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Health Care for Hurricane Victims

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People displaced by hurricanes and floods in the Gulf Coast region will need health care. How will they get it? Right now, their options are limited.

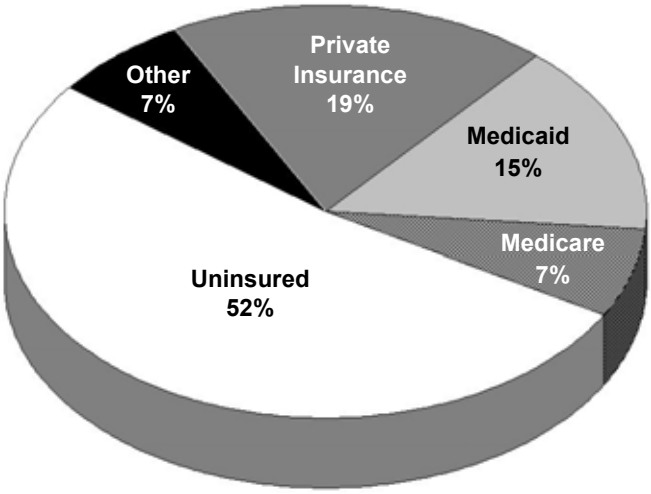
Some are calling for a major expansion of Medicaid. Yet almost everyone regards Medicaid as inferior to the medical services generally available to middle-class families. Further, adding relocated families to the Medicaid rolls will increase the demand for care while doing nothing to expand supply.

A better approach is the NCPA's concept of "enterprise" programs. The idea is similar to "enterprise zones," economically distressed areas exempted from uneconomic regulations. Enterprise programs, however, would not be confined to a geographical area. On the supply side, a producer/seller/entrepreneur qualifies to participate in the enterprise program by providing health care services to poor and distressed families. On the demand side, this program would give low-income families access to new health care markets using funds currently tied up in government provision.

The Need. According to Commerce Department estimates, 279,000 workers were thrown out of work by Hurricane Katrina. Many workers and their families will be left without health coverage if their employers close their doors permanently. The Federal Emergency Management Agency (FEMA) estimates 300,000 families were displaced by Katrina. More than 200,000 Katrina victims evacuated to Texas, principally Dallas and Houston — and those in Houston were then displaced again by Rita. A Kaiser Family Foundation survey of hurricane evacuees found 44 percent were covered by a private health insurance plan, while slightly more than one-third were enrolled in Medicaid [see the figure]. Many displaced families will need a new source of health coverage and a new primary care provider.

A Solution that Won't Work: Expanding Medicaid. Senators Charles Grassley (R-Iowa) and Max Baucus (D-Mt.) have introduced legislation to expand Medicaid coverage to Katrina victims for up to 10 months. Although Medicaid is jointly funded by the states and the federal government, their bill would guarantee full federal funding in states directly affected by the hurricanes.

Health Insurance Status of Katrina Evacuees



Note: Survey of stranded New Orleans residents evacuated to Houston.

Source: Kaiser Family Foundation, "Survey of Hurricane Katrina Evacuees," September 2005.

According to Kaiser Family Foundation, almost two-thirds of Medicaid enrollees in Louisiana lived in areas affected by Hurricane Katrina and many were evacuated. Obviously, enrolling several hundred thousand evacuees in other state Medicaid programs will increase the demand for medical services in the areas where they have relocated. Yet under existing laws, the supply is not likely to increase. Because of Medicaid's low reimbursement rates, few physicians will want to accept new Medicaid patients and many already refuse to treat Medicaid patients altogether.

Unless steps are taken to increase the supply of primary care providers, many evacuees will turn to county hospital emergency rooms, which are already overburdened and where care is expensive. At such hospitals as Parkland Memorial in Dallas or Ben Taub General Hospital in Houston, we can expect to see much longer waits to receive care. But there may be very little increase in the supply of emergency room services.

A Solution that Will Work: Expanding Supply. There are a number of ways to immediately increase the supply of health care services. For example, there are an estimated 6,000 displaced physicians from the Gulf Coast who could provide medical care to their fellow evacuees. Also, numerous studies show that nurse practitioners

and physicians' assistants can provide basic primary care at acceptable levels of quality. Returning veterans (medics) who provided care in the field to our soldiers in Afghanistan and Iraq are another source of care.

Unfortunately, numerous bureaucratic barriers stand between these potential providers and their potential patients:

- Basically, it is illegal for Louisiana doctors to practice in other states, where they are not licensed. Texas is now granting them temporary licenses but they are valid for only 45 days, and the physician must be "sponsored" by a doctor already practicing in Texas.
- Numerous laws impede the ability of nurse practitioners and physicians' assistants to practice independently, including a Texas law that requires a sponsoring physician to audit a portion of their cases.
- About half of states specifically ban corporations from employing doctors and 14 states have ambiguous laws that discourage medical practices with significant non-physician control.

Allowing entrepreneurs to create primary care storefronts and kiosks would boost access to routine primary care. Minute Clinics staffed by nurse practitioners are located in Super Target stores and other retail outlets in the upper Midwest. They provide low-cost care in convenient locations with very little waiting. Wal-Mart has announced its desire to make the service available nationwide. State regulatory agencies need to stand aside.

A Solution that Will Work: Private Insurance. Those affected by Hurricanes Katrina and Rita should be able to use federal aid money to secure private health insurance. By allowing access to catastrophic (high-deductible) insurance and by freeing such insurance from cost-increasing regulations, we could make affordable insurance available to low-income families. And with a private plan they would have access to the full range of services in the hospital marketplace.

There are two models to follow. One is the tax credit currently made available to people who have lost their jobs due to imports of foreign goods (the Health Coverage Tax Credit). A better-designed subsidy (following NCPA recommendations) is the refundable credit proposed by President Bush in 2000. That proposal would make a tax credit of $1,000 per individual (up to $3,000 per family) available to low-income families who buy their own health insurance. Adjusting for inflation in the interim, the credit today should be at least $4,500 for a family of four. Moreover, there is no need to seek additional funding sources to pay for it. As people who previously relied on Medicaid and free care programs switch to private coverage, the federal government will be able to reduce the amount it now sends to the states for the health expenses of these very same people.

A Solution that Will Work: Health Accounts. For routine health services and nonspecialist care, low-income, dispossessed families need cash. This cash could be provided in the form of Medical Access Accounts (MAA), which could only be used for medical care. State and federal Medicaid funds could be combined with money state and local governments currently spend on free indigent care to fund the accounts.

Medical Access Accounts would allow patients to manage some of their own health care dollars through accounts they own and control. They would be similar to Health Savings Accounts, but much more flexible. The model is one already underway in Cash and Counsel pilot programs, active in more than half the states. These programs allow Medicaid disabled patients to manage their own custodial (and in some cases health care) dollars. Satisfaction levels are close to 100 percent.

With MAA funds, patients could pay for care directly, including services provided by the Minute Clinics described above. Instead of relying on Medicaid providers and hospital emergency rooms, families would have the option of obtaining primary care in more convenient settings, such as store-front clinics in shopping malls, mass merchandisers or pharmacies. The care could be provided by nurse practitioners, physicians' assistants, displaced Louisiana doctors or other doctors, depending on the patient's condition.

Conclusion. Families displaced by Katrina and Rita should have the opportunity to make their own decisions on how to rebuild their lives, including making their own health care choices. By giving them access to private health insurance and cash accounts, we could empower people to obtain quality health care that best suits their needs.

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