

Medicaid Rescissions Worse than Private Insurers

Written August 12, 2010 by John Goodman

On Tuesday, members of the House of Representatives interrupted their August vacation and returned to Washington to vote on a bill to send money to the states. The issue that dominated the news was saving the jobs of teachers, police officers and other public employees. But most of the money allocated will prevent the states from cutting off health benefits for millions of people. If that doesn't strike you as strange, perhaps you weren't paying attention to last year's health care debate.



During the year leading up to the final passage of the new health law, the Patient Protection and Affordable Care Act, the White House set up a [special Web site](#) and invited all Americans to post their own personal stories about insurance company abuses. During the days leading up to the final vote on the bill, the president and congressional supporters used almost every television opportunity to trot out these cases — sometimes in graphic detail.

Yet, in all the episodes of abuse, do you recall even a single instance where an insurer:

- Arbitrarily dropped coverage for tens of thousands of enrollees with the stroke of a pen — just to save money.
- Dropped entire categories of care — such as dental care or home health care — because it decided these services were too costly?
- Arbitrarily reduced the fees it paid to doctors and hospitals, pushing many out of its network, and leaving its enrollees with serious access to care problems?

Probably not. For a private insurer, each of these activities would be a serious violation of contract. Yet there is one insurer that does these things routinely. It's called Medicaid. About half of all the newly insured people under the new health law will be enrolling in it.

Private insurers whose commitments are enforced by contract law have to raise premiums when costs rise; but when state legislative bodies say “no” to Medicaid's need for funding, Medicaid revokes its commitments to the insured instead.

Here are a few tug-at-the-heart-strings examples I hope we hear more about in future political speeches:

- A nine-year-old [Denver](#) boy died because Medicaid quit paying (in error, it turns out) for his asthma medications.
- An elderly [Michigan](#) woman died of a severe dental infection after Medicaid cut off her dental benefits.

- A 64-year-old [Tennessee](#) man lost his Medicaid coverage right in the middle of his treatment for colon cancer because of income eligibility changes.
- [Maryland](#) Medicaid refused to pay for life-saving liver transplants for two children — arguing that while the procedure was medically necessary, it was not appropriate.

Not only were these abuses not addressed in the health overhaul, states across the country are currently considering more Medicaid rescissions — eliminating insurance for tens of thousands of people by redefining eligibility, reverifying eligibility more frequently, eliminating entire categories of care, and making access to care more difficult by reducing payments to providers and delaying payments.

Further, there is a history of such “abuses”:

- In 2002, [Missouri](#) eliminated Medicaid coverage for about 36,000 low-income parents primarily by lowering the eligibility limit from 100 percent of the poverty line to 77 percent.
- In 2003, [Massachusetts](#) dropped 44,000 long-term unemployed adults. Michigan cut 52,000 Medicaid patients; Missouri 20,000 and Nebraska 22,000.
- In 2005, [Missouri](#) adopted sweeping Medicaid cutbacks, in which more than 100,000 people lost coverage.
- Also in 2005, Governor Phil Bredesen of [Tennessee](#) instituted the single largest Medicaid cut in history: Approximately 200,000 of the program’s costliest patients lost their coverage over a four-month period.
- By requiring children to reapply for Medi-Cal every six months rather than annually, [California](#) estimated that more than 260,000 children will lose coverage by the end of 2011.

Of course, some of these abuses are the result of more rigorous enforcement of the letter of the law. But during last year’s health care debate, private insurers were repeatedly chastised for cutting people off on the basis of “technicalities.”

So why have we not heard more about Medicaid rescissions and Medicaid abuses in the debate over health reform? Perhaps the reason is that the health overhaul is designed to enroll 16 million new people in Medicaid and many of them will be giving up their private insurance in the process. In fact, people who acquire health insurance on their own will be required to enroll in Medicaid and will not be allowed access to the new, state-based health insurance exchanges if their income is below 133% of the poverty level.

If Congress ever revisits the new health law--as it surely will--one of the most helpful amendments would be to give people options. Let those who qualify for Medicaid at least have the option of entering an exchange, paying the (heavily subsidized) premium out-of-pocket, and enrolling in a private health plan instead.

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