



The Daily Dish

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After two weeks of negotiations at the global climate summit in Paris, representatives from [195 nations reached a climate-change agreement](#) establishing concrete measures to limit fossil-fuel pollution. The deal applies to almost every nation setting goals to fundamentally change the way energy is produced and consumed to reduce the use of fossil fuels and encourage cleaner forms of energy. [AAF research finds](#) that the U.S. will have to spend an additional \$38 to \$45 billion in order to reach the goals set by this deal, while the benefits will be a global temperature decrease of less than 0.2 degrees.

For the first time in nearly a decade, [the Federal Reserve is expected to raise U.S. interest rates on Wednesday](#). Despite fairly consistent job growth and unemployment rate, low inflation has been one of the main reasons the Fed refrained from lifting interest rates. Economists have predicted that the Fed's federal-funds rate will be back to nearly zero within the next five years.

Eakinomics: The Future of Medicaid

[Medicaid](#) — the joint federal-state program to provide health insurance coverage to the low income and disabled populations — is now over 50 years old. The federal government pays from 50 percent to 74 percent of a state's base Medicaid expenses; the fraction paid is known as the Federal Medical Assistance Percentage (FMAP). In addition, Medicaid expansions are a core part of the Affordable Care Act (ACA). In those states that opted to expand Medicaid (and 17 did not), the federal government is picking up 100 percent of the tab in the near term, and 90 percent of the expansion cost over the long term. The attention paid to Medicaid expansions likely also increased the enrollment of those already eligible for the base program — a phenomenon known as the "[woodwork effect](#)."

The upshot is that Medicaid spends a lot of money. The total reached \$496 billion in fiscal 2014, with the federal government responsible for \$305 billion (61 percent) and state-local

governments picking up \$191 billion (39 percent). Medicaid is responsible for 16 percent (roughly 1 in every 6 dollars) of national health expenditures. The Medicaid expansions were one reason that outlays rose 11 percent in 2014 (up from 5.9 percent in 2013) as federal spending grew 18.4 percent while state spending grew 0.9 percent. Despite that smaller increase, Medicaid accounts for roughly a quarter of state budgets, and health care expenditures have been found to be at the core of state fiscal stress.

Some of that spending went to cover the enrollment that has grown to 71.6 million individuals — up 20 percent since October 2013. However, nearly 10 percent of Medicaid payments were made in error in 2015; Medicaid alone accounts for 14 percent of all improper federal payments.

From a budgetary perspective, then, Medicaid is ripe for reform as part of the utter necessity of getting entitlement spending on a sustainable trajectory. From a program integrity perspective, Medicaid should be part of a focus on making sure that taxpayer dollars are actually being spent as the legislation intended. But the most important reason for reform is that Medicaid coverage does not mean that the poor receive health care. Indeed, the Office of the Inspector General at Health and Human Services has found that children in Medicaid are not receiving all of their required preventive screenings. And the low rate of reimbursement in Medicaid means that many doctors and other providers will not see Medicaid beneficiaries, with the result that recipients are seeking ordinary care in emergency rooms. This crowds emergency departments and is a high-cost location for ordinary care.

The combination of failures on the budgetary, integrity, and access-to-care fronts means that Medicaid reform is an imperative and one outcome of the 2016 presidential elections should be clarity on the alternative paths of future reforms.

Fact of the Day

For every billion dollars of new regulation on an industry, employment in that field declines by 3.6 percent.