



# PlatteChat

AN ONGOING CONVERSATION ABOUT HOW TO BEST PRESERVE FREE ENTERPRISE,  
PERSONAL RESPONSIBILITY AND LIMITED GOVERNMENT IN NEBRASKA.



The Platte Institute is proud to present our newest policy study, *Medicaid: An Unsustainable Future*. You can find an executive summary of the policy paper below, or read the entire study [here](#). You are also invited to join us for either our [Omaha](#) or [Norfolk](#) event featuring Dr. Clare Gray, founder of Physicians for Reform and co-author of our recent policy study, "The Real Need for Medicaid Reform." Dr. Gray will be discussing the real impact of Medicaid on Nebraska's budget, the dangers of ObamaCare's expansion, and the opportunities for reform.

## **The Need for Medicaid Reform Grows Larger After Obamacare** **Brian Blasé and C. L. Gray, M.D.**

### **EXECUTIVE SUMMARY**

#### **Medicaid Facts**

- Nebraska's inflation-adjusted per capita Medicaid spending increased 224 percent over the past two decades, which was nearly twice as fast as the increase in state education spending and over 20 times faster than the increase in state spending on transportation.
- Nebraska's state taxpayers pay about 40 percent of the state's Medicaid spending with the federal government paying the remainder. In Nebraska, an extra dollar of Medicaid spending brings in an extra \$1.50 in federal support.
- The open-ended federal reimbursement of state Medicaid spending encourages states to grow inefficiently large programs because of the ability to pass costs to federal taxpayers.
- The perverse incentives that encourage Medicaid's unsustainable growth became exacerbated by persistent state bailouts. When state budget situations deteriorated in the past decade states received a Medicaid bailout, in the form of an increased reimbursement. This enabled states to avoid dealing with irresponsible program growth and created a moral hazard problem where states could look to Washington to rescue them if their programs grew too expensive.
- Medicaid's sizeable crowd out of private coverage (economists estimate it on the magnitude of 80 percent) and the lack of evidence that Medicaid delivers quality care underscores the fact that a substantial amount of public spending on Medicaid could be saved without an adverse impact.
- Low payment rates for providers who serve Medicaid patients results in an access problem for Medicaid recipients and an overuse of emergency care for

non-emergency purposes.

## **Obamacare**

- Obamacare's Medicaid expansion will add nearly 100,000 additional Nebraskans to Medicaid at an *annual* cost to taxpayers in Nebraska of around \$500 million.
- Obamacare maintenance of effort (MOE) requirement effectively means that states must limit Medicaid spending by cutting provider payment rates or optional benefits.

## **Principles of Reform**

- Since Medicaid is already too big, the Obamacare Medicaid expansion must be repealed.
- The open-ended reimbursement should be replaced with fixed allotments to the states to provide them the incentive to reform their programs and stop developing schemes to leverage additional federal dollars. This would impose greater discipline on state programs and make future crises less likely. After utilizing its federal allotment, a state would absorb the full cost of additional program spending, so states would form more efficient programs.
- States should consider a premium assistance model, where certain low-income populations are given a voucher to purchase a private health insurance policy that meets their needs and risk preferences. Enrollees would benefit from increased choice of benefit packages and improved access to providers.
- States should structure vouchers on a sliding scale so those with lower income pay less out of pocket.
- States should control eligibility for their Medicaid programs by limiting the program to individuals who genuinely need public assistance.
- The federal government needs to allow states to reduce the asset exemptions that allow many people to game the rules and qualify for taxpayer financed long-term care through Medicaid. States need to impose meaningful income and asset tests and move away from the nursing home bias in Medicaid. States should also increase estate recovery collections.
- States need flexibility from onerous government rules and mandates. Greater state freedom to experiment is not only consistent with federalism, it enables states to be laboratories where they can adopt a variety of policies and learn from each other about what works and what does not work.



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