



Medicaid Expansion: A Lesson in Unreliability

by Dr. Jason Fodeman

I've often heard the saying that "those who refuse to study history are destined to repeat it." Well, what about those who refuse to examine the present?

In February of this year, the Director of the Children and Adults Health Programs in the Center for Medicaid and CHIP Services (CMCS) at CMS revealed what we should already know: that we should take the federal government's promise of the enhanced match for the newly eligible with a big grain of salt.

Director Eliot Fishman informed those attending a health care conference in Orlando that funding for Florida's "Low Income Pool" program—amounting to roughly \$1.3 billion—will not be extended. Low Income Pool (LIP) funds are

reimbursement payments to hospitals for treatments delivered to poor and uninsured patients.

If the federal government can't be relied upon to extend a program that assists poor and uninsured Floridians for \$1.3 billion, how then can anyone conclude that we should trust that the federal government will "cover" the costs of Medicaid expansion? Medicaid, a program that delivers substandard care with substandard outcomes, will eventually consume enough of Florida's budget to cripple all other priorities.

To those in decision-making capacities in Tallahassee, consider this a lesson in what relying on federal government promises can ultimately lead to. Think about what the future will hold when it is no longer

\$1.3 billion in “federal” money being withheld, but \$10 billion, or \$50 billion or more.

Florida’s leaders are uniquely situated in a state that has shown that free enterprise, innovation and sound economic policy can lead to prosperity, job growth, and dynamic success. They are also about to be courted by all manner of special interests, which will pepper them with every conceivable reason to “take the federal money.” They’ll be told it’s free money—as if the federal government is not already \$18 trillion in debt, or that there’s a grand bargain at stake, as if that “bargain” will not cost us dearly down the road. They’ll be told that there really is no other choice. Policymakers should reject these red herrings and remember this \$1.3 billion lesson in reliance on the federal government.

As elected officials, constituents rely on decision makers to understand and weigh the short and long-term implications of the issues at hand. Do we need to examine reforms to Florida’s Medicaid program? Absolutely. Those of us who believe in free-market solutions consistently point out that Medicaid is persistently insufficient. We should examine why that is and work together to implement sound free-market reforms to improve access to care for those in need, as opposed to jamming them into a program that results in far inferior care and worse health outcomes.

Expanding a Flawed Program is Bad Policy

As you consider the temptation

to “take the money,” it is important to keep in mind that Florida can barely afford to fund the current \$21 billion-a-year Medicaid program. Over the last 12 years, Medicaid in Florida has grown five times as fast as general revenue and currently accounts for 30 percent of the state budget. As Medicaid’s expenditures increase, it consumes funds that otherwise could be used for other important priorities such as education and public safety.

Expanding Medicaid would have a significant cost to the state and federal government. Even so, proponents of expansion contend the enhanced match makes this a good deal for states such as Florida. However, there are several flaws with this viewpoint. First, the federal government’s promise to fund 100 percent of the cost is temporary, and it’s only applicable to the newly eligible.

At the same time, there are no guarantees that a future Congress and administration will maintain this higher match. In fact, the 2013 Obama budget actually attempted to modify it. Most important, looking at the Medicaid expansion in terms of state versus federal costs is quite misleading. It will be the same taxpayers paying the bill. Does it really matter to the taxpayer whether it’s state or federal money? The end result to Floridians will be the same: increased costs, more taxes, slower growth and another step for the nation toward becoming an entitlement state.

The economics of the Medicaid expansion are bad, but the health

care involved for the underserved is even worse. Medicaid is beleaguered by bureaucracy, fraud, rising expenditures, restricted access and compromised patient care. As costs swell, policy makers have little choice but to try to constrain costs by paying providers less and less. Uncompetitive reimbursements jeopardize the access of beneficiaries to timely, high quality medical care. The Medicaid expansion will not rectify these problems. To the contrary, what Medicaid expansion would really expand is these problems, which will affect more patients. Moreover, by applying further strain to an already strained system, expansion could very well worsen the quality of the care that current Medicaid patients receive.

The James Madison Institute recommended practical reforms in a 2014 Policy Brief, and the concepts behind our recommendations are still valid. Florida has made some strides, but there is more to do. We need to address why we have such a shortage of physicians in this state, and why so many leave Florida after graduating medical school. Medical malpractice reform is a good first step. Florida's legal climate is consistently ranked as one of the worst in the U.S., and medical malpractice rates are astronomical because of frivolous lawsuits.

Further, while we embrace groundbreaking technologies in the operating room, we need to be more open to addressing the same advancements in areas such as telemedicine, which can revolutionize

care to underserved communities. We also must address the obscene complexities in the cost structure of care delivery and bring more transparency to the industry.

Inevitably, discussion of real reforms will run up against the power of entrenched interests whose financial ties are vested in the status quo, but make no mistake, real reform is what's needed.

Doubling down on the flaws of the Medicaid program is a risky proposition for the state of Florida, but solutions do exist at both the state and federal level that can improve the health care of the underinsured and uninsured in Florida.

As Florida debates ways to improve care for the uninsured and underinsured, it is very important to grasp the problems that currently plague the Medicaid program. These flaws are not mere peripheral trivialities. Rather, they are deeply rooted at the core of the Medicaid statute. They cannot be rectified without comprehensive Medicaid reform, and they are too grave a burden to impose on more people.

As the Affordable Care Act rolls out, in many ways, not only our health care system but our country, stands at the precipice. The stakes could not be higher and these are definitely principles that are worth the effort. ☞

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