



VIEWPOINT

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In a time of extremely limited tax revenue, should the children of relatively well-off Ohioans be using resources that may be better spent elsewhere?

Is Medicaid Expansion Really Necessary?

By Marc Kilmer

If you've turned on your TV lately, you've probably seen Governor Ted Strickland talking about why the federal government should be giving Ohio and other states a cash infusion.

Much like the auto company executives who trekked to Capitol Hill late last year, Governor Strickland is going hat in hand to President-elect Obama and the new Congress asking for federal dollars. But why should the feds give the governor more money when he is still pushing for a costly and unnecessary expansion of state health insurance?

When Governor Strickland and the General Assembly expanded state health insurance coverage for children in 2007, the state was in good financial condition. Now that the federal government has finally signed off on

the plan, the state is facing record deficits. State policymakers have a choice -- proceed with the expansion and deepen the state's financial problems or scrap the plan completely.

Using the rationale that it was needed to help the state's uninsured children, the governor and General Assembly expanded eligibility for the state's health insurance program to allow enrollment of children living in families that make up to 300% of the Federal Poverty Level (FPL). To give you an idea of what this means, a family of four making almost \$63,000 is at 300 percent of FPL.

Because the state health insurance program is funded primarily by the federal government, the state's plan needed federal approval. After over a year of haggling, the federal government essentially gave its approval in December of last year. But just because the federal government has signed off on the plan does not mean that the state must go through with the program.

Governor Strickland's office claims that up to 50,000 children would be covered under this expansion, costing \$6 million in the first year and \$34 million in the second year. But recent studies on this type of government health insurance program points to the fact that most of these newly covered children would either move off of private insurance or would pass up available private insurance to use this program.

The number of children who would do this is unclear. Some studies put the number at 25% of new enrollments and some put it as high as 60%. So between 12,500 and 30,000 of the projected 50,000 newly enrolled children would have had health insurance without this expansion.

Ohio is facing a possible \$7.3 billion shortfall. Spending \$34 million next year to insure 20,000 children is hugely inefficient. Medicaid consumes around \$13 billion of the state budget, and it has a tendency to grow during poor economic times (in the recession earlier this decade it grew by 11 percent per year). Some may say that any amount spent providing health care to these children is a good thing. But in a time of extremely limited tax revenue, should the children of relatively well-off Ohioans be using resources that may be better spent elsewhere?

For instance, wouldn't it make more sense that if we are going to have government health insurance for children that we try and limit it to those families who cannot afford health insurance on their own? According to a state survey, in 2004 (the last year for which there are detailed numbers on this demographic), the uninsured rate of children living in families with incomes between 200 percent and 300 percent of FPL was 8.4 percent. Those are the children who would be targeted by this new expansion.

Consider, though, the uninsured rate of children who live in families with incomes below 200 percent of FPL, which means they are already eligible for the state's health insurance program. In 2007, 13.5 percent of these already-eligible children lack insurance. So the state is looking to expand a program to higher-income children with a lower uninsured rate than the already-eligible group of children. Does that make any sense?

State policymakers are facing bleak fiscal choices during the upcoming legislative session. The potential \$7.3 billion budget shortfall means a number of tough choices need to be made. One choice that should not be tough is refusing to expand an expensive state program to cover middle class children who already have health insurance. If state policymakers cannot say no to this type of superfluous government program it does not bode well for the state's fiscal future.