicians decided to squeeze payments to save tax dollars. The lower payments caused more medical providers to stop accepting new patients because they were losing money on each new patient. Adding more participants will just exacerbate the existing methodology.

Medicaid will be a forerunner of what will happen to the rest of Obamacare. Stuffing more people into a medical system with fewer doctors and no additional hospitals or nurses will lower the bar for everyone. Since the people who receive Medicaid are not writing the checks, their complaints may go unheard. But wait until the people who are writing the checks suffer the same consequences. Then you will be able to hear the screaming across the country. That is what happens when you let a bunch of lawyers take over your medical care.