



## What Should Be Done About Medicaid?

Republicans are in a bind. In order to give substance to their new budget bill, they need to cut Medicaid spending by billions of dollars. Yet the White House and many congressional Republicans insist that they do not want to cut Medicaid benefits.

Here is where DOGE can come to the rescue. In mainstream economics there is a technical definition of “waste.” A system is wasteful if it is possible to make a change that can, in principle, makes everyone better off.

Fortunately, Medicaid is so inefficient that it provides us with a rich bundle of opportunities. We can make changes that vastly improve services for the beneficiaries and free up billions in savings for

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### 1. Let people buy health care the way they buy food with food stamps.

If they go to a community health center or an ER, they pay Medicaid rates. But if they go to a MinuteClinic or a free-standing ER or any private practice doctor, they can add cash to the Medicaid rate and pay the market price.

When people are newly enrolled in Medicaid, their visits to the ER [increase by 40 percent!](#) A likely reason is that [many doctors won't see Medicaid patients](#) and even if they do, they are [the last patients](#) doctors want to see. Also, many of our [best medical centers](#) won't take Medicaid managed care.

As an alternative, Medicaid patients should be

able to buy medical care the way they buy food. In the supermarket, low-income shoppers are free to combine food stamp funds with out-of-pocket money and pay market prices. In health care we have made that option illegal.

### 2. Let them have a Roth Health Savings Account.

Medicaid managed care insurers can make deposits to these accounts, which can be designated for numerous purposes, including

purchasing all primary care. Any money not spent can be withdrawn for other purposes without taxes or penalties.

Many years ago, a randomized controlled trial by the RAND Corporation established that with the

economic incentives described here, health care spending would be reduced by 30 percent. The savings in this case would be shared by the enrollees and the taxpayers.

### 3. Give them access to direct primary care.

This is 24/7 access along with a doctor's phone number. Medicaid could supply the funds or let enrollees make monthly payments from their Roth HSA. In all cases, people should pay market price.

About two-thirds of the visits to the emergency room are unnecessary, and ER care is very expensive. With this reform there would be a lot less of that kind of wasteful health care.

## More Opportunities to Cut Government Waste

There is a great deal of waste in our entitlement programs. By cutting out waste, we can actually make these programs work better for the people who depend on them.

### E-verification: government.

Last year the Social Security Administration said it has identified 2 million beneficiaries who have been overpaid. It has sent them “clawback” letters, demanding Uncle Sam’s money back. In some cases, the claims go back several decades, and the amounts can be [in excess of \\$300,000](#).

It is not surprising that Social Security personnel make so many mistakes. The system has [2728 rules](#) and [hundreds of thousands](#) of pages explaining the rules governing just 13 basic benefits. For decades we have been relying on humans to do what only a reliable computer program can do. And the agency doesn’t have one.

Fortunately, one exists. Professor Laurence Kotlikoff is the nation’s top authority on Social Security and his [online calculator](#) is by far the most accurate program there is, and it helps beneficiaries make the choices that maximize their benefits. It’s available to everyone for a reasonable fee.

Is there any reason why the federal government cannot lease this program, or buy it, or replicate it and make it available to every beneficiary for free? The government would save money by reducing overpayments and by hiring fewer error-prone human employees.

More generally, federal agencies should be sharing information electronically—across all entitlement programs. If one agency knows a beneficiary is dead, [every other agency ought to know that as well](#)

### E verification: beneficiaries.

[Project Unity](#) is a 25-year-old nonprofit entity that serves the needs of several thousand people in ten Texas counties. As far as I know, it is the only organization in the country that operates as a one-stop shop to determine eligibility for as many as 80 different welfare agencies with federal funding.

Without Project Unity, low-income families would have to jump through one set of hoops to see if they are eligible to enroll in Medicaid and to complete the enrollment. Another set of hoops would be needed to get federal food stamps. Yet another for TANF (cash welfare) benefits. Another for housing.

Since none of these agencies is electronically linked to the others, in principle a family faces as many as 80 different sign-up barriers to get the help they need.

What Project Unity is doing in Texas should be a universal service available to everyone at the bottom of the income ladder.



*Ed Curtis (CEO of YTexas), following Dr. Goodman’s presentation to Texas entrepreneurs.*

## Assessing the Biden Presidency

Most of the time, presidents have only a marginal impact on the economy. Consequently, they should be judged not on what happened on their watch, but what they did or didn't do relative to what happened.

**Energy.** One of Biden's first acts as president was the cancellation of the Keystone Pipeline, which would have brought oil from Canada to the U.S. He went on to pause new oil and gas leases on federal lands. In the waning days of his administration, he banned offshore drilling on large swaths of U.S. waters.

In the end, U.S. oil production was at an [all-time high](#). But that was not *because of* Biden. It was *in spite of* Biden.

**Taxes.** The best thing you can say about Biden's tax policy ideas is that almost none of them were enacted. When Donald Trump became president, the U.S. had one of the highest corporate tax rates in the world. Trump tax reforms cut the top rate from 35 percent to 21 percent - resulting in more investment, more output and a [larger economy](#). Biden proposed to cut that tax break in half. [Kamala Harris](#) at one point favored eliminating it altogether.

**Regulation.** Without even counting Operation Warp Speed (which produced the Covid vaccine), University of Chicago economist [Casey Mulligan](#) finds that the Trump administration reduced regulatory costs by almost \$11,000 per household in present value. By contrast, the Biden-era regulations created a burden of almost \$10,000 per household.

**Inflation.** [Economists do not agree](#) on why

we had excessive inflation during the Biden presidency. I side with [monetary economist Scott Sumner](#), who says that what we have experienced is almost totally a demand-side phenomenon.

That said, there is one thing economists are unanimous about: The [Biden/Harris explanation](#) of inflation is hogwash. There is no such thing as an economic theory of inflation based on greed.

**Medicare.** On more than one occasion, Biden promised, "I will never cut Medicare." Yet the Inflation Reduction Act (IRA) cut [more than \\$300 billion](#) out of the Medicare Part D program. As a result, drug insurance premiums for seniors last fall would have doubled right before the November elections had the Democrats not found a dubiously legal end-run. They "borrowed" money from the Medicare trust fund and gave it to insurers who agreed not to raise premiums. That election-year gimmick didn't solve the problem. It merely delayed the problem.

**Obamacare.** Biden can rightfully claim credit for enhanced subsidies in the (Obamacare) exchanges, and that has substantially increased enrollment. But this is the wrong solution for the wrong problem.

We are over-subsidizing the healthy and under-subsidizing the sick. Half the people with individual insurance are paying no premium at all. We are literally giving the insurance away. But the out-of-pocket exposure for someone with high medical expenses is \$9,200 a year and twice that for a family.