

Expanding Medicaid: Nope, Still Not a Good Idea

Peter Suderman | October 25, 2010

Over the weekend, a *New York Times* editorial responding to criticism of the new health care law made the following claim:

Republican governors are complaining bitterly that reform will force them to expand their Medicaid programs. What they are not saying is that the federal government will pick up the vast bulk of the added expense to cover millions of vulnerable Americans. States that do not want this largess will be shortchanging the health of their poorest citizens, who will continue to use costly—to the state and the taxpayers—emergency rooms for routine health care.

First off, complaints about the new law's Medicaid expansion aren't strictly limited to Republicans. Prior to the law's passage, Tennessee's Democratic governor, Phil Bredesen (who still opposes the law), told *The Boston Globe* that the Medicaid expansion was “the mother of all unfunded mandates” and argued that the program was a “poor vehicle for expanding coverage.” And in Nevada, Democratic gubernatorial candidate Rory Reid—who, yes, is the son of Senate Majority Leader Harry Reid—said that, under the new law, “there is potential for it to put significant pressure on states because Medicaid rates could go up significantly.”

Regardless of their political affiliation, state officials are right to worry. The *NYT* editorial is correct that the federal government will pick up a sizable share of the cost of adding newly eligible individuals to Medicaid. But shifting the cost to the federal government shouldn't be much comfort to taxpayers, who will be on the hook either way. And, as Devon Herrick, a senior fellow at the National Center for Policy Analysis, explains in a handy new briefing paper, the remaining cost to the states will still be a significant burden on many state budgets. In particular, states are going to have to pick up a much larger share of the cost of enrolling those who were already eligible for Medicaid but not enrolled. Estimates indicate that somewhere upwards of 10 million individuals currently fit that criteria. But because of the individual mandate, which requires everyone to get insurance, many of them are likely to seek out insurance coverage. And when they do, states will direct them toward Medicaid.

As for emergency rooms, the best bet is that they'll actually be far more strained as the PPACA rolls out and Medicaid expands. That's because, as NCPA CEO John Goodman recently pointed out in *Health Affairs*, Medicaid recipients use far more emergency room services than other types of patients. One reason why they likely go to the emergency room so frequently is that Medicaid's provider reimbursements are far lower than either Medicare or private insurance, so doctors aren't exactly thrilled to add Medicaid patients to their rolls. And their options will be even more limited under the PPACA. Although it's expected to expand insurance coverage to 32 million extra individuals, it doesn't do anything to significantly expand the number of primary

care doctors—a number that was already expected to be inadequate even before health care reform passed. So thanks to all that extra insurance coverage, there will be a lot more demand for health care services but not much in the way of extra supply. Goodman's rough estimate is that, all told, the PPACA could result in about 40 million additional emergency room visits each year.

Those figures are speculative, of course. But the basic trend is not without precedent. This is more or less exactly what happened in Massachusetts, which passed a health care overhaul in 2006 that served as a model for the federal plan. But Bay State emergency room visits have risen sharply in recent years, and state officials admit that the health care overhaul is a factor. Who's getting shortchanged here?

I cover some of these issues and more in greater detail in my piece on ObamaCare and the states. More on the many problems with Medicaid—and what might be done to reform it—here.