

Medicaid's 'One Size Fits All' Idea Outdated

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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, he said. 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 the governors 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 a 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 entitlement 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 re-

sponsibility 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 added. The current system "is very complicated and, I think, subject to manipulation."

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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, he said. Getting federal and state employees into a long-term health care insurance plan would dramatically reduce the cost of Medicaid in the long term, he said.

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 the 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 actual 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, according to Rep. Deal. ■

POLICY & PRACTICE

HHS Buys More Avian Flu Vaccine

The Department of Health and Human Services is spending another \$62.5 million to buy vaccine to be used in the event of an avian influenza pandemic. HHS awarded the contract to Chiron Corp. to produce vaccine against the H5N1 influenza strain. "An influenza vaccine effective against the H5N1 virus is our best hope of protecting the American people from a virus for which they have no immunity," Secretary Mike Leavitt said in a statement. Last month, the government awarded a \$100 million contract to Sanofi Pasteur to produce a similar vaccine. HHS officials plan to buy enough H5N1 vaccine for 20 million people and enough influenza antiviral medication for an additional 20 million people. Both will become part of the Strategic National Stockpile.

Managing Finances a Challenge

Most physicians say that managing their finances will become more challenging over the next few years, according to a survey conducted by American Express. The survey was based on online interviews with 360 mostly primary care physicians and ob.gyns. in private practice. Additionally, 100 oncologists, 102 dermatologists, 100 urologists, 101 ophthalmologists, and 116 dentists in private practice were surveyed. For 83% of the survey respondents, managing the dual role of practicing medicine and running their business is a challenge. Nearly 75% said they need more financial training.

Humana Settles Class Action Suit

Humana and representatives of more than 700,000 physicians settled a nationwide class action suit that had been pending in U.S. District Court for the Southern District of Florida for more than 6 years. The original lawsuit alleged a conspiracy between Humana and other HMOs against physicians, "to manipulate software to cheat the doctor out of getting paid money due for services rendered," Archie Lamb, lead co-counsel for the physicians, said in an interview. Pursuant to the settlement, Humana has agreed to pay \$40 million to physicians, as well as modify its software system to make it more fair and efficient for physicians—changes worth more than \$75 million. "Humana should be commended for joining the growing list of health insurance companies that have settled with the nation's physicians," Mr. Lamb said. Those companies include Aetna, Cigna, Prudential, and HealthNet.

Public Favors EHRs

Nearly three-fourths of Americans favor establishing a nationwide electronic information exchange to allow patient health records to be shared quickly among health professionals via the Internet, according to a survey of 800 adults sponsored by the Markle Foundation. However, 79% of respondents said it was important to make sure sharing could take place only after patients

gave their permission. "Americans use digital information technology to pay bills, book flights, and customize the music they listen to, and our research shows they now want to use health information technology to get the best care possible for themselves," said Zoe Baird, the foundation's president. "People realize that if they or those they love are in an accident or disaster, having their medical records available at a moment's notice through secure, electronic information exchange could mean the difference between life and death."

Pinpointing Side Effects

In an attempt to more quickly pinpoint the potential side effects of drugs on the market, the Food and Drug Administration has contracted with several organizations to access their prescription drug data. Ingenix Inc., a unit of UnitedHealth Group Inc.; the Kaiser Foundation Research Institute; Vanderbilt University, Nashville, Tenn.; and the privately held Harvard Pilgrim Health Care Inc. each won contracts worth about \$1.35 million to provide the data. Under the agreements, FDA scientists will be able to search each organization's database of medical claims and prescription drug use. The databases include information from patients enrolled in private insurance plans and state Medicaid programs. "These proactive efforts should enhance the FDA's ability to identify and assess issues and potential risks related to pharmaceutical agents in a more timely fashion than ever before," said Terri Madison, Ph.D., president of i3 Drug Safety, which will lead the Ingenix program. In a statement, Alan Goldhammer, Ph.D., associate vice president for regulatory affairs at Pharmaceutical Research and Manufacturers of America, said PhRMA supported "new approaches to improving pharmacovigilance." The group called on the CERTs (Centers for Education and Research on Therapeutics) to hold a workshop on this topic.

Voters Doubt Congress on Access

Roughly two-thirds of voters think Congress has not made much progress on helping those without health insurance, and is not likely to make much more in the next 5-10 years, according to a survey of 800 likely voters sponsored by Ceasefire on Health Care, a group whose aim is to stimulate dialogue on health care between Republican and Democratic policy makers. Overall, poll respondents listed their top four health care priorities as making sure all U.S. children have access to basic health care, guaranteeing health care to every American citizen, providing better preventive health care to all Americans, and helping control the amount of out-of-pocket health care costs. About "88% of those surveyed want Congress to compromise on the issue of the uninsured," said former Sen. John Breaux (D-La.), who is leading the group.

—Jennifer Lubell