

Reforming Medicaid to Save It

November 2, 2005

Dear Colleague,

On Monday, The Washington Times published an opinion editorial written by Rep. Joe Barton, chairman of the House Energy and Commerce Committee, pointing out the structural flaws in the Medicaid system and highlighting the common sense reform proposals offered by Republicans. In the article he described how the current system is unsustainable. He also noted how even the modest reform proposals working their way through Congress are being demagogued, despite the fact that doing nothing will lead to more people being dropped from the Medicaid rolls.

I commend this article to you as it appropriately appeals for “a dose of common sense” in the debate over reforming our Medicaid entitlement program.

For more information please contact Shaun Small with Congressman Shadegg at 202-225-3361. Thank you for your time and consideration.

Sincerely,

JOHN SHADEGG
Member of Congress

The Washington Times

October 31, 2005

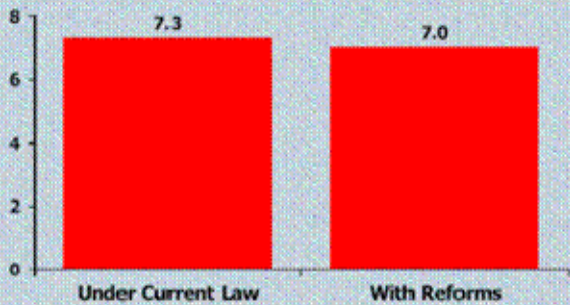
Reforming Medicaid to Save It

By Joe Barton

Chairman, House Energy and Commerce Committee

Medicaid 5-Year Growth Rates

2006-2010



Medicaid is a study in contradiction. Thanks to it, America's neediest get health care paid for by taxpayers. Often they get better health care than taxpayers can afford for themselves. The program is both "free" and break-the-bank expensive. It lets poor people look rich and rich people look poor, and it rewards lawyers and druggists with real wealth. Medicaid works so well it's going broke.

In a sense, the program is a victim of its own success.

It has grown so expansive that even the nation's governors recognize that the future without reform is grim. Reform, by the way, is hardly draconian. It amounts to slowing the growth rate by .3 percent. Medicaid will still grow by 7 percent.

Now, critics say 7 percent growth isn't enough. They call it a cut and say it will devastate the poor. I say that Medicaid is doing that right now. Between 2002 and 2005, 38 states reduced eligibility and 34 cut benefits. The greatest contradiction in Medicaid is that it is both growing and collapsing.

The reforms now working their way through the House will slow the growth and stop the collapse. States can charge basic co-pays of higher income beneficiaries and governors may tailor benefits to their citizens' actual needs. Reform also means cutting overpayment for drugs and making it tougher for lawyers to help rich clients pretend they are poor in order to get nursing home coverage paid by Medicaid.

It is perplexing to me that so many who say they care the most, want to do the least. If you want Medicaid patients to lose health care, the thing to do is nothing. An argument to keep what we have is an argument for bankruptcy, and it will have the perverse effect of cutting health care for those who can't afford it, and who certainly can't afford to lose it. I don't want that. I want fairness and effectiveness from Medicaid.

Here are the basics: Medicaid is a unique federal-state partnership designed to provide health care for poor people. It is welfare, not an earned benefit like Medicare or Social Security. Nobody ever paid a tax into a Medicaid trust fund and then was repaid with a benefit. The federal taxpayer pays about 57 percent of the tab, and states pay the rest. Medicaid currently covers 50 million people and costs \$300 billion. It is already the biggest item in many state budgets, exceeding even K-12 education.

Between 2000 and 2005 the national Medicaid caseload increased by 40 percent. Federal and state costs have risen 56 percent over the past six years.

The House reform proposal is rooted in the bipartisan plan proposed by the National Governors Association that was written by a working group of eleven governors and is supported by all 50. State spending for Medicaid patients is "unsustainable in the short run, let alone the long run," Virginia Democrat Mark Warner and Arkansas Republican Mike Huckabee told my committee. "We are on the road to a meltdown," Warner said.

Here's what we want to do:

- Stop overpaying for medicine. Medicaid famously could pay \$5,336 for a prescription that cost the pharmacist \$88. The Department of Health and Human Services inspector general found in 2002 that Medicaid reimbursements exceeded pharmacists' true costs by \$1.5 billion.
- Restrict the ability of "elder law" attorneys to qualify wealthy clients for taxpayer-paid welfare. "It's common," said one attorney, "...for people to have undocumented and untraceable assets, such as cash and bearer bonds. If these items were to be surreptitiously transferred, their existence would probably not become known to the authorities." See? That is a definition of corruption, and any reform bill worth the name would clean it up.
- Give patients a stake in both their care and the cost of their care by charging small co-payments. Co-pays haven't changed in 20 years and they're unenforceable, to boot. That means that if you are poor enough to qualify for Medicaid, you can get some of the best short-term health care in the world for nothing. All you have to do is go a hospital emergency room.

Five-dollar co-pays ensure that beneficiaries realize that there is an actual cost associated with medical care, just like there is a cost associated with every other aspect of our lives. The neediest will continue to pay nothing.

- Trust the states. The governors are now banned from tailoring benefits to meet the actual needs of their people. The rules say that Medicaid is one-size-fits-all for more than 50 million beneficiaries, everybody from pregnant, single mothers-to-be to the frail elderly, and the rules don't bend. What you get as a consequence is a blend of inefficiency and Twilight Zone absurdity. What else can explain how Medicaid paid to provide Viagra for convicted rapists?

We did the right thing when we reformed welfare in 1996, and we must now do it again for a slice of the welfare that never got reformed. If we succeed, a dose of common sense, state flexibility and personal responsibility can make poor people healthier. And nobody will have to choose between caring for the sick and educating the children.

Rep. Joe Barton, Texas Republican, is chairman of the House Energy and Commerce Committee.