

Warning: Medicaid is hazardous to your health.

By Brian T. Schwartz

Colorado's 208 Commission has released detailed evaluations of its four favored health-care reform proposals. The commission's goals include improving access, encouraging personal responsibility, and supporting a "financially viable, sustainable and fair" system. Yet these proposals preserve or expand Medicaid, which fails to meet these goals.

Former Congressman John Hurson observes: "I am a Democrat, a liberal Democrat, but we can't sustain the current Medicaid program. It's fiscal madness. It doesn't guarantee good care, and it's a budget buster." Colorado Medicaid spending has almost doubled since 1997, eats up 20 percent of your state taxes, and increases prescription-drug prices. The National Association of State Budget Officers reports that "increases in Medicaid costs will far outstrip the growth in state revenues into the future." But why should state-level administrators be frugal? For each dollar state taxes compel you to donate, the feds pitch in another by taxing someone else.

One cause of skyrocketing expenditures is that Medicaid is not real insurance, but prepaid health care. Tiny or non-existent copayments and deductibles discourage prudent spending; Medicaid patients spend someone else's money, so providers need not compete on price or service.

Medicaid recipients have poor access to medical care. Doctors are five times more likely to refuse seeing new Medicaid patients than privately insured patients, who also have greater access to physicians after ER visits. Increasing reimbursement rates won't induce many doctors to see Medicaid patients; more than two-thirds of doctors reported being overwhelmed by Medicaid's billing requirements, paperwork, and delays in payment.

Medicaid erodes personal responsibility. Many recipients avoid higher-paying jobs and saving money because such admirable behavior disqualifies them from benefits. Hence, Medicaid keeps those it "aids" helpless, on their backs and dependent on government.

Because it is funded through compulsory taxes, Medicaid unfairly competes with insurance companies and charities that must persuade people to become customers or donors. Harvard's George Borjas found that reducing Medicaid eligibility has significantly increased enrollment in employer-sponsored insurance. The Robert Wood Johnson Foundation concludes that "some amount of crowd-out seems inevitable." Hence, Medicaid forces some to depend on government for inferior health care.

One proposal advocates significantly expanding Medicaid eligibility. This would further crowd out insurers and subject yet more Coloradans to Medicaid. The "single-payer" proposal advocates squashing private insurance entirely — forcing us all to depend on government for health care. A scary thought, given Medicaid's track record.

Medicaid should not compete with insurance companies. After all, the government doesn't try to emulate Soviet Russia by operating its own grocery stores. Instead, it taxes us to provide food stamps. Similarly, Medicaid could provide vouchers for private insurance, which some states are already considering.

Yet patients in private insurance markets also suffer from government meddling. Since tax code deeply discounts employer-paid insurance, you're essentially stuck with your employer's non-portable plans. As a captive customer, insurers can afford to mistreat you.

Tax-discounted insurance also drives demand for comprehensive plans that mimic prepaid health care. Legislation mandating minimum-benefits exacerbates this by criminalizing the sale of economical insurance policies. Like Medicaid and "free" single-payer health care, prepaid health care discourages both responsible consumption and competition among medical providers, resulting in soaring costs. It also erodes the doctor-patient relationship by too often placing insurers between doctors and patients.

A solution is consumer-driven health care, which requires that out-of-pocket medical expenses and insurance are taxed the same, regardless of who pays insurance premiums. Untaxed Health Savings Accounts are step in this direction.

Patients' spending their own money on medical care and insurance gives doctors and insurers incentives to satisfy patients instead of bureaucracies. It also empowers patients to consume wisely and take personal responsibility for their health. The RAND Health Insurance Experiment found that patients with the equivalent of consumer-driven plans spent 30 percent less than those with prepaid plans — *with negligible effect on their health*. The United Health Group found that patients with consumer-driven plans sought more preventative care than patients with costly PPO plans.

Empowering patients in this manner is not foreign to Medicaid. Cash and Counseling programs have high participant satisfaction and Colorado's Consumer-Directed Attendant Support operated 21 percent under budget in its first two years.

Medicaid's defenders want government in the insurance business and assert that their reforms can fix the above problems. If so, then why not let individual taxpayers decide for themselves? For every dollar expropriated from taxpayers to fund Medicaid, private charities lose a potential donation. That's unfair to private charities and condescending to taxpayers — as if they were too callous or stupid to recognize if Medicaid were worthwhile.

A tax credit for donations to health care charities would partially level the playing field. The threat of lost revenue would motivate Medicaid administrators to be effective, and taxpayers would have more freedom to fund charities they deem most worthy.

Medicaid fails to meet the commission's criteria for cost, quality, access, personal responsibility, and fairness. The Colorado Legislature should choose consumer-driven over authority-driven health care. Our health is too important to be left to government.

This article was adapted from the author's proposal to the 208 Commission, FAIR: Free-Markets, Affordability, and Individual Rights, available at WhoOwnsYou.org.