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## Perspective

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### Medicaid Expansion (Still) the Wrong Solution

by John R. La Plante

When it comes to what kind of health insurance is best for your family, who is in a better position to decide: you, your boss, or the government? Even a decade after HillaryCare was proposed, health care policy depends more on government plans than family-made decisions.

Nearly one in five Oklahomans – 19 percent – have no insurance at all. While most people lose their insurance when they lose their jobs, even having a job is no guarantee of having insurance. Nearly three-quarters of the uninsured in Oklahoma live in a family where at least one person works full time.

The large number of full-time workers without health insurance has led state Rep. M.C. Leist to suggest that Oklahoma consider expanding the Medicaid program. This “would provide bare-bones medical insurance coverage to low-income workers at companies employing 50 or fewer,” Ray Carter of the Journal Record reported September 23. Of the companies which employ 25 or fewer workers, nearly two-thirds (63 percent) do not offer health insurance for employees.

Anyone who wants to find ways to make it easier for people to obtain health insurance should be commended. But adding more people to Medicaid – as Oklahoma has done over the years, and may do in the future – is not the way to do it.

There are three major sources for health insurance coverage. You could depend on your employer to select a policy. Most employers pay at least a portion of insurance costs, money that would otherwise go into wages and salaries. A majority of Oklahomans (52 percent) take this route.

Alternately, you could take some of your paycheck (after taxes) and buy an individual policy. This isn't as common; only 5 percent of state residents do this. Finally, you could depend on a government program (Medicaid or Medicare). Nearly one in five (23 percent) do this.

#### Expanding Medicaid – A Failed Path

One thing going for Rep. Leist's proposal is that it builds on the familiar system of employer-sponsored insurance.

But there are many problems with expanding Medicaid. The most obvious one is financial. Expanding Medicaid will create a growing fiscal pressure on the state. Any number of spending restraints could be set up at first – a limited number of services offered, income limits, co-payments, and the like. But over time, the number of services required by such plans will likely go up, co-payments will go down, and the income level of people who can participate will go up. The combined effects will impose more demands on the state treasury, which could mean higher taxes, lower services in vital government functions, or both.

For the person wanting insurance coverage, Medicaid is a false hope offering substandard care. What it can offer people will always be determined by the political process, not the demands of consumers. For example, some Medicaid patients can receive only three prescriptions per month. Even an increasing Medicaid program will be subject to budget

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cutting at the corners in tough economic times, meaning that some people will have fewer services available, have to pay more in co-payments, or even be cut from the rolls.

Low reimbursement rates discourage doctors from seeing Medicaid patients. According to the Oklahoma Hospital Association, the state pays medical providers only 62 cents for each dollar of treatment. The result? Doctors are reluctant to take on new Medicaid patients, and cost-shifting makes insurance for everyone else more expensive.

Finally, moving roughly three-quarters of the uninsured to a government program – as Leist's proposal would do – would destroy any incentive private insurers still have to offer policies to people who don't get employer-sponsored insurance. In fact, it may prompt some employers to drop the insurance they already cover. Two separate studies in the journal *Health Affairs* suggest that expanding Medicaid causes private insurance coverage to decline up to 50 percent.

### **Fixing the Insurance Market**

Sen. Scott Pruitt suggests that a better alternative to putting more people in Medicaid would be to offer subsidies which people could use to buy into the insurance programs offered by their employer. To the extent that it relies on the private sector, that's better than a standard government program. Illinois, Maine, and New Mexico offer something like this for some residents. But we can do even better by fixing the insurance market, both group and individual.

Of the three methods of obtaining health insurance – private provision, employer-sponsorship, or government program – only one respects your privacy and gives you a choice in what to do. Only one resembles the way that you buy food, shelter, and even auto or homeowners insurance. And that's the individual, or personal, market.

Why don't more people select their own insurance plans on their own? Why is it that most people surrender control over the purchase of their health care?

The answer is not moral failing, or ignorance. It's the laws and policies regulating insurance, which push most people towards the less-than-desirable situation of depending on someone else. Businesses get tax breaks for compensating employees with health insurance premiums; most individuals don't get a break for buying insurance on their own. Tax credits are largely an issue for Congress to take up, but Oklahoma could offer its own tax credit for people who buy health insurance on their own.

Oklahoma should also make it easier for small company employees, and in fact, anyone, to buy insurance by removing obstacles to inexpensive care. Oklahoma needs to shift policy so that what people are able to buy is simple, affordable health insurance.

One place to start is by reviewing (or better yet, removing) mandated benefits from insurance policies. Today, what people usually buy is not insurance – protection against unforeseen, catastrophic events – but rather prepaid medical services, which are more expensive. Benefit mandates, for example, are state edicts that tell insurance companies what a policy must cover. By extension, they tell consumers what they must buy. Benefit mandates "bump up" the use of insurance, and therefore, the price. It's as if people could buy only Cadillacs, not Chevrolets. Repeal the mandates, and prices won't go up as much (and may even come down), so more people could buy insurance.

Another option is to let people decide whom they want to be regulated by. That is, let people buy insurance from all companies – not only out-of-state companies that have been certified by the state of Oklahoma, but also from companies accredited by any other state. Those who want a highly regulated, complex, benefit-rich policy can buy under the terms of one state; those who want something else can buy under the terms of another. From the marketplace, then, will emerge the right combination of benefits and costs.

For the people who truly cannot find inexpensive insurance because of medical conditions, shore up the state health insurance pool. But in return, give insurance companies more freedom from regulations. Another possibility is to encourage community-based care organizations through tax credits and regulatory relief. Tort reform is another path to lower insurance costs, and thus extended insurance coverage. Since the true cost of insurance is obscured to most people (either because they are in a government program, or an

employer pays a substantial part of the premium), they have no financial incentive to be wise health care consumers. The result: unnecessarily higher medical spending, higher premiums, and less insurance coverage.

Two steps at the federal level could help to change this situation. Liberalizing the rules for Medical Savings Accounts (which would encourage consumers to pay in cash for routine care) would help make the true costs of medical care more obvious, leading to more intelligent spending. Giving everyone a refundable tax credit for insurance premiums would encourage consumers to buy insurance without depending on an employer.

The state's ability to act is limited not only by federal law, but also by the nature of small companies. These companies, though a dynamic part of the economy, will always have less money available for employee compensation, whether that be in wages and salaries or in insurance premium support. But for employees of these companies, and indeed for all Oklahomans, the path to affordable health care coverage is a return to basic insurance, away from a dependence on a third party, and towards enhanced consumer sovereignty. You wouldn't want to depend on your employer or a government agency for your homeowners or auto insurance policy; why continue down that path when it comes to your health?

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### **Labor Commissioner Wants Health Insurance for Oklahoma Workers**

Oklahoma labor commissioner Brenda Reneau Wynn, who is directed by law to "advance opportunities of wage earners for profitable employment," says she is becoming increasingly concerned about Oklahoma wage earners' access to health insurance.

In a column this summer, the commissioner lauded OCPA's Oklahoma Policy Blueprint ("a tremendous book") and the free-market health care reforms proposed therein. And she offered this suggestion of her own: Use some of the tobacco litigation money to help Oklahoma's working poor have "more choices and better access to private health insurance."

Reneau Wynn says policy-makers should use some tobacco money "to help wage earners, especially those of low income and with children, to have greater choices in selection of health insurance. Using market ideas and incentives involving private sector vendors, Oklahoma could offer a hand up to those who most need care, including workers in rural Oklahoma."

—BD