

Why an influential GOP health policy expert still backs the Medicaid cuts — and which policy target is next

Brian Blase say backlash to cuts overlooks key arguments in favor of them

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WASHINGTON — Brian Blase, president of Paragon Health Institute, has become a trusted adviser to Republicans in Congress, who passed sweeping changes to federal funding for health care last year.

The Medicaid program is expected to pay out some \$1 trillion less than projected over the coming decade, thanks to policies Blase supported. The changes are causing health providers to scramble and rethink how they offer care.



Paragon Health Institute President Brian BlaseParagon Health Institute

The cuts to the Medicaid program through the One Big Beautiful Bill Act were used to offset the cost of tax cuts — a change that's expected to lead to 7 million people losing Medicaid coverage, according to preliminary estimates from the nonpartisan Congressional Budget Office.

As the health system begins reckoning with those changes, Blase spoke with STAT about the policy shifts, his experience with the Affordable Care Act marketplace, and which policies he's targeting next.

This transcript of the interview has been edited for length and clarity.

It's been a little while since the One Big Beautiful Act passed. How do you, at this point, see the policies you were involved in?

The amount of financing schemes and corporate welfare in Medicaid is greater than we thought last year when Congress was debating the Medicaid provisions — and the federal fiscal situation is worse.

So I think the reforms are more important now than I thought they were last year. And I thought they were really important last year.

What about the medical frailty rules that have been released since the law passed — how do you think about those?

From a federal government perspective, a good government perspective, it's really problematic when states can draw down so much federal money without spending really any or more than a very small amount of their own money.

What the work requirement and community engagement requirement checks will do is help deal with the improper enrollment issue.

That's really important because states have just not done proper eligibility [reviews] of the expansion [population].

I think what the administration did is implement Congress' intent.

In talking with hospital leaders, some will concede that the financial sustainability of the Medicaid program is a concern

— but they also say the cuts weren't done thoughtfully. Do you agree?

I think that's all crazy. Federal Medicaid spending is up 10% year over year. Like, there have been no cuts.

If you compare spending to a 2021 baseline — not that long ago, five years ago, and it's not like we had a really small, efficient Medicaid program then — spending exploded during the Biden administration.

One reason is the growth of state-directed payments. They became a huge source of revenue by hospitals — Medicaid paying up to average commercial rates. It's absurd to think that Medicaid, a welfare program, would be paying like two and a half, three times what Medicare pays.

I wasn't really aware of state-directed payments until two years ago when I went to a meeting with investors and they told me that I should spend some time looking at them because hospital financials, they were reporting so much revenue from these state-directed payments.

Then we started digging into them, and we're like: "Oh, my God, this is crazy."

And proposals to change provider tax provisions have been around for decades.

So to say what was implemented in OBBA was not well thought out — that was being considered as far as what the Simpson-Bowles Commission, created by President Obama, recommended in 2010.

Quite frankly, this is states and industry addicted to federal money, and they don't want to let go of it.

Why do you see hospitals now, at least some hospitals, saying: "We're already going to cut back on some services; we're considering facility closures?"

What do you expect them to say?

But some of these things are already happening. Mergers and acquisitions, for instance —

Well, the mergers and acquisitions certainly predate OBBA, right? You have a surge of mergers and acquisitions post-ACA. The biggest explanation for that is probably the minimum loss ratio in the ACA and the complexity of the law.

But you're saying that you just don't really believe that there are going to be lots of facility closures or service line rollbacks or anything like that because of this.

I mean, we produced a figure last week that shows the number of rural hospitals and [federally qualified health centers] has significantly increased over the past year.

And you don't expect that to go down once more of this is implemented — or you're OK if it does?

There's always going to be a lot of hospitals that close. Many rural hospitals that close — like [Assistant Secretary for Planning and Evaluation] did this report on looking at hospitals that close — people don't go there anymore. People bypass them for receiving services.

So in any market, there is a healthy amount of entry and exit. In health care, there is way too little exit. So we prop up inefficient providers and systems forever.

The health care sector is just grossly inefficient.

Of course they're going to say, we're gonna close, we're gonna shut down, we're gonna do this, we're gonna do that, unless we get more money. But we haven't seen that.

So you're saying that just all the sort of gloom and doom that's out there about the impacts of this is just not founded in reality?

I don't know if I would say it's not founded in reality.

I'm saying it lacks the necessary story that federal Medicaid spending exploded over the past five years.

What's next for you?

These policies need to be effectively implemented.

You've got a lot of these state-directed payments that are up [to] average commercial rates and they need to be brought into compliance with Medicare payment rates.

That's going to be politically challenging.

What should be next for Congress?

There's a lot to fix in the health care system beyond just these issues.

I think the No Surprises Act has been a complete disaster and is raising premiums considerably. And that is a fault of Congress. So Congress needs to fix the No Surprises Act.

The No Surprises Act has led to some outrageously high awards, and it incentivizes providers to stay out of network, which gives them leverage in their negotiations with insurers, which means that insurers have to pay them more to bring them in network, which means premiums are going to go up.

Do you think that that's going to be an area where there could be bipartisan consensus after the midterms? Have you talked to Democrats about it?

I do.

We have talked to some Democrats in terms of reviewing our paper on it.

We do plan on bipartisan outreach on the recommendations for when the paper is released.

Congress on a bipartisan basis created this problem. So hopefully on a bipartisan basis, they can fix the problem that they created.

You've said your family is on an ACA plan — are you still on the marketplace, and have you seen any improvement in those plans from recent changes?

We are still enrolled in an ACA plan, and the ACA plans are terrible.

Last year we had the option of a \$38,000 annual premium for a \$14,000 deductible — through Florida Blue.

We instead went with an Oscar plan, which was like a \$30,000 premium for a \$14,000 deductible.

And one of the things we have learned is that no providers take the Oscar plan.

So when my family uses health care, we just entirely go out of network.

Do you think these changes are going to improve this anytime soon?

I do not. I think what we need are options other than the ACA. Its regulatory structure in my view has failed. And we need alternatives that are not ACA.

Now, I think that is a very high political lift.

But hopefully we can get some alternatives that are more flexible in terms of their pricing and benefits for families that want to pay without using government subsidies.