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ILLINOIS NEEDS MEDICAID REFORM

by
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(Springfield, Ill.) Last year, Illinois borrowed money to pay its Medicaid bills. It did the same in May, and now Gov. Rod Blagojevich says that the state may do it again. See a pattern here? What the state needs even more than new cash, however, is a new Medicaid program.

At the Illinois State Fair, Blagojevich suggested that borrowing money to help erase $850 million in bills owed to health care professionals was a smart move. "With these historic low interest rates, it's awfully hard not to take a look at that and recognize that you can provide some help to small businesses, small pharmacies, health-care providers and all the rest to provide necessary services for people."

The state's delinquency in paying its bills is hurting health care professionals and the poor alike. John Watt, a Springfield-area pharmacist, says the state owes his business $200,000. In June, he got paid for drugs he dispensed in December, January, and February, with money the state got from a $750 million loan package.

But that money is gone, and Watt is waiting, again, on payment for bills submitted in March. He's not alone, according to Chuck Sauer, president of the Illinois Pharmacists Association. Many pharmacists, he says, have been waiting for four months—or longer—to get paid.

Sauer doesn't mind the idea of yet another state loan package. After all, he reasons, Illinois government is already borrowing money—from his members. Since they have been carrying the state's bills for so long, some pharmacists have been forced to take out second mortgages or other loans to pay their own bills.

Having reached, or exceeded, their ability to do work for the state without getting paid, some have stopped accepting new Medicaid clients. Watts, for example, says that he is "very near the point of scrapping the whole thing." He depends on Medicaid payments for roughly 30 percent of his income.

Gov. Blagojevich is right. The state does have a good opportunity to get good terms on a loan. It is also, as he suggested, not right to single out the people who "provide necessary services to people."

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But continuing to borrow and hope for low interest rates is now a long-term solution. It is akin to paying one credit card by borrowing on another.

Reforms Are Needed

Since costs per Medicaid enrollee have almost doubled in the last five years, nearly every state has tried to restrain Medicaid spending. Two common techniques are limiting covered services and restricting eligibility. Another ploy is to reduce payments to providers. In effect, that's what Illinois has done, by turning pharmacists into loan officers.

But these changes are often counterproductive. As with the pharmacists, they drive some professionals out of Medicaid. Cutting spending in one area can simply increase spending in another. When increasing pharmaceutical spending by $1 can decrease hospital care spending by $3, cutting back on drug benefits won't save money.

In a report issued earlier this year, the National Center for Policy Analysis, a Dallas, Texas-based organization, offered several ways to reform Medicaid in ways that will bring not only cost savings, but improved health care. The key lies in providing the poor with the ability and the incentive to make their own health care decisions.

For example, Illinois could give Medicaid enrollees a medical benefits account. It would make contributions to this account, which could grow over time and be used to purchase health insurance or services in the private market.

A person who knows that money not spent now can be spent (on more services) later will have an incentive to make prudent decisions. Rather than going to the emergency room for routine care (where the patient is oblivious to the costs), a person might be more likely to establish a regular relationship with a doctor. Not only does that impose less costs on the health care system, it improves patient health.

This move away from a government-directed system to a patient-directed system requires the approval of the federal Health and Human Services department, since Medicaid is a state-federal program. New Jersey, Florida, and Arkansas have started the way, with "Cash and Counseling" plans. Under these programs, a disabled enrollee is given an account, much like the 401k arrangements for retirement. The enrollee is then given a certain amount of money (cash) and is free to choose among medical providers, after meeting with someone who outlines the options available (counseling). In surveys conducted thus far, patient satisfaction approaches 100 percent.

Increased patient power is not the only reform that Medicaid needs—it should use evidence-based medicine, for example—but it is a good place to start. After all, consumer choice, not bureaucratic mandates, is what has given the U.S. the most dynamic economy in the world.

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Moving in this direction won't be easy. But it will certainly be better than continually rolling over short-term debt and depending on the bank accounts of pharmacists.

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