

November 17, 2005

A Convincing Case for Medicaid Reform

Dear Colleague,

In Wednesday's edition of *The Washington Post*, business columnist Steven Pearlstein makes the convincing case for the sort of Medicaid reform that the nation's governors sought on a bipartisan basis and that the Energy and Commerce Committee has now debated and approved.

The improvements to Medicaid embody the governors' proposals and they deserve strong, bipartisan support in Congress.

Here's some of what Mr. Pearlstein had to say:

... Medicaid spending has grown about 55 percent over the last five years. That's a medium size-problem for the federal government, which will spend about \$184 billion for Medicaid this year. For the states, however, which pay 43 percent of the tab, Medicaid has become a fiscal monster that is busting budgets and eating away at spending on everything else.

There are a lot of culprits here, among them skyrocketing health and drug costs, new technology that is keeping the disabled alive longer and a growing elderly population with no means to pay for nursing home care. But perhaps the biggest factor is that the Medicaid program increasingly is being called upon to provide coverage for Americans who have no other health insurance.

To their credit, states have not shirked from this role, which has been thrust upon them by the private sector. But in doing so, they have asked for more flexibility in making difficult tradeoffs between the comprehensiveness of services they offer and the number of families that they can cover.

To allow for such tradeoffs, state governors have asked permission to raise some co-payments to \$5 from \$3 and charge modest premiums and deductibles for families above the poverty line, with a cap of 5 percent of income. The idea isn't so much to raise revenue but to use a tool now

widely used by private insurers to get people to consume the health care they need rather than the health care they want. In addition, having squeezed doctors and hospitals about as much as they could, the states are now asking for permission to squeeze drug companies for larger rebates and squeeze families of those nursing home patients for every last bit of grandma's assets.

... You would never know that what all this amounts to, is shaving less than 1 percent off the annual growth rate of a program that has grown at an average of 9.5 percent over the last four years.

You'd never know that most states are not expected to demand the full measure of permitted cost-sharing allowed under the proposed changes, or that it is likely to be phased in over time.

You surely would never know that preventive care and acute hospital care would be exempt from cost-sharing, as would children in poverty households or their pregnant mothers.

Most of all, you'd never know that these "cuts" are meant to make it feasible for states to continue offering some measure of health insurance to low-income children and adults who don't have it but may have incomes above the Medicaid cutoff (which varies widely from state to state).

... Medicaid can't keep growing faster than the incomes of the Americans who pay for it. Nor can it continue to cover every service at no cost while other Americans are being forced to accept higher cost-sharing and more limited coverage -- or have their health insurance taken away completely.

"Medicaid can't keep growing faster than the incomes of the Americans who pay for it."
That makes a lot of sense to me, and I hope it makes sense to you, too. Please join the majority of the House Energy and Commerce Committee in strongly supporting Medicaid reform. We won't get it done overnight, but we will get it done.

Sincerely,

Joe Barton
Member of Congress