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Comment -

THE 12 REASONS WHY VIRGINIA SHOULD NOT EXPAND MEDICAID.pdf
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THE 12 REASONS WHY VIRGINIA SHOULD NOT EXPAND MEDICAID

Here are twelve reasons Virginia should not expand Medicaid and should instead demand from Washington greater control over spending to better fit coverage expansion our needs, resources, and budgets.

1. Medicaid harms the poor.

The Medicaid program actually harms the people it is intended to serve. Expanding Medicaid means that patients who are already enrolled in the program -– many of whom have nowhere else to go for coverage –- will be competing for medical services with up to 20 million more people being added to the program. And the most vulnerable patients who have the greatest needs are likely to have the hardest time getting care.

2. Medicaid spending will explode.

The initial 100% federal match rate for the expansion population is very tempting, but the match rate starts to decline in three years and falls to 90% by 2020. In addition, the state must pay all added administrative costs as well as its higher share of coverage for other eligible citizens outside the expansion band who are not now enrolled but who would likely do so after the Affordable Care Act's individual mandate triggers in 2014.

Also, not expanding Medicaid doesn't mean other states get the money. The expansion is an entitlement; if one state doesn't expand, the money stays in the federal coffers (or reduces the amount Washington must borrow).

3. Medicaid's access problems will get worse as more doctors drop out.

Coverage is not the same thing as care. A study in Health Affairs found that in 2011, nearly one-third of physicians nationwide did not accept new Medicaid patients. This is largely because the Medicaid program generally pays doctors and hospitals far less than private insurers. Nationally, for every dollar primary care received from someone with employer-sponsored insurance in 2008, Medicaid only paid 52 cents.

As a result, few doctors can afford to take Medicaid, and patients, therefore, often lack a consistent source of outpatient care. When they can't get predictable access to care, their cancers go undiagnosed and their heart conditions go unmanaged. Receiving care from a specialist or surgeon is particularly challenging. Doctors cite difficult Medicaid paperwork, administrative burdens and traps, and poor reimbursement rates as reasons they cannot accept more patients from the program.

The ACA provides for a temporary two-year increase in Medicaid payments for primary-care physicians, but few observers believe that this temporary increase will lead physicians to increase their participation.

4. States will be exposed to higher Medicaid costs when Washington recalculates its matching payments.

While the lure of the 100% match in federal funding tempts states to expand Medicaid, states will pay a high price for the expansion. According to a 2011 congressional report, Medicaid expansion would cost states at least $118 billion over the next ten years. Once millions more people are enrolled in Medicaid, history teaches that it is nearly impossible for states to contract.

And there is no guarantee these high federal matching rates will continue. In outlying years, the federal government will attempt to reduce entitlement spending by reducing its matching payment for the expansion. Indeed, President Obama proposed doing just that in his fiscal-year 2013 budget, which would have reduced Medicaid spending by $100 billion over ten years. HHS Secretary Sebelius' assurances that the match won't be reduced have no force of law and cannot influence future congressional policy.

5. Medicaid expansion will worsen the cycle of dependence and harm the economy.

Medicaid imposes a huge disincentive on the poor to find work because they fall out of the program once they start earning better incomes. If states choose not to expand Medicaid, able-bodied adults who seek work and who successfully cross the poverty line should have the option of subsidized private insurance.

Private insurance is a morally superior approach, one that will increase the incentives for employment and stimulate the economy through privately generated income rather than the shell game of transfer payments.

6. Claims about job creation are exaggerated.

The claim that Medicaid will add millions of new jobs uses out-of-date Keynesian thinking that have been eminently disproven. Keynesian forecasts were used to predict that the American Recovery and Reinvestment Act of 2009 (ARRA) -— commonly known as the "stimulus" — would bring the national unemployment rate below 6% by 2012. Instead, the unemployment rate has remained around 8%. Those who claim that the Medicaid expansion will create jobs should be required to explain, specifically, how their forecasting models differ from those used to project unemployment rates under the ARRA. And this is a misguided goal for a health care program: "Treating the health care system like a (wildly inefficient) jobs program conflicts directly with the goal of ensuring that all Americans have access to care at an affordable price," according to Kate Baicker in an article entitled "The health care jobs fallacy."

The RAND Corporation finds in a recent study that every new job added to the health care sector results in 0.85 fewer jobs in the rest of the economy. For every job created, the costs of running this health care system grow and eventually result in layoffs in other sectors unable to manage the growing burden of the cost of health insurance premiums for employees.

7. Medicaid crowds out private coverage.

Advocates of expansion claim that up to 26 million people will be denied coverage if states don't expand Medicaid. But these calculations do not account for the crowding out of private insurance that will occur. Medicaid expansion would end up displacing higher-quality, employer-sponsored health coverage for millions of Americans. While these individuals will still have "coverage," and therefore will not increase the ranks of the uninsured, the quality of their coverage will meaningfully decrease.

Therefore, expanding Medicaid will lead up to 16 million people losing private health insurance (60% of 26 million) — a fact that is not included in the standard assessments of how much Medicaid expansion would increase coverage.

8. Medicaid raises premiums for those with private insurance.

There is an additional hidden cost to people with private insurance of expanding Medicaid. Because both Medicaid and Medicare underpay doctors and hospitals for their costs of care, providers make up the difference by charging higher rates to private insurers.

In 2008, Milliman, the leading insurance consulting firm, estimated that the average American family with private health insurance paid $1,800 more in premiums because of this cost-shifting phenomenon. By dramatically expanding Medicaid, states will impose a hidden tax on tens of millions of people with private insurance.

Because expanding Medicaid leads hospitals and doctors to shift costs onto patients with private insurance, this makes private insurance less affordable and contributes to the vicious cycle of increasing the number of people without insurance.

9. Medicaid's undercompensated care is a bigger problem than providing uncompensated care for the uninsured.

There is much concern about the problem of "uncompensated care," in which hospitals are required to treat patients even if they cannot afford to pay the bills. (Under federal law, hospitals must serve all who come, and emergency rooms are often a source-of-last-resort for care.) But the problem of undercompensated care is a larger one.

Many hospitals believe that they will be able to improve their bottom lines if Medicaid is expanded and more patients have coverage. But because Medicaid generally pays below costs, it's hard to see how they can make up the losses with more volume.

10. Expanding Medicaid will expose states to increased risks of fraud and waste.

The vast majority of Medicaid providers are underpaid for their services — and a few are bilking the system.

Official federal estimates show that at least 10% of Medicaid payments are fraudulent. Many prosecutors believe that the figure is closer to 30%. Unfortunately, there is little incentive to

police fraud and waste because excess Medicaid spending frequently accrues to the benefit of providers and politicians.

11. By rejecting the Medicaid expansion, states encourage others to do the same, fueling the spending cycle.

As states decide whether or not to expand their Medicaid programs, a principal justification is that declining to expand Medicaid means that a state's taxpayer dollars go to fund Medicaid in other states.

But the large "blue states" mostly have gone along with the Medicaid expansion because they already have expanded their programs beyond the law's 138% limit. Indeed, only half of the funds dedicated to the Medicaid expansion are being spent outside the South. Large "red states," on the other hand, where the ACA's Medicaid dollars are directed, have mostly rejected the expansion.

States will set an example to others that are deciding what to do about the Medicaid expansion by saying No. Fifteen states have already rejected the expansion, with many others undecided. If others join them, it will do much to limit spending of both federal and state taxpayer dollars.

12. States should demand more control and flexibility to expand coverage their own way.

Instead of buying in to the expansion, states should demand much greater control over the program. Paul Howard, a senior fellow at the Manhattan Institute, writes, "Congress should set some cap on federal Medicaid spending. In exchange, states would receive much greater flexibility to manage their programs as they saw fit – designing eligibility requirements, co-payment levels, and patient benefits to best meet the needs of the particular Medicaid populations within their own borders."

States can lead the way to show that Medicaid can have a more efficient and effective service delivery system that enhances quality of care and outcomes. Expanding Medicaid without a guarantee of flexibility would be a major missed opportunity for the states.

States need to demand more control and flexibility for Medicaid to build innovative models that give recipients a stake in their care. Together, they can insist that Washington provide more flexibility over Medicaid spending so they can expand access to care without burdening taxpayers with significant new costs or burdening their citizens with being relegated to a program that can be worse than being uninsured.

Source: Galen Institute