

Commission Drafts Plan For Medicaid Budget Cuts

BY JOYCE FRIEDEN

Associate Editor, Practice Trends

WASHINGTON — Changing the reimbursement formula for prescription drugs, tightening rules for asset transfers prior to receiving nursing home care, and letting states increase copayments for nonpreferred drugs were among the recommendations of a commission charged with finding ways to cut \$10 billion from the Medicaid budget over the next 5 years.

"This needs to be balanced," commission chair Donald Sundquist, a former Republican governor of Tennessee, said of the list. For example, "we don't want to hit the pharmaceutical companies with everything."

The Medicaid Commission, which was called for by the fiscal year 2006 federal budget agreement and chartered in May by Health and Human Services Secretary Mike Leavitt, included 13 voting members and 15 nonvoting members representing a variety of interests.

At an August meeting, commissioners heard many proposals for paring down the budget. Ray Sheppach, executive director of the National Governors Association (NGA), outlined steps governors would like to take, including instituting closed formularies, determining each state's dispensing fee (rather than being subject to a federal cap), increasing the rebate from drug manufacturers to 20% from the current 15%, and having more leeway to establish multistate and in-state purchasing pools.

As for reforming the Medicaid long term care program, he said, there is a "fairly sophisticated group of lawyers now who are helping people move their assets or income streams to their children or other people so they can [qualify for] Medicaid."

To prevent people from taking advantage of loopholes, Mr. Sheppach said the NGA favored increasing the "lookback" period—the period during which transferred assets are still be counted as a beneficiary's assets in determining Medicaid eligibility—from 3 to 5 years. "We also think the type of asset should be expanded so we can look at most assets, including trusts and annuities. And although it will be somewhat controversial, we believe that housing—which is an increasingly valuable asset—should also be put on the table."

The "lookback" proposal was among those making the list of recommended cuts, as were two other NGA proposals: tiered prescription copays and reform of Medicaid drug reimbursement.

The idea of clamping down on asset transfers caused concern for some commission members. "Do we have enough real information to make those kind of judgments on this point?" asked commission member Gwen Gillenwater of the National Council on Independent Living.

Commission member Douglas Struyk, president and CEO of the Christian Health Care Center, a long-term care facility in Wyckoff, N.J., said beneficiaries sometimes have innocent reasons for transferring assets to their children prior to applying for Medicaid, but those situations are in the minority. "The gaming far exceeds situa-

tions where [asset transfer] happens in the normal course of families taking care of different generations," he said.

Mr. Struyk added that nursing homes must be held harmless financially in circumstances where Medicaid beneficiaries were no longer able to pay for their care because they had transferred assets without bad intention, a sentiment endorsed by other commission members.

The "tiered copayments" proposal, which would let states implement higher copayments for nonpreferred drugs, also attracted a lot of interest.

John Monahan, president of state-sponsored business at WellPoint, the for-profit California Blue Shield plan, said that he favored increased use of generic drugs. "Getting [people to increase] utilization of generic up by even 5% would be an incredible savings."

John Ruge, M.D., CEO of the Hudson Headwaters Health Network, in Glens Falls, N.Y., added that "with the psychotropic meds, there's a huge danger in [substituting] one antidepressant for another, one atypical antipsychotic for another. They clearly have to be tailored to the individual."

Commission vice-chair Angus King, former Independent governor of Maine, said he thought the issue could be dealt with because of the ability of the physician to override any preferred drug if it was clinically necessary to do so. He noted that in Maine, such override requests are usually filled within 72 hours.

Commission member Carol Berkowitz, M.D., president of the American Academy of Pediatrics, said she was concerned about how well such an override system would work. Although such requests may take only 72 hours to process in some states, "in my experience it's 30-45 days before it gets approved."

The idea of higher copays for nonpreferred drugs "is potentially good, but you've got to get the components in place [so it] doesn't have a negative impact on the patients," added Dr. Berkowitz, who practices in Los Angeles. A suggestion to remove that provision and replace it with another cost-cutting measure was voted down.

Although 24 cost-cutting proposals were on the table at the end of the first day of the commission meeting, when the commission came back the second day, they were presented with a "Chairman's Mark" list of six measures, which totaled an estimated \$10.3 billion-\$11.1 billion in savings over 5 years.

"We sat out here in the lobby" and took input from members as they came and went, Mr. Sundquist said. The list was approved in its entirety after several attempts to amend it were voted down.

At its next meeting, scheduled for late October, the commission will begin the second phase of its work: making recommendations for long-term restructuring of the Medicaid system. ■

For information on the Medicaid Commission go to www.cms.hhs.gov/faca/mc/details.asp.

POLICY & PRACTICE

Merck Loses First Vioxx Lawsuit

A jury in Texas last month awarded \$253 million to the widow of a man who died after taking Vioxx (rofecoxib). The plaintiff charged that the drug maker Merck & Co. failed to warn physicians about the danger posed by Vioxx, that the drug was improperly designed, and that the company's negligence caused the death of the plaintiff's husband, Robert Ernst. Merck executives plan to appeal the verdict on the grounds that the jury was allowed to hear testimony that was both irrelevant and not based on reliable science, the company said. "While we are disappointed with the verdict, this decision should be put in its appropriate context," Kenneth C. Frazier, Merck's senior vice president and general counsel, said in a statement. "This is the first of many trials. Each case has a different set of facts. Regardless of the outcome in this single case, the fact remains that plaintiffs have a significant legal burden in proving causation." The award included \$24 million in actual damages and \$229 million in punitive damages. But the punitive damages could be reduced to about \$2 million, according to Merck, since punitive damages are limited under Texas law.

Chronic Care Pilot Projects

Medicare is launching chronic care pilot projects this year aimed at improving care for people with heart failure and diabetes. The program, called Medicare Health Support, will provide free, voluntary services to about 160,000 Medicare fee-for-service beneficiaries for 3 years. Participating patients will get access to nurse coaches; reminders about preventive care needs; prescription drug counseling; home visits and intensive care management, when needed; and home monitoring equipment to track health status. At press time, eight areas had been selected for the program: Maryland, Oklahoma, Western Pennsylvania, Mississippi, Northwest Georgia, Chicago, Central Florida, and the District of Columbia. "Because early intervention is tremendously important in treating chronic illnesses, we are providing beneficiaries additional tools to help them manage their health more effectively and avoid preventable complications," Health and Human Services Secretary Mike Leavitt said in a statement.

Demographics of Uninsured

Although they make up only 15% of the U.S. population, Hispanics comprise nearly 29% of the uninsured in that population, according to the 2004 Medical Expenditure Panel Survey (MEPS) findings from the Agency for Healthcare Research and Quality. More than one in three Hispanics is uninsured, and 25% are covered by public health insurance. In addition, Hispanics constitute 36% of all uninsured children under 18. "These results confirm the urgency of identifying effective policies to expand access to care for all Americans, particularly Hispanics," said

AHRQ Director Carolyn M. Clancy, M.D. In other findings, white non-Hispanics made up 65% of the U.S. population and almost 50% of the uninsured. About one in seven whites was uninsured, and 10% had only public insurance. Black non-Hispanics made up almost 13% of the population and almost 15% of the uninsured. Young adults aged 19-24 were at greatest risk of being uninsured, with 35% having no insurance coverage for the first part of 2004. The report noted the lack of coverage was worst for young Hispanic adults, with 56% uninsured.

When the Price Isn't Right

Brand name pharmaceutical prices continue to increase, far exceeding the rate of general inflation in 2005, according to an AARP "Rx Watchdog Report." More than one-half of the drugs in the sample, 110 of 195, had increases in manufacturer price during the period from Dec. 31, 2004, through March 31, 2005. Taking into account price increases in recent years, the report estimated that a typical older American (who takes three prescription drugs) is likely to have experienced an increase, on average, in the cost of therapy from the year 2000 through March 31, 2005, of \$866.16 if the drugs are brand name products used to treat chronic conditions and the full price increases were passed along to the consumer. "We are very disappointed that brand name manufacturers have failed to keep their price increases in line with inflation," said AARP's CEO William Novelli, who promised to educate older consumers on how best to find affordable drugs that suit their needs.

Methamphetamine Crisis

The methamphetamine crisis has meant major problems for law enforcement and child welfare workers, according to two new surveys by the National Association of Counties. The first survey, which included responses from 500 local law enforcement agencies, found that 87% reported an increase in methamphetamine-related arrests beginning 3 years ago. More than half the counties said methamphetamine was their largest drug problem, with an estimated one-fifth of jail inmates incarcerated because of meth-related crimes. In the second survey, which involved child welfare officials in more than 300 counties, 40% of respondents reported increased out-of-home placements because of meth addiction in the past year, and nearly two-thirds of officials agreed that the nature of the meth-using parent increased the difficulty of family reunification. "As our surveys confirmed, methamphetamine abuse is a national drug crisis that requires national leadership," Valerie Brown, chair of the association's membership committee, said in testimony to a House subcommittee. "A comprehensive and intergovernmental approach is needed to combat the methamphetamine epidemic."

—Jennifer Silverman