

The High Cost of Health Care

By Bill Hobby

Experience government at any level for a time and you may come to believe that it operates according to the rule of unintended results--or by a corollary, that no good deed goes unpunished.

The current debate over Medicaid, the federal-state health insurance program for our poorest citizens, is a classic example.

A look at the national media could convince you that Medicaid is the monster devouring many state treasuries. In this election year, Medicaid and the welfare system that begat it are taking the blame for the lion's share of governmental problems.

It's true that spending for Medicaid has grown. In Texas, for example, state and federal dollars for Medicaid jumped from \$2 billion in fiscal 1987 to an estimated \$8.7 billion this fiscal year.

Lt. Governor Bob Bullock points out that, since 1991, Medicaid has become the fastest growing part of the Texas budget, rising at almost double the rate of prison spending and quadruple the rate of public school spending.

It's also true that Medicaid doesn't rank high on the public popularity list, like highways or prison building.

Let's look at the reasons why Medicaid has grown. The primary reason is federal mandates.

During the last decade, core Medicaid coverage which every state must provide to stay in the program has been expanded. In addition to recipients of Aid to Families of Dependent Children and Supplemental Security Income, Medicaid must cover pregnant women and children up to age six with income up to 133 percent of the poverty level (\$15,814 a year for a family of three).

Also covered are children born after September 30, 1983 with family income up to 100 percent of poverty (\$11,890 a year for a family of three).

Other mandates greatly expanded the list of services for children and required higher payments to nursing homes and hospitals. Congress also extended Medicaid coverage to legalized aliens and immigrants with emergency conditions, including labor and delivery.

No intentions could have been better. All children deserve a healthy start in life. Furthermore, pre-natal care, immunizations and early detection and treatment are likely to save dollars spent on premature births, complications of disease and developmental disabilities.

And how can we in good conscience deny life-saving care because someone suffered an accident on the wrong side of the border?

No wonder then that these health care expansions were bipartisan efforts, bills signed into law by President Reagan and President Bush.

The unintended result was to ratchet up the expenditures on Medicaid, both the 64 percent the federal government pays in Texas and the 36 percent paid by the state. But even with these expansions, Texans still spend less per person on Medicaid than most other states. We rank 43rd.

Still, the caseload for mandated Medicaid coverage will jump from 890 million Texans in 1991 to an estimated 2.3 million in 1993. About 44 percent of all births in this state are now paid for by Medicaid.

It is part of the law of unintended results that when Congress extends free health care to more children, the result may be higher property taxes in your school district. Why? Because the state has to put more dollars into Medicaid to keep federal aid coming and its only options are to cut other programs (like public schools, higher education and prisons) or to raise taxes.

The punishment, as in no good deed goes unpunished, is the political blame for cutting public school budgets, raising local property taxes, raising state taxes, underfunding higher education and turning criminals loose on the streets.

No wonder then, that Lt. Governor Bullock has asked the Senate Health and Human Services Committee to examine Medicaid spending and recommend steps that can be taken now to curb the rate of growth.

Other states have tried the same thing. Oregon rations medical services. Tennessee has begun a bold experiment with a statewide managed care program for the uninsured, using federal Medicaid dollars without federal requirements and rigmarole.

But anyone who thinks Texas can battle the Medicaid monster and win has read too many David and Goliath stories. The factors driving costs are mostly beyond the state's control. Texas has more than 2 million people on Medicaid because it has a high rate of poverty (18.8 percent), a high birth rate and a higher percentage of citizens (25.7 percent) without health insurance.

And the costs of Medicaid are high because health care inflation, fed by the doctors, hospitals, nursing homes, pharmaceutical companies and hosts of other providers, has been running two to three times the general inflation rate for two decades.

The only real solution to Medicaid rests in national health care reform, whether it is President Clinton's plan or another that provides universal health insurance coverage. Only a national plan can address the system's current inequities and have some hope of meaningful cost control.