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Written by **William P. Hoar** on July 23, 2018

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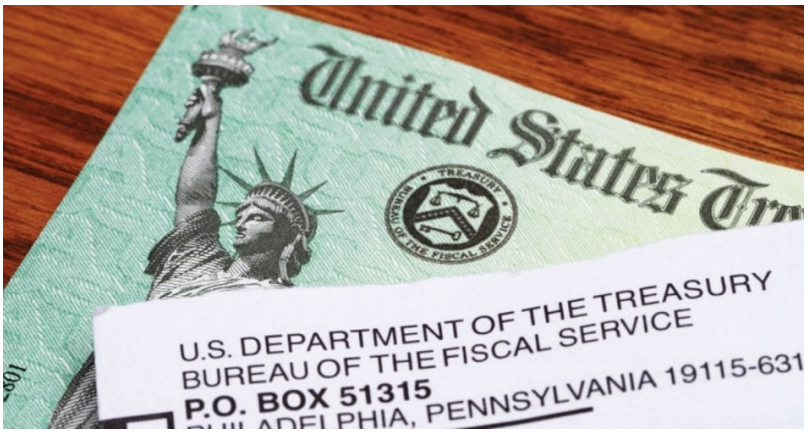
Correction Please

With Medicaid and Other Entitlements Going Bust, Adding Dependents Would Hasten the Collapse



Item: *Medicaid, especially the possibility of expanding Medicaid under the Affordable Care Act (aka ObamaCare), has become a hot issue in several states. In Oklahoma's gubernatorial race, for example, the candidates are split — by party — over expanding Medicaid, "the state-federal health care program for the poor," noted the* Oklahoman *on June 17.*

The partisan difference is stark. "'With the Trump administration still working to transition away from Obamacare and toward a more robust private health insurance world, I believe it is wrong to expand Medicaid at this point,' Lt. Gov. Todd Lamb, one of the leading Republican candidates, said last week."

As the paper said: "If a Democrat wins the gubernatorial race, there will be an immediate push to add more than 200,000 Oklahomans to the Medicaid rolls."

Expansion is also being pushed in Utah, Idaho, Nebraska, and North Carolina, among others. (Utah has just passed a law that needs approval by the federal Centers for Medicare & Medicaid Services.)

Item: *A Tribune News Service account, appearing in the* Portland Press Herald *(Maine) for May 15, noted that the state's voters had "approved Medicaid expansion, but the state has yet to implement it, and has been sued by an advocacy group aiming to compel the state to expand the program."*

The outgoing administration — led by Republican Governor Paul LePage, who opposes the move — asked the state's Supreme Judicial Court to step in, arguing (as noted in the Press Herald in mid-June), "that it cannot implement Medicaid expansion unless the Legislature appropriates funding."

On June 20, in a special session, both Maine's House and Senate approved an amendment that funds the expansion.

A majority of Maine's voters approved a ballot initiative, whose status was still in legal limbo as of mid-June. The Wall Street Journal *noted that LePage, "a second-term governor prevented by the state constitution from seeking a third term, has fiercely opposed the expansion, calling it a 'boondoggle.' Political observers say he doesn't want it to happen under his watch."*

Item: *In an online article entitled "Medicare's Trust Fund Is Set to Run Out in 8 Years. Social Security, 16," the* New York Times *for June 5 reported that the Trump administration has found that the "financial outlook for Medicare's Hospital Insurance Trust Fund deteriorated in the last year, and Social Security still faces serious long-term financial problems." Yet, said the* Times*, the president "has paid*

relatively little attention to either program, declining to embrace a major restructuring of Social Security or Medicare, as some previous Republican presidents have. Nor has he endorsed higher taxes to finance the programs, as some Democrats have suggested."

Correction: Facts generally don't change. Feelings often do. One can rest assured that if candidate Donald Trump had even hinted about trimming Social Security, Medicare, and Medicaid (the major "entitlement" programs), leftist pundits and other political opponents would have assailed him for seeking to gash vital aid for the aged, the poor, and the infirm.

That might have defeated him.

As noted in multiple reports this year, Social Security is the federal government's second-largest annual budget expense, at $967.5 billion. That total is surpassed in the budget only by combined Medicare/Medicaid expenditures, at $1.085 trillion.

In June, the trustees of Social Security noted that the program is now dipping into its "trust fund" for the first time since 1982 in order to pay benefits. (Never mind that the trust fund is just an accounting device that contains IOUs that future taxpayers must repay. That is a story for another time.)

Both fans and critics of Medicare and Medicaid have acknowledged for years that these programs are unsustainable without serious changes. The changes, however, have been made in the wrong direction.

Medicare is the federal program that covers seniors and disabled people under 65. Medicaid is generally called a federal-state healthcare program for the poor, but it has become more than that. It also covers the disabled, the elderly, pregnant women, and children in poverty. In addition, thanks to the Affordable Care Act, multiple states have also added many able-bodied people without dependents to such programs.

Conservatives specializing in the healthcare field, including think tanks, as well as some officials in state governments and in the U.S. Congress have not given up hopes of bringing a degree of sanity to the tidal wave of entitlement spending. Two plans to that effect were recently released. In June, the House Budget Committee released a proposal entitled "A Brighter American Future." The same week, several conservative groups laid out their ideas in "The Health Care Choices Proposal: Policy Recommendations to Congress."

The heart of the latter plan calls for shifting hundreds of billions of dollars provided by ObamaCare to expand coverage into block grants to states. The authors say correctly that ObamaCare has been "a key driver" in the problems "because it forces people to pay more for policies that restrict, rather than expand, their access to care. Networks are narrower, deductibles and copays can be prohibitively expensive, and access to doctors and hospitals is limited. Half of those buying coverage in the Obamacare exchanges have a 'choice' of only one insurer. Still, government spending is soaring." States would be able to create their own systems with the proposed federal block grants.

The cited House Budget document points out that, even before ObamaCare, Medicaid was already "on an unsustainable path." The Congressional Budget Office currently projects that federal spending on Medicare will hit $655 billion by 2028. And because "Medicaid is financed through a federal state partnership, CBO estimates that the program will cost taxpayers a total of $1 trillion annually by 2028." Most Capitol Hill observers don't expect the "Brighter American Future" to be fostered vigorously by congressional leaders, at least in the short run.

Yet this could change, especially after the November elections, if an empowered White House and Congress were determined to deal with entitlements.

Our focus here is largely on Medicaid — which should be the easiest, politically, of the three largest entitlement programs to reform. It has now been expanded to cover people above the poverty line, assuming state action. Such state action is ongoing in several places, as noted above. The numbers of those already added to the dependency rolls have been substantial; ObamaCare expansion has bumped those Medicaid totals up by 14 million or so.

This is happening at a time when Americans are being hit up for record revenue, about $3.3 trillion. At the same time, Washington is expected to have a deficit this year in the neighborhood of $800 billion. Why the shortfall? It's simple. Our "generous" lawmakers agreed to spend some $4.1 trillion of our money in 2018.

Even as all this fiscal folly is taking place, one of the most popular alternative paths offered by progressive politicians is to institute "Medicare for all" or "Medicaid for all" to fund what is often called a single-payer system. (Various proponents differ on how much they think they can get away with before being chased out of town by enraged taxpayers.)

Consider Vermont Senator Bernie Sanders, an avowed socialist. These days, he is probably the most prominent advocate for "Medicare for all." As it happens, Sanders himself actually stumbled across some common sense at least once. Here are Sanders' comments in 1987: "If we expanded Medicaid [to] everybody, give everybody a Medicaid card — we would be spending such an astronomical sum of money that, you know, we would bankrupt the nation."

True enough. Yet, this is the same erstwhile presidential candidate who called for a more profligate healthcare program. Such a Sanders plan would carry an estimated price tag (over a decade, as determined by the left-wing Urban Institute) of a mind-boggling $32 trillion!

Yet Republican politicians, at least many of them, are not covering themselves with honor by their actions.

In part because of ballot initiatives, the "push to expand Medicaid is gaining traction in some Republican states that previously rejected the idea," the *Wall Street Journal* pointed out in mid-June. States, as the *Journal* summarized, including

Idaho, Utah, Nebraska, and North Carolina are weighing expanding their programs, and the debate is also playing a central role in the midterm contests in Florida, Georgia, and Kansas. All were won by President Donald Trump in the 2016 election.…

Some Republicans are finding expansion more palatable now that the Trump administration is letting states impose work requirements on recipients.

While adding provisions to swap "work requirements" for benefits does tend to enhance conservative coloration, on balance it is not a good swap for the additional costs of increased dependency on the welfare state.

Robert Rector, a research fellow at the Heritage Foundation, is skeptical that the program would work as proposed. He points out that since the work aspect is an option, most state governors will simply ignore it. Enforcement of a requirement to "work" to receive medical services would surely be problematic — certainly more than it would be, for example, to receive food stamps.

Poverty expert Rector also notes that, in reality, it would be

difficult to get eligible able-bodied adults without dependent children to enroll in Medicaid. After all, they do not need to enroll in the program to receive free medical care. They know that if they get sick and walk into a clinic or emergency room they will get enrolled in Medicaid prospectively or receive treatment pro bono.

Suppose, notes Rector, that a person shows up sick in the emergency room or clinic. Is the government "going to deny him medical care because he did not do his workfare assignment? Of course not."

Some politicians appear to be looking for protective cover to expand Medicaid. If Republican politicians "are serious about work requirements," comments Rector, "they should start by establishing and strengthening them in cash, food, and housing programs rather than the far more daunting policy of work requirements on medical care."

According to data from the Centers for Medicare & Medicaid Services, as of March 2018, there were 73.9 million individuals enrolled in Medicaid and Children's Health Insurance Programs in the 50 states and Washington, D.C. Of those, more than 67 million were Medicaid enrollees. Medicaid spending has skyrocketed — from $118 billion in 2000, to $273 billion in 2010 (when ObamaCare passed), to $383 billion in 2018. When there is a fire already burning, we should not throw on gasoline — which is what happens when additions are made the already unsustainable Medicaid (and other entitlements).

"Medicaid can't adequately meet the needs" of the nearly 68 million people "currently enrolled in the program," commented Sally Pipes last year; she is the president, CEO, and a healthcare fellow at the Pacific Research Institute. "Expanding it further would just force millions more to share their fate."

Much of the problem is the federal-state split that tends to leave neither governmental entity truly responsible. "Liberals" bemoan it when "free" federal money is not taken from Washington — as if it didn't come from taxpayers in the first place. (In Wisconsin, for instance, one Democrat gubernatorial candidate has been attacking GOP Governor Scott Walker because he "turned down a billion dollars in Medicaid money over the course of his tenure.")

Both the federal government and many of the states share in irresponsibility. States get hooked on dollars that are supposedly gratis. When a state expands its Medicaid program, it gets more federal funding, based on a formula that is called "federal medical assistance percentage." The lavish folks in Washington — that is, the federal taxpayers — kick in 50 to 75 percent of the costs of additional spending. (Of course, federal big spenders don't have enough money to balance Washington's budget; they just rely on deficit spending. States, on the other hand, are required to balance their budgets,which for many states would be unrealistic unless they cut items such as education and transportation spending.)

Still, there are ways out of the morass. As explained by Chris Edwards at Cato's www.DownsizingGovernment.org, repealing the ObamaCare Medicaid expansion "would save federal taxpayers more than $800 billion over 10 years. Block granting the rest of the Medicaid program, and capping annual growth at 2 percent, would save another $800 billion or more over 10 years." Of course, constitutionalists recognize that the Medicare/Medicaid program should not merely be capped or rolled back, but phased out in favor of free-market healthcare. First, though, we do need to stanch the bleeding.

In the meantime, far too many oh-so-obliging state and federal politicians have turned us into addicts. If we stick with the same pushers and policies, they will no doubt extend a solution for the disease — more of the same.

— William P. Hoar

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