

Medicaid cuts trouble Oregon

Leaders fear the president's plan may ruin the state's health plan, and a senator calls for a study

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The Bush administration's proposal to reduce Medicaid spending by \$45 billion over the next decade could further damage the already besieged Oregon Health Plan, the state's social safety net, officials fear.

"I think they would be devastating," Sen. Gordon Smith, R-Ore, said of the proposed cuts.

On Wednesday, Smith proposed holding off on such changes until the government better understands how to improve delivery of health care to needy people. He introduced a bill to create a national Medicaid commission to study the system for a year.

Medicaid is the federal-state health insurance plan for low-income Americans. The federal government, which pays about 60 percent of the cost, sets minimum Medicaid standards. But states have some flexibility in how they design their Medicaid plans, and they can expand benefits and eligibility beyond federal requirements.

Its critics say the national system is rife with inefficiency. Spending for Medicaid has surged and is estimated to reach more than \$300 billion this year.

Medicaid, however, "is not broken, but it can be improved," Smith said.

More than a decade ago, Oregon became a national leader in restructuring its Medicaid plan to serve more people by limiting care to the most cost-effective treatments. But that model, known as the Oregon Health Plan, is struggling because of state budget pressures and increased need. And the funding reduction, which could amount to nearly a half-billion dollars in Oregon over the next decade, could worsen the problem in Oregon and other states.

Fewer served by plan

The Oregon Health Plan includes two main parts. OHP Plus covers about 338,000 low-income adults and children who qualify under federal Medicaid law. OHP Standard offers a leaner set of benefits for adults added to the Health Plan since 1994, when Oregon drew national attention for its effort to expand coverage for the working poor. It covers adults who don't qualify for OHP Plus but are officially poor -- with incomes below \$9,310 a year for a single person or \$18,850 for a family of four.

But in the face of state budget woes, the number of Oregonians covered by OHP Standard has plummeted from about 92,000 to about 35,000 during the past two years. By adding premiums and tightening eligibility, state officials deliberately shrank enrollment to rein in costs.

The money for OHP Standard comes entirely from premiums paid by enrollees and taxes on hospitals and other providers, plus federal matching funds. State officials estimate that is enough to serve about 24,000 Oregonians. To reach that number, the state stopped allowing new enrollment on Aug. 1.

Slowing Medicaid's growth

Though Bush's budget proposal would reduce federal Medicaid spending by about \$45 billion over a decade, Chad Kolton, a spokesman for Bush's budget office, said Medicaid spending still

would grow, but at a smaller rate.

"What we're talking about here with the reforms that we are proposing is not to cut Medicaid but rather let Medicaid grow by 7.2 percent each year rather than the 7.4 percent that is under the current system," Kolton said. "This is a very reasonable proposal and, in fact, will help make the program more sustainable."

That change could make a big difference to states, according to an analysis of the proposal by Families USA. The consumer group estimates that Oregon would lose \$475.5 million in federal payments over 10 years.

"It will be interesting to see whether this bill has legs under it," said Lynn Read, Oregon's assistant Medicaid director. "We're all treating it with more trepidation than in previous years."

The Bush proposal would cap at 3 percent the Medicaid provider taxes that the Oregon Health Plan increasingly depends on for its budget. In Oregon, taxes on managed care providers and long-term care providers are nearly 6 percent. The provider tax on hospitals is well below the proposed 3 percent limit.

Cutting the managed care provider tax in half would reduce the Oregon Health Plan's revenue by tens of millions of dollars -- and force the plan to shrink below its target of 24,000, state officials said.

"It will affect thousands of lives," said Jim Edge, another assistant Medicaid director.

An even more troublesome change for the Oregon Health Plan would require that such a provider tax apply to all managed care plans in the state, not just the ones serving Medicaid clients. That would endanger the tax by making it much more politically unpopular among insurers and legislators, Read said.

The Bush proposal cites other potential sources of savings in the Medicaid budget that still need to be spelled out, Edge said. For example, the proposal touts large savings from "appropriate payment for Medicaid services" and "payment reform."

"We have no idea what that means," he said. "Those are things that are going to have to be fleshed out."

Rep. Billy Dalto, R-Salem, chairman of the Oregon House's Health and Human Services Committee, said the proposed Medicaid cuts in the Bush budget reflect "a sense of frustration about escalating costs of health care in both the private and the public sector."

Dalto called for a debate over "whether we want to give people health care based on entitlement or based on need." Yet he cautioned that further cuts in the Oregon Health Plan would hurt Oregonians in need of medical treatment, including mental health care.

Consequences a concern

Democrats and Republicans have committed to reducing the federal deficit, noted Joy Johnson Wilson, health policy director at the National Conference of State Legislatures.

"Medicaid is a big bucket, so you've got to believe there will be some reductions in Medicaid just because of the size of the program," Johnson Wilson said. "They probably can't help themselves."

But she cautioned against cutting without realizing the consequences.

"Our concern is there is such a focus on reducing the cost of Medicaid without talking about what that really means," Johnson Wilson said. "Reducing the cost no matter whether that means some people will become uninsured? What is the priority?"

Proponents of Bush's proposal, however, say it would reduce waste, fraud and abuse.

Nina Owcharenko, policy analyst at the Heritage Foundation, a conservative think tank, characterized the proposed cuts as bookkeeping reforms meant to crack down on "gimmicks that states were using to leverage federal dollars."

But the cuts would exacerbate health care problems, said former Gov. John Kitzhaber, a medical doctor who championed the Oregon Health Plan.

"They could call it bookkeeping," Kitzhaber said, "but I call it shifting costs to states in order to help the federal government balance its own budget."

Consumer advocates say Oregon's senators will play a key role in the fate of Bush's Medicaid proposal. Oregon is the only state with both senators on the Finance Committee, which oversees Medicaid. Sen. Ron Wyden, D-Ore., and Smith are longtime advocates for providing health care to the needy.

Wyden strongly criticized Bush's proposal after the budget was released Monday.

Smith said Wednesday the federal government has called on commissions to study other policy areas, such as Social Security and Medicare. Smith wants a 23-member commission to thoroughly study Medicaid before Congress makes any large changes.

"To do the budget and then impose the policy is putting the cart before the horse," Smith said.

Medicaid cuts, Smith said, ultimately could lead to more expensive problems.

"If we go after this budget without the groundwork being prepared, we're going to do more harm than good," Smith said. "We won't be saving money. We'll just be kicking people into the ranks of the uninsured and into the emergency room."

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