

OBAMA'S HEALTH CARE REFORM

The Demise of Federalism?

Undermining State Authority

- **Flexibility in Name Only:** States have played a significant role in developing unique and innovative approaches to address the health care needs of their citizens. During the 08 campaign, then-candidate Obama promoted the idea of state flexibility, but as President he replaced this embrace of flexibility with an embrace of federal standards. Obama has already taken numerous steps to roll back many of the flexibilities extended to states in administering Medicaid and SCHIP.
- **Federal Control over Health Insurance:** Currently, states regulate the health insurance available in their states. Under the Obama plan, the federal government would take over the role of regulator, leaving governors and state insurance commissioners to merely implement the new federal framework.
- **Unknown Costs to the States:** The President's plan is estimated to cost close to \$1.6 trillion over the next 10 years. There is no easy way to pay for this reform. New taxes on businesses and individuals during a time of economic recession would only hurt a state economy. Also, don't be surprised when the states themselves are left paying for part of the bill.

More Medicaid: The Bottom Layer of Health Care Reform

- **More Expansions, More Expensive:** A key part of Obama's proposal is an expansion of Medicaid, increasing the total number of people on Medicaid to about 80 million by adding between 11 million and 18 million people. The Lewin Group estimates this expansion could cost close to \$900 billion over the next 10 years. In addition, if states were also required to increase their Medicaid payments to Medicare levels, the Federal Funds Information for States (FFIS) estimates it would cost between \$168 billion and \$213 billion in the first year alone.
- **States Already Crippled by Medicaid Costs:** The Government Accountability Office has told Congress that Medicaid in its current form is unsustainable. Congress has just provided states with an \$87 billion Medicaid bailout. Medicaid cannot be fixed by giving it more to do.
- **Budget Shortfalls Persist:** The National Governors Association projects states already face a \$350 billion shortfall through FY 2011, although some of it will be offset by increased federal dollars. Medicaid costs are borne almost entirely by taxpayers, with recipients contributing little or nothing to the cost of their care.



A Better Approach to Health Care Reform

- **Promote True Federal–State Partnership:** Instead of the top-down approach of a federal health care reform, federal policymakers should embrace the principles of federalism and allow states to develop innovative ways to address their unique challenges to health care reform.
- **Preserve State Flexibility:** Ease the burden on states by giving them greater flexibility to modernize and manage the Medicaid and SCHIP programs. This includes preventing the weakening of existing state flexibilities.
- **Tackle Fundamental Medicaid Reform:** Expanding Medicaid is neither new, nor innovative, nor reform. Rather than expanding Medicaid, there should be a serious effort to reform it. Such policies would include moving healthy “moms and kids” into private health insurance through tax credits, premium assistance, and vouchers and adopting a “money follows the person” model for self-directing long-term care.

For more information, please visit: <http://FixHealthCarePolicy.com>