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GOP dodges Medicaid plan downside

By: David Nather **April 8, 2011**

Republicans talk a lot about how Medicaid block grants could help governors bring down their costs, but they don't talk as much about what, exactly, the states would do with them.

It's not that they have no answers. Gov. Haley Barbour of Mississippi has said he'd like to provide home-based care for children with special medical needs, rather than resort to more expensive hospital care, but federal rules get in the way. And a prominent conservative think tank says states could invest in money-saving systems if they had more funds upfront.

But those changes most likely would get them only partly to the kind of savings Rep. Paul Ryan has proposed in his budget. And the other kinds of changes Republicans are eying are harder to talk about: stricter eligibility rules, benefit cuts, higher copayments for people with low incomes and lower payments to providers who already think Medicaid doesn't pay them enough.

In an analysis of the Ryan budget proposal, the Congressional Budget Office said governors would have to "reduce payments to providers, curtail eligibility for Medicaid, provide less extensive coverage to beneficiaries or pay more themselves" to produce the $771 billion in federal savings Ryan wants over 10 years.

A spokesman for Ryan wouldn't comment on the CBO analysis but pointed to Tuesday's letter to Ryan from four Republican governors — Republican Governors Association Chairman Rick Perry of Texas, Vice Chairman Bob McDonnell of Virginia, Barbour and Gov. Chris Christie of New Jersey — calling Medicaid "an antiquated, federal maze of regulations and mandates" requiring "months and sometimes years of negotiations for even modest changes."

Democrats describe the future of Medicaid block grants in the worst terms — and take aim at Barbour, a likely presidential candidate and one of the most vocal advocates for the idea.

"Haley Barbour wants to cut services. He wants to throw people off Medicaid, particularly children," and cut provider reimbursement rates "so people can't get services," said Rep. Frank Pallone (D-N.J.).

Not true, said Barbour spokeswoman Laura Hipp: "Hyperbolic political rhetoric never solved a problem, and that certainly applies to addressing the significant funding shortfalls Medicaid currently faces. Gov. Barbour wants states to have the ability to quickly implement innovative programs that enhance health care for children and adults while not bankrupting states."

The better examples of what Barbour really wants to do, Hipp said, come from his testimony at a March House Energy and Commerce Committee hearing, in which he talked about his desire to provide home-based care for kids with medical needs — and to move long-term care out of institutions and into cheaper home-based and community-based options.

The RGA letter doesn't spell out what the governors would do with their new flexibility, but there are indications that some would, in fact, make some of the changes CBO suggested if they had the authority to do so.

For one thing, the Republican governors are concerned that they aren't able to change the eligibility rules for their programs, according to an RGA aide. And conservative critics of the Medicaid program point to a longer list of problems. John Goodman, president and CEO of the Dallas-based National Center for Policy Analysis, said states should be able to save money by trimming the program's required benefits and making Medicaid recipients pay higher out-of-pocket costs.

And in a background memo for a House Energy and Commerce hearing on Medicaid, Republican committee staff members wrote: "To stabilize their Medicaid programs, states are looking to adjust their eligibility requirements, enrollment standards and methodologies, provider reimbursement levels and existing benefit structures."

In addition, Goodman said the entire structure of Medicaid — in which states get federal funds to match what they spend — encourages them to spend money rather than save it. "If every time you spend a dollar, the dollar is yours, you're going to be more careful about how you spend your money," Goodman said.

There are other potential changes that probably wouldn't draw arguments from anyone. A February report by the American Action Forum said state Medicaid programs could save money by paying the drug prices that pharmacies actually pay — rather than the average wholesale price — and by switching to electronic claims.

But Michael Ramlet, the group's health policy director and a co-author of the report, said states would have to invest money to make those kinds of long-term shifts, and federal block grants would give them enough money upfront to make that task easier.

"It's basically, how do you invest your money?" Ramlet said. "If you have more upfront, you can think more strategically about what's the smartest way to do it."

Still, Judith Solomon, vice president for health policy at the Center on Budget and Policy Priorities, said states will be able to get only so far with painless changes. No matter how much governors think block grants will allow them to serve their residents' unique needs, she said, the rest of the savings will have to come through painful cuts.

"What's unique about low-income kids, low-income pregnant women and low-income seniors and people with disabilities?" Solomon asked. The idea that flexibility alone would be enough, she said, "is really a cover for taking the block grant and using it in ways that wouldn't meet

their needs, because it wouldn’t be enough.”

Kate Nocera contributed to this report.