



**Ohio's Looming Crisis**  
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Over the coming months, Ohio policymakers increasingly will see darkening clouds on the horizon as three problematic issues intersect. No one can state with any certainty when the issues will intersect, but it is clear the three issues will come together. When those issues do, Ohioans once again will face dire straits. So, what are the three issues?

First, the outcome we predicted would occur with Governor John Kasich's ill-advised expansion of Medicaid under Obamacare. Namely, Governor Kasich wrote a blank check payable by taxpayers when he expanded Medicaid. He had no true idea how many Ohioans would be eligible and, therefore, no idea how much taxpayers would have to pay to cover Ohio's portion of the costs. This decision was fiscally irresponsible, as it committed billions far into the future.

According to the latest report from Governor Kasich's administration, the [expanded Medicaid population hit 687,602 people](#) in August. This figure is 150% greater than his original estimate of [275,000 people](#) and 88% greater than his revised estimate of [366,000 people](#). Beginning in January 2017, Ohioans will be on the hook for 5% of the cost of adding these individuals to Medicaid. Based on the August figures, the total annual cost is roughly \$5 billion, which places Ohio's 2017 tab at over \$250 million. By 2019, Ohioans will have to pay at least 10% of the cost. At some point, Ohioans also must pay the deficit spending related to expanded Medicaid that is increasing the national debt, along with the interest on the national debt.

The federal government not surprisingly rejected Governor Kasich's effort to cut the number of people on expanded Medicaid. As [reported in the Toledo Blade](#), "A state proposal to require working poor adults on Ohio's expanded Medicaid rolls to pay more toward their health care or risk losing coverage was rejected Friday by the federal government." Ironically, the only chance Governor Kasich has of getting greater federal cooperation is if Donald Trump, who he has refused to support, wins the 2016 presidential election and changes federal Medicaid policies.

Next, Ohio's private sector job market remains mediocre, at best. Through July, Ohio's private sector has added only 23,200 jobs in 2016. Since Governor Kasich took office, Ohio's private sector is ranked 25<sup>th</sup> for net percentage growth. The most likely scenario when Ohio's private sector will fully recover from its peak employment in March 2000 is January 2020, which means a child born at the peak will be a sophomore in college before the peak is reached again.

Part of the reason Ohio's expanded Medicaid population is so large is because its private sector is so weak. Without robust job growth, workers face stagnant wages and benefits as the supply of qualified workers outstrips the demand. In sum, Ohio's perpetually weak private sector

places more workers in economically vulnerable situations. To further complicate the issue, [a recent study found](#) that “Obamacare’s expansion of Medicaid reduced employment in those states that participated in it by a statistically significant extent.” The author found “a significant negative relationship between Medicaid expansion and labor force participation, in which expanding Medicaid is associated with 1.5 to 3 percentage point drop in labor force participation.” Ohio’s Labor Force Participation Rate in August was 62.8%, which is [substantially lower than the peak of 67.8%](#) in 2007. Ohio’s official unemployment rate is grossly misleading.

Finally, with a weak private sector and state government spending going ever higher, [Ohio’s economy is not producing the tax revenues](#) policymakers had hoped for. The decline in revenues over the [last few months](#) as Ohio’s expanded Medicaid bill is coming due will present fiscal problems as the next state budget is developed in 2017. Given the [explosive growth of the state budget over the last decade](#), Ohio has a spending problem driven by policymakers who preach the language of fiscal conservatism, but practice the ways of big government liberalism.

The upcoming intersection of booming expanded Medicaid, anemic private sector job growth, and declining tax revenues won’t be pretty. It will be even worse should America fall into a national recession. Should a recession occur, more people will enroll in Medicaid as the private sector sheds jobs and tax revenues plummet – just when more government services will be needed. We are due for a cyclical recession, as the economy has expanded tepidly since 2008. The current recovery is the [fourth longest since 1929](#). When it does, Ohio will once again enter a [death spiral](#) caused by policymakers failing to make tough choices.

The way out of this predictable mess isn’t hard. It just takes policymakers willing to fight the big fights. Here are three simple policy reforms that would immediately put Ohio on a more stable foundation:

- Repeal Governor Kasich’s expanded Medicaid;
- Reduce state spending across the board by 10% or at least impose a hard spending freeze over the next two years; and
- Prepare for and pass a right-to-work law for Ohio’s private sector.

These three reforms would send a strong message to Ohioans and their businesses that policymakers finally understand the importance of true fiscal restraint and how the private sector really works. As importantly, it would send a strong message to non-Ohioans and their businesses that Ohio’s future is one they will want to be part of. After all, the private sector job growth in Indiana and Michigan after those states passed right-to-work laws in 2012 solidly outpaces Ohio during the same period of time. Moreover, instead of spending billions educating our kids in public schools so they can take their skills to states with greater opportunities, we can retain our highly educated graduates and become a magnet for the best and brightest graduates from other states.

Policymakers can prevent the crisis just around the corner, but they must act soon.