

## ISSUES IN PERSPECTIVE

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### ***The Entitlement Behemoth: Medicaid—The Other Medical Crisis***

During the recent failure of Congress to replace the Affordable Care Act (ACA; aka Obamacare) with a scaled down medical entitlement, few noticed one of the key elements of both the ACA and the revision proposed by the Republican Congress. That key element is Medicaid. Let me explain. Medicaid was created more than 50 years ago as a part of the Medicare program advocated by Lyndon B. Johnson and passed by the Congress in 1965. Medicaid was designed as a small program to cover poor people's medical bills. But over these past five decades, Medicaid has surpassed Medicare in the number of Americans it covers, for it provides for the medical needs of one in five Americans (74 million people) from the womb to the grave. How has it grown into this bureaucratic behemoth? Here is a summary of its development:

1. Medicaid was basically an add-on to the Medicare law, which provided hospital insurance and payment of doctor care for the elderly. It was added on to pay for the health care of the poor.
2. Over the next 25 years, Democrats and some Republicans expanded Medicaid benefits to two-parent families, to children with speech and development delays, to home treatment for people who would otherwise be institutionalized, to children up to age 5, then to age 8 and later to age 18, and to pregnant women. Some of the largest extensions of Medicaid benefits occurred during the presidency of Ronald Reagan.
3. Over the years of its existence, as Republicans failed to turn Medicaid into a block grant program, Congress, in compromises between Democrats and Republicans, reduced benefits in Medicare as they expanded Medicaid benefits.
4. By the 1980s and 1990s, health insurance costs were reaching prohibitive levels. Employer-based health benefits were being reduced and most states, often led by Republicans, thereby began to expand Medicaid programs.
5. In 1996, President Clinton expanded Medicaid to cover more working families as part of a reform of the welfare system in the United States. Medicaid was therefore more and more being perceived and championed as a benefit for the middle class.
6. In 1997 a significant expansion of Medicaid occurred with the addition of the Children's Health Insurance Program, passed with heavy Republican support.

7. Under the ACA, Medicaid was the linchpin of this reform in how the US paid for health care. Ironically, although not one Republican voted for the ACA, Republican-led states have adopted this expansion of Medicaid and now realize that the attempt to end the ACA would hurt many families in their respective states.

Why the uproar over the attempt to end the ACA? The Republican sponsored program to replace the ACA would have ended the federal government's open-ended commitment to pay a significant share of the states' Medicaid costs, no matter how much enrollment or spending rose. Instead, the bill would have given the states a choice between a fixed annual sum per recipient or a block grant, both of which would have almost certainly led over time to major cuts in coverage. Indeed, the bill would have cut projected spending on Medicaid by \$839 billion and reduced the number of Medicaid beneficiaries by 14 million over the coming decade. The consequences in individual people's lives of these changes could be devastating. In 2015, the US spent more than \$532 billion on Medicaid, of which 63% came from the federal government and the remaining 37% came from the states. Medicaid therefore has become a significant portion of each state's budget. It is crowding out other state priorities like education and public safety.

Medicaid now provides medical care to four out of 10 American children. It covers the costs of nearly half of all births in the US. It pays for the care for two-thirds of people in nursing homes. And it provides for 10 million children and adults with physical or mental disabilities. For states, it accounts for 60% of federal funding—"meaning that cuts hurt not only poor and middle-class families caring for their children with autism or dying parents, but also bond ratings. The program is so woven into the nation's fabric that in 2015, almost two-thirds of Americans in a poll by the Kaiser Family Foundation said they were either covered by Medicaid or had a family member or friend who was. The program not only pays for 16% of all personal health care spending nationwide, but also accounts for 9% of federal domestic spending." Medicaid is the third-largest program in the federal budget and the fastest growing. Federal outlays for this program are nearly three times higher today than in 2000. Under the ACA, the federal government "matches" between 50% and 74% of costs for the pre-ACA population, while new Medicaid earns 90 to 95%. This formula "rewards states that spend more and means they are less accountable for controlling spending or allocating resources toward high-quality care for the most vulnerable."

The defeat of the Republican attempt to modify and change the ACA reflects how difficult it truly is to take away an entitlement. It likewise demonstrates the broad reach of Medicaid, which covers about six times as many people as the private insurance marketplaces created by the ACA. The key element of this Republican plan was to establish block grants to the states. This would have put Medicaid on a budget for the first time since it was created in 1965. The block grant change (that was defeated) would have broken "the direct link between state spending and federal subsidies and started to make more of a defined contribution. In exchange, governors of the states would have gained reform flexibility."

The recent debacle over health care reform that failed in the Republican Congress was the work of the Freedom Caucus within the Republican Party. This entire issue of reforming or completely eliminating the Affordable Care Act of 2010 is indeed controversial and excruciatingly difficult. But this entire debate has shown one incontrovertible fact. It demonstrates how difficult it is to take away an entitlement from people. But the federal government and the individual states cannot allow the current Medicaid system to go on as it has. The block grant portion of the now defeated health care legislation would have been a step in getting this behemoth under control. Sadly, reforming or changing the ACA means changing or reforming how we do Medicaid. That is not a very popular idea right now. Millions of Americans are now dependent on Medicaid, which is gutting state budgets and affecting the US national budget as well. Someone needs to be a leader and explain all of this to the American people. Things must change in the Medicaid program or we as a nation are headed for financial ruin and disaster.

See the *Wall Street Journal* editorial (28 March 2017) and an extremely insightful and helpful in-depth article by Kate Zernike, Abby Goodnough and Pam Belluck in the *New York Times* (28 March 2017). This *Issues* edition was very dependent on this article.