Medicaid: Doing Away With 'One Size Fits All'

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WASHINGTON — States should have the flexibility to experiment with innovative measures to improve the Medicaid program, Rep. Nathan Deal (R-Ga.), said during a meeting sponsored by the Center for Health Transformation.

"One size fits all" was the concept at Medicaid's inception, but the truth is "no one size fits everybody, every state," said Rep. Deal, chairman of the House Committee on Energy and Commerce Subcommittee on Health. States over the years have gotten out of this one-size-fits-all approach by applying for waivers, which has resulted in a patchwork of Medicaid programs, he said.

States are the testing ground for what works. For that reason, the congressional role in Medicaid reform should be to make broad program outlines, to allow "states the ability to tailor their programs as best as they think meets their needs, without having to come to Washington to ask for waivers all the time," he said.

Medicaid is the single largest component of every state's budget, Rep. Deal noted. Even though it's technically a federal/state partnership, many states can't pay their portion. "It's breaking their budget."

The nation's governors have proposed a framework that Congress has been working to implement, he said. One of the things they asked of Congress "is to be more selective in the way we allow them to present and manage their programs."

Instilling a sense of personal responsibility in the beneficiaries and giving them more choice in their care will help the states achieve that goal, he said.

The irony about Medicaid is that "we have created a tax-supported health delivery system that's much more generous than what any of us can buy in the private insurance market. And certainly much better than what you could buy as an individual insurance policy."

The problem is that once you cross the Medicaid eligibility threshold, "all of sudden you're in a vast land of health care delivery, where you have all of these benefits whether you need them or not." This structure does not allow the health delivery system to do things like disease management, to focus resources on particular medical needs, to do overall management on the health care system, he said.

Medicaid also has limited deductibles and copays built into its federal formulation. "The governors have asked us to change that," he said. Making copays mandatory or enforceable "goes a long way for putting the idea of personal responsibility back into the system."

Obviously, the mandate would have to exclude certain categories, such as children below the poverty level and certain disabled beneficiaries. However, for those with eligibility levels in the upper categories, "that's certainly an appropriate place to go," he said.

Instead of walking behind that "magic curtain" and being eligible for everything, the governors are saying "let us make the benefits flexible, tailored to the needs of the beneficiary, and thereby allow us to save money, and in the process do a better job of delivering better health care," Rep. Deal said.

A difficult area in need of reform is reimbursement for drugs, he said. The current system "is very complicated and, I think, subject to manipulation."

The hope is to abandon the old formulas and convert to the "average manufacturer's price," he said. "The AMP is an effort to come at a price formulation that is as close to reflecting the true cost [of the drug] as possible," he said. Differentiations between chain drug stores, community pharmacists, and mail-order drug companies are distorting the actual cost of the drug. The goal of the AMP is to arrive at a realistic reimbursement number, "so we don't make pharmacists bear the brunt of reforms. Expecting the dispensing agent to absorb the cost differentials, I don't think that's fair or realistic."

In long-term health care, "we also need to begin the cycle of taking care of ourselves when we can, by buying long-term health care insurance," he said. The federal government could set an example with its own employees, and provide some tax incentives to spur that effort. Getting federal and state employees into a long-term heath care insurance plan would dramatically reduce the cost of Medicaid in the long term.

Reforming Medicaid won't be easy to do, he said. "States have been operating under judicial constraints. We have some states that have been sued, many of them operating under consent orders that have tied their hands every time they apply to federal government for a waiver."

The approach has to be a basic structural reform, he concluded. "You cannot achieve these goals without going back into this program and restating the concepts of the program itself. And that's always a difficult task to do."

Because these reforms would require changes to the Medicaid law, he expects that "demagogues would come out of every corner accusing us of all sorts of things." The same thing happened with welfare reform, where Congress was accused of starving people on the street, he said. ■

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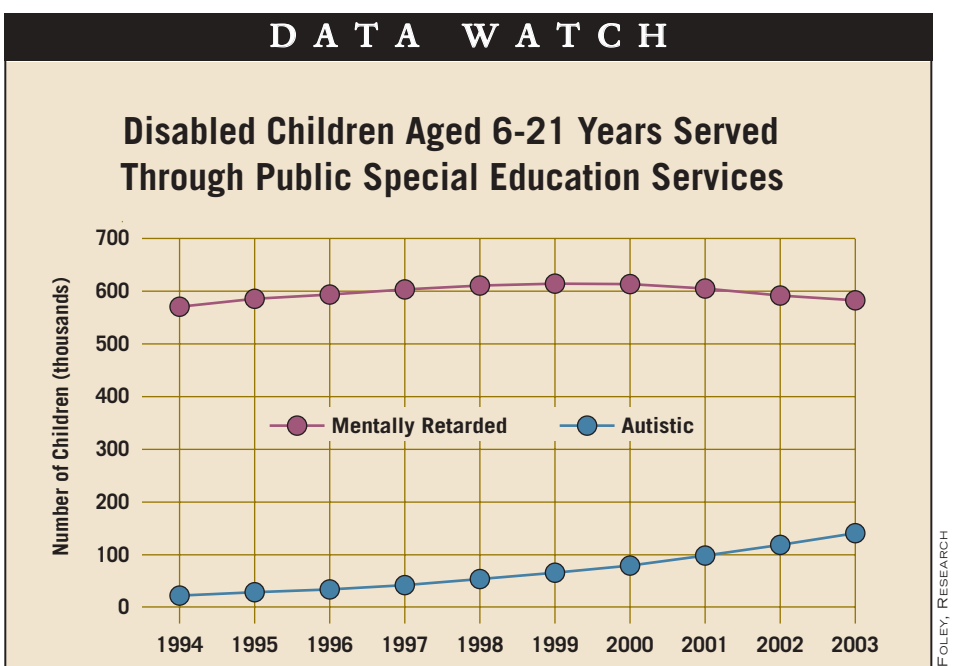

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