



James Madison Institute issues policy brief on Florida's Medicaid program

By: Karl Dickey – January 22, 2013

As Florida Legislators from both houses gear up to decide Florida's path to working through the Patient Protection and Affordable Care Act (PPACA), The James Madison Institute today released its latest policy brief, *Florida's Best Medicaid Option under the PPACA: Expand the Reforms, Not the Rolls*. This followed testimony from JMI guest Michael Cannon, director of health policy studies at the Cato Institute, at the Senate Select Committee on the PPACA.

"It was great to have the chance today to hear Michael Cannon present before the Senate PPACA committee and now we can add additional information to the discussion through JMI's policy brief on Medicaid expansion," said Sen. Jeff Brandes (R-St Petersburg), member of the Senate Select Committee on the PPACA. "This type of input will be productive as we continue the conversation over healthcare in Florida."

JMI's policy brief states that Medicaid expansion to 138 percent of the federal poverty level will result in nearly doubling the amount of current enrollees at 42.6 percent and this new enrollment would carry a substantial cost to the state and federal government. It noted that Florida can barely afford its current \$21 billion Medicaid program now so it would not be wise policy to expand it. The brief points out that whether it is state taxes or federal taxes paying for the program, it is all the same taxpayers, and that no matter the payee, the expansion will result in higher costs, higher federal deficits, increased taxes, slower economic growth, fewer jobs and a further step on the road toward becoming an entitlement state. The brief concludes that it is very likely that the current cost estimates of such Medicaid expansion will be significant underestimates of the true cost, noting such outcomes as the "woodwork" effect and the administrative costs to the state.

Jason Fodeman, M.D. JMI Adjunct Scholar and author of the policy brief states that expanding Medicaid would make a program already fraught with fraud more susceptible to fraud and abuse. He continues with noting most importantly that patients with Medicaid who cannot find a physician who accepts Medicaid are not mere statistics. They are people. They are someone's father, daughter, grandparent, loved one, friend.

"From a policy standpoint, it is frustrating that the government spends so much on a program with so little return, but it far more frustrating and stressful for those patients who desperately depend on Medicaid for care and cannot find it," writes Fodeman.

"As Cannon stated in his testimony, it would seem odd for Florida after leading a multi-state challenge to the PPACA that resulted in the Supreme Court striking down the Medicaid mandate

as unconstitutionally coercive, to enter into this unpredictably costly expansion of a program that is in need of reform,” said Dr. J. Robert McClure, JMI President and CEO. “Both Cannon and Dr. Gruber settled in the committee today that it would not be wise for Florida to create a state-based health insurance exchange this year, so now the debate should shift to whether or not to expand Medicaid and we hope this policy brief will help make that decision more clear.”

Cannon reminded Floridians that studies show the PPACA depresses economic activity, eliminates jobs, increases health care costs, makes access to care less secure, increases the burden of government, and traps people in poverty.

“In just its first six years, the PPACA will reduce economic output by as much as \$750 billion and eliminate an estimated 800,000 jobs nationally,” said Cannon in his testimony. “The Act will further reduce access to care by reducing incomes. From 2013 through 2022, it imposes \$1.2 trillion in new taxes and commits taxpayers to pay for an estimated \$1.7 trillion in new federal spending.

Additionally, he discussed the possible negative effects of creating a state-based exchange and reasons for the state not to rush including the following:

Exchanges could require states to raise taxes. Based on estimates conducted in similar states, the cost of operating a Florida exchange is likely to approach \$100 million per year or more.

With all the risk involved, states should remember they can always switch to a state-created exchange if they decide they don’t like a federal exchange.

State officials are increasingly coming to see that the choice they face is not between a state-controlled exchange and a federally controlled one - even state-created exchanges will be controlled by Washington. It is also questionable whether the federal government will be able to create any exchanges at all. The federal government has yet to provide crucial information that states need to make an informed decision.

Creating an exchange sets state officials up to take the blame when the PPACA increases insurance premiums and denies care to the sick.

State officials would be assisting in the creation of something akin to a “public option” that could drive the state’s domestic carriers out of business.

“Perhaps the most important reason not to establish an exchange is that under the PPACA, if Florida creates an exchange, then all employers with 50 or more employees will be subject to a tax of up to \$2,000 per worker under the Act’s “employer mandate.” Employers with 50 workers could face a tax of \$40,000, while those with 100 workers would face a tax of \$140,000. In addition, millions of Florida residents will be subject to the Act’s “individual mandate.” Families of four earning \$24,000 per year who run afoul of this mandate would face a tax of \$2,085,” said Cannon. “If Florida opts not to establish an exchange, however, it can exempt all its employers and 1.1 million Floridians from those taxes. Florida would be in a position to lure jobs away from other states where those crushing taxes would apply.”

Cannon previously served as a domestic policy analyst for the U.S. Senate Republican Policy Committee where he advised the Senate leadership on health, education, labor, welfare, and the Second Amendment. Cannon is the co-editor of *Replacing Obamacare: The Cato Institute on Health Care Reform* and coauthor of *Healthy Competition: What's Holding Back Health Care and How to Free It*.

“Florida leaders, time and again, are given the opportunity to set a nationwide example and act upon what is right when it comes to public policy. As we look further into the PPACA we find that it is neither affordable nor protects patients. Florida started out on the right foot pushing back on PPACA implementation. The more Obamacare is studied the stronger the argument becomes that our state should not waver from its initial instincts,” said Dr. McClure.