

November 4, 2005

REFORMING MEDICAID FOR THOSE WHO NEED IT MOST

Dear Colleague:

The House will soon debate Medicaid reforms in the budget reduction package. Despite harsh rhetoric, facts show that Medicaid is a program in crisis, and reforms are necessary to protect services for those the program was designed to help; the elderly and low-income Americans.

Republicans are not alone in this logic:

“Medicaid at 53 million Americans is going to bankrupt all of the states and indirectly then lead to further deficit problems at the federal level over the next decade,” said National Governors Association Chairman Mark Warner, Democrat of Virginia. “We are on the road to a meltdown.”

“I am a Democrat, a liberal Democrat, but we can't sustain the current Medicaid program. It's fiscal madness. It doesn't guarantee good care, and it's a budget buster. We need to instill a greater sense of personal responsibility so people understand that this care is not free.” – John Adams Hurson, president of the National Conference of State Legislatures president and member of the Maryland House of Delegates (The New York Times, May 9, 2005)

“I would say to those who oppose any Medicaid reform on principle, we will never reach anything like full coverage in this country with the current Medicaid model as the only option,” said David Parrella, Director of Connecticut's Medical Care Administration. “The benefit is too rich and the costs are too high. Reserve traditional Medicaid for a population below the poverty level. But Reform must include some or all of these measures if we are to achieve success in a viable, sustainable Medicaid program.”

The Case for Reform:

- Medicaid is a federal-state program that provides medical care to 53 million low-income and/or elderly patients - nearly one in five Americans.
- Coverage is inadequate and hasn't been updated more than 20 years, despite countless medical advances since then. Rules are too rigid and tie the hands of states administering benefits. Earlier this year, we learned that Medicaid was paying to provide Viagra to convicted sex offenders.
- Costs are soaring and unsustainable - Between 2000 and 2005 the national Medicaid caseload increased by an astounding 40%, federal and state costs have risen 56% over the past six years. Medicaid is the biggest item in state budgets, exceeding elementary and secondary education combined. **Analysts predict Medicaid will eventually absorb as much as 80-100% of all state revenues.**

- Beneficiaries are losing coverage. Faced with skyrocketing costs and inflexible rules, many states are taking drastic action to avoid financial ruin:
 - Between 2002 and 2005, 38 states reduced eligibility and 34 states reduced benefits.
 - Tennessee is dropping more than 200,000 Medicaid beneficiaries from the program, leaving these individuals with no health coverage.
 - Missouri enacted legislation expected to result in 100,000 beneficiaries losing coverage.

Legislation approved by the House Energy and Commerce Committee embodies many bipartisan ideas from the National Governors Association and will ensure that Medicaid can provide care for millions of Americans for years to come:

Gives states greater flexibility to provide services - Medicaid covers newborn babies and seniors alike, but state officials are forced to offer a one-size-fits-all program. States should have greater flexibility to better target scarce resources and offer coverage that better meets each patient's needs.

Roots out wasteful spending - The government routinely overpays for prescription drugs for beneficiaries. In fact, Medicaid could pay \$5,336 for a prescription that only cost the pharmacist \$88 to obtain. The Department of Health and Human Services inspector-general found in 2002 that Medicaid reimbursements exceeded pharmacists' true costs by \$1.5 billion. Every dollar wasted on overpayments is a dollar that does not go to treat patients. The bill sets more realistic reimbursement rates for medicines.

Encourages personal responsibility – Today Medicaid lacks any meaningful co-payment for services, no matter the cost. As a result health care costs predictably take a back seat in today's "free" system. In a typical example, at one Georgia hospital 29% of emergency room patients were seeking care for common, maladies like ear infections and the flu. That's roughly 29,000 patients and \$5.6 million wasted in 2004 in one ER alone. The legislation gives states the option to set most co-payments at \$5, where appropriate, to raise cost awareness and encourage beneficiaries to take more responsibility for their health care spending.

Eliminates fraud and abuse - Increasingly middle and upper-income seniors are transferring or hiding assets to appear impoverished and, thus, entitled to Medicaid coverage for long-term or nursing home care. Our bill eliminates many of these "asset transfer" schemes and bans from eligibility anyone with more than \$500,000 in home equity. Medicaid dollars should support only the truly needy and encourage long-term care insurance and other options for those who *can* pay. It also requires states to use basic ID documents, like drivers' licenses or passports, to better enforce current law and prevent illegal aliens from getting coverage.

I hope you will join with me to support these common sense reforms.

Sincerely,

Joe Barton
Member of Congress