

Mooching Off Medicaid

By PAUL KRUGMAN

Conservatives like to say that their position is all about economic freedom, and hence making government's role in general, and government spending in particular, as small as possible. And no doubt there are individual conservatives who really have such idealistic motives.

When it comes to conservatives with actual power, however, there's an alternative, more cynical view of their motivations — namely, that it's all about comforting the comfortable and afflicting the afflicted, about giving more to those who already have a lot. And if you want a strong piece of evidence in favor of that cynical view, look at the current state of play over Medicaid.

Some background: Medicaid, which provides health insurance to lower-income Americans, is a highly successful program that's about to get bigger, because an expansion of Medicaid is one key piece of the Affordable Care Act, aka Obamacare.

There is, however, a catch. Last year's Supreme Court decision upholding Obamacare also opened a loophole that [lets states turn down the Medicaid expansion](#) if they choose. And there has been a lot of tough talk from Republican governors about standing firm against the terrible, tyrannical notion of helping the uninsured.

Now, in the end most states will probably go along with the expansion because of the huge financial incentives: the federal government will pay the full cost of the expansion for the first three years, and the additional spending will benefit hospitals and doctors as well as patients. Still, some of the states grudgingly allowing the federal government to help their neediest citizens are placing a condition on this aid, insisting that it must be run through private insurance companies. And that tells you a lot about what conservative politicians really want.

Consider the case of Florida, whose governor, Rick Scott, made his personal fortune in the health industry. At one point, by the way, the company he built [pleaded guilty](#) to criminal charges, and paid \$1.7 billion in fines related to Medicare fraud. Anyway, Mr. Scott got elected as a fierce opponent of Obamacare, and [Florida participated in the suit](#) asking the Supreme Court to declare the whole plan unconstitutional. Nonetheless, Mr. Scott recently shocked Tea Party activists by announcing his support for the Medicaid expansion.

But his support came with a condition: he was willing to cover more of the uninsured only after receiving a waiver that would let him run Medicaid through private insurance companies. Now, why would he want to do that?

Don't tell me about free markets. This is all about spending taxpayer money, and the question is whether that money should be spent directly to help people or run through a set of private middlemen.

And despite some feeble claims to the contrary, privatizing Medicaid will end up requiring more, not less, government spending, because there's overwhelming evidence that [Medicaid is much cheaper](#) than private insurance. Partly this reflects lower administrative costs, because Medicaid neither advertises nor spends money trying to avoid covering people. But a lot of it reflects the government's bargaining power, its ability to prevent price gouging by hospitals, drug companies and other parts of the medical-industrial complex.

For there is a lot of price-gouging in health care — a fact long known to health care economists but documented especially graphically in a recent [article in Time magazine](#). As Steven Brill, the article's author, points out, individuals seeking health care can face incredible costs, and even large private insurance companies have limited ability to control profiteering by providers. Medicare does much better, and although Mr. Brill doesn't point this out, Medicaid — which has greater ability to say no — seems to do better still.

You might ask why, in that case, much of Obamacare will run through private insurers. The answer is, raw political power. Letting the medical-industrial complex continue to get away with a lot of overcharging was, in effect, a price President Obama had to pay to get health reform passed. And since the reward was that tens of millions more Americans would gain insurance, it was a price worth paying.

But why would you insist on privatizing a health program that is already public, and that does a much better job than the private sector of controlling costs? The answer is pretty obvious: the flip side of higher taxpayer costs is higher medical-industry profits.

So ignore all the talk about too much government spending and too much aid to moochers who don't deserve it. As long as the spending ends up lining the right pockets, and the undeserving beneficiaries of public largess are politically connected corporations, conservatives with actual power seem to like Big Government just fine.
