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WHY EXPANDING MEDICAID TO COVER THE UNINSURED IS NOT THE SOLUTION

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Some Members of Congress are seriously considering enrolling millions of uninsured Americans in Medicaid, the troubled welfare program for the poor. Instead of burdening the already fragile public health care delivery system, Congress should give the uninsured the ability to choose the kind of private health insurance they need, just as most of their fellow Americans do, by giving them direct financial assistance through tax credits or premium subsidies to purchase the coverage they want. President George Bush has already unveiled such a proposal.

Why Adding the Uninsured to Medicaid Is the Wrong Solution. The estimated 39 million Americans without health insurance are diverse not only in their health care needs, but also in the reasons why they are uninsured. Many simply do not have access to affordable health care coverage through their job, the primary way most Americans are insured. Either their employers offer no coverage, as is the case in many service-oriented jobs, or employees cannot afford the package their employer does offer. Still others are unemployed or between jobs.

Several proposals would broaden Medicaid eligibility to expand the government health care safety net for the indigent to include the uninsured. But Medicaid is not equipped to handle such an expansion; in fact, it desperately needs comprehensive reform to help those already enrolled in the program get the care they need. Among the major fac-

tors discouraging an expansion of the Medicaid program:

- **Medicaid delivers a substandard level of care.** In a recent study published in the *Journal of the National Cancer Institute*, for example, researchers found that women on Medicaid were three times more likely to die of breast cancer than were women not on Medicaid. Women on Medicaid tended to have late-stage diagnoses and receive less radiation treatment. Medicaid is unable to offer its enrollees the same level of quality care that the private sector offers. Merely expanding a poorly performing program would not serve new enrollees any better.
- **Medicaid's financial crisis is forcing states to ration care among enrollees.** Medicaid spending continues to strain the states' already tight budgets. According to a recent National Conference of State Legislatures survey, 19 states report that their Medicaid programs are over budget and five

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more anticipate a shortfall in the coming months. For fiscal year 2003, at least 37 states face potential budget shortfalls due in large part to Medicaid. Given these trends, many states may be forced to divert scarce resources away from other crucial responsibilities, such as education or law enforcement.

To control their rising Medicaid costs, states across the country are cutting services, limiting medication and treatment options, and reducing payments to doctors, hospitals, and other providers. This adversely affects patient access to quality care. In Washington State, fewer doctors are seeing Medicaid patients because of reductions in already low reimbursements. A major expansion of the financially troubled program to cover the uninsured would increase such rationing and reduce the quality of care, leaving the truly indigent and poor with even fewer benefits and poorer care.

- **Medicaid expansion jeopardizes private employer-based coverage.** Studies show that as Medicaid expands, private coverage declines. In a 1997 study published in *Health Affairs*, health policy analysts David Cutler and Jonathan Gruber reported that in one instance, Medicaid expansion caused private coverage to decline by roughly 50 percent. In a January–February 2002 *Health Affairs* study, policy analysts Richard Kronick and Todd Gilmer found that almost all the increase in public health coverage in Minnesota was due to a decline in private coverage. As these studies point out, a wide variety of factors can affect the extent of “crowd out.” A major expansion of Medicaid to lower-income Americans could entice employers facing double-digit premium increases to dump these employees from their private plans.

A Healthier Alternative. Instead of forcing hard-working Americans into a substandard welfare program run by financially strapped state governments, Congress should mainstream uninsured Americans into the private health insurance system. Tax credits or subsidies would enable them to choose the plans and benefits that are best for their families, just as Members of Congress, federal workers, and millions of privately insured Americans do now.

President Bush’s proposal of health care tax credits would enable the uninsured to secure the private coverage they want and create real portability of health insurance for low-income working Americans. Regardless of their job or job status, this would allow them to maintain continuous coverage and control of their health care decisions. The three key features of the President’s \$89 billion health care tax credit proposal are that:

- **It would be equitable.** It would address the current inequity in the tax system that favors coverage bought by employees through corporate plans, since the majority of the uninsured work for small businesses that offer no health insurance at all. Uninsured families and individuals who do not have employer-sponsored coverage would receive up to \$3,000 per family and \$1,000 per individual a year to help with monthly insurance premium payments.
- **It would be refundable.** Many low-income families and individuals have no tax liability, so as a matter of policy, a standard tax deduction for health care expenses is a futile gesture. A refundable tax credit would target low-income families and individuals and ensure that even those who owe no taxes are able to purchase private coverage.
- **It would be advanceable.** Eligible families and individuals would be able to receive the credit up front, when premium payments are due, instead of at the end of the tax year. Furthermore, the refundable credit could be assigned directly to the health plan by the worker to eliminate the burdensome paperwork hassles that could deter them from participating.

Conclusion. Congress must take steps to address the growing problem of the uninsured, not only to do the right thing, but to do it right. Rather than expand Medicaid, a broken welfare program that promises more than it can deliver, Congress can directly help the uninsured get quality private coverage by creating a new system of refundable tax credits as the President and a bipartisan group of congressional leaders have proposed.

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