Perspective

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Are Medicaid's Benefits Too Healthy?

by John R. La Plante

Oklahoma's families and businesses are taxed to provide medical care for others, through Medicaid and the SoonerCare program. But are taxpayers footing the bill for better coverage than they are willing or able to buy for themselves?

At least two state representatives, Rep. Bill Mitchell (D-Lindsay) and Rep. Kevin Calvey (R-Del City), have filed interim study requests relating to Medicaid benefits. Such studies are long overdue.

Medicaid is a federal-state program to provide medical care to the low-income, aged, blind, and disabled. In Oklahoma, approximately 70 percent of the total budget comes from federal funds, with state taxpayers funding the rest. Medicaid, which is overseen by the Oklahoma Health Care Authority (OHCA), includes fee-for-service (FFS), or traditional insurance, and two managed care programs. SoonerCare Choice operates in rural counties, while SoonerCare Plus is offered in urban counties. SoonerCare Choice is a primary care case management program, while SoonerCare Plus is an HMO. Children, pregnant women, and people with disabilities are typically covered in one of the two managed care programs, while the elderly, blind, and those in long-term care are served by the FFS program. All, however, receive medical care thanks in part to Oklahoma's taxpayers. How do benefits offered through OHCA compare with what the rest of the population receives?

Financially, Medicaid is better for patients than private insurance. Outside Medicaid, patients are responsible for cost-sharing requirements that apply to office visits, prescription drugs, hospital stays, and other medical services. Private sector plans, such as those available through www.ehealthinsurance.com, typically require a deductible ranging from $250 to $5,000 per person per year as well as a coinsurance payment of 20 to 30 percent, and co-pays. BlueLincs Value Option, an HMO offered by BlueCross BlueShield (BCBS) of Oklahoma, requires co-payments ranging from $5 to $20. Individuals enrolled in Health Check SelectCare or Children's Major Medical, individual plans offered by Blue Cross, must contribute a $15 co-pay to many services, a deductible that ranges from $200 to $5,000, and coinsurance of at least 20 percent. The details vary by plan, but the principle is the same: the insured bears some of the burden.

Not only do Medicaid enrollees not pay premiums, but by federal law, they are not subject to deductibles or significant co-pays. To some extent, this is justified in that many enrollees have limited incomes. However, Oklahoma has voluntarily expanded its coverage beyond federal requirements, to include some people who are at 185 percent of the poverty level. That is, some families of four could qualify for Medicaid even with an income approaching $42,000. Given that reach, it is important to examine how much coverage Medicaid offers.

Physician Visits People in Medicaid's FFS program get two outpatient visits per month, free, save for a $1 co-pay. Adults in SoonerCare Choice enjoy unlimited, free visits to their primary care physician (PCP), and two visits a month to a specialist. SoonerCare Plus patients get even more – an unlimited number of visits to both a PCP and specialists. There is no limit to children's visits under any of Oklahoma's three major Medicaid programs, and in general, all benefits available through OHCA are more generous towards children than towards adults. Federal employees in the state, who choose from a variety of plans under the Federal Employees Health Benefit Program (FEHBP), generally pay $10 to $35 in office visit co-payments under their HMOs.

Travel to Doctor Visits Not only does Medicaid in its various forms provide free visits to health care providers, it gives beneficiaries free transportation for medical care, both emergency and non-emergency treatment. While the costs of transportation are built into the agreements with managed care organizations that operate SoonerCare Plus, the state contracts with outside parties, such as the Metropolitan Tulsa Transit Authority (MTTA), to broker transportation of Medicaid clients under FFS and SoonerCare Choice. In state fiscal year 2001, nearly 39,000 Medicaid clients made some 260,000 trips, at a cost of over $22 per trip. Even at that rate, however, the MTTA reports that it is losing money on SoonerRide. One SoonerRider told a reporter that she enjoys the program, saying it allows her to not burden her relatives with her transportation needs. In a note of irony, she reports that depending on the taxpayers gives her a "feeling of independence." Private insurance plans, by contrast, typically cover transportation only for emergency care.

Prescription Drugs While the price of prescription drugs is a growing political issue across the country, Medicaid patients in Oklahoma do not have as much to worry about. Adults under FFS Medicaid and SoonerCare Choice can receive three drugs per month, nearly free. Children under all programs and adults in SoonerCare Plus have access to an unlimited number of prescription drugs per month. Generics are required in all plans except if medically necessary, a common practice in the insurance industry.

While patients in the private market often make co-payments, the minimal co-pay required under FFS and SoonerCare Choice is not much of a barrier, since it is either $1 or $2, depending on the price of the drug. Even then, though, a client who does not furnish a co-pay cannot be denied service. And in SoonerCare Plus, there is no co-pay at all.

People in the private market, however, buy much less generous plans. Policies offered through ehealthinsurance.com, if they offer drug coverage at all, are subject to deductibles, while the various plans BlueCross BlueShield offers require a deductible as well. The Pharmaceutical Council reports that the person with insurance typically shoulders a $5 co-pay for generics and $10 for name brand drugs. Those without prescription drug coverage—those with basic health insurance policies, or none at all—pay about $30 for prescriptions.

Lifetime Cap Because of rising costs, private insurance companies are starting to impose lifetime benefit caps. Health Check SelectCare has a lifetime benefit limit of $1,000,000. The two HealthChoice plans offered to Oklahoma state employees likewise have a $1,000,000 lifetime benefit. Policies available through ehealthinsurance.com typically have a lifetime cap of anywhere from $1 to $5 million, per person or per family. Federal law, by contrast, prohibits caps on Medicaid benefits.

Long-Term Care Medicaid has become a substitute for long-term care insurance. This is true even for the middle class, which makes use of a cottage industry that teaches people how to game the system. This places a tremendous burden on Medicaid budgets; in Oklahoma, long-term care patients are six percent of all Medicaid patients, but account for 21 percent of all total Oklahoma Medicaid expenditures. The problem is growing with demographic changes. As Richard Teske puts it, "Reforming Medicaid is a prerequisite for states if they wish to fund any other issue in a generation."

Expanding Population, Expanding Services Since the OHCA was created in 1995, SoonerCare's reach and scope have expanded, increasing its costs. From July 1997 through the end of December 1999, for example, Oklahoma led the nation in the percentage growth of Medicaid enrollment in the nation, thanks to expanded eligibility standards.

Not only have more people been added to Medicaid, but the services available to enrollees have increased. The following services have been added or enhanced for FFS and SoonerCare Choice since 1995: dental services, inpatient hospital stays, lab tests and x-rays, prescription drugs, and vision services. SoonerCare Plus has added even more services. This is especially significant because the state goal is to increase the use of SoonerCare Plus and shrink SoonerCare Choice. This "enrollment creep" and "benefit creep" should be watched carefully.

Recommendations To a large extent, Oklahoma's freedom to shape Medicaid is limited by federal law. But states are allowed some flexibility. They can petition the federal Department of Health and Human Services (HHS) for permission to work outside some of the Medicaid regulations. Indeed, SoonerCare itself is the result of this provision, called a Section 1115 waiver.

Oklahoma should seek a new waiver, to offer new plans that get the Medicaid consumer more involved. When people have little financial stake in the use of health care dollars, they have little incentive to spend those dollars wisely, to shop around, and to consider different options. The state could take one of two paths to promote a better Medicaid service. It could take the money and contract with different plans that compete for Medicaid patients through different levels of benefits and cost-sharing measures, just as companies compete for federal employees in the FEHBP. Or it could distribute the money to Medicaid beneficiaries as a voucher, which could be used to purchase health insurance, much as employers do in a defined contribution plan or Medical Savings Account (MSA) arrangement.

A more limited version of this second idea is to apply it only to prescription drug coverage. The Galen Institute offers a plan that banks a fixed amount of money on a debit card that beneficiaries could use to purchase prescription drugs. The smart shopper could save money by comparison shopping, and would have an incentive to do so.

Due to the slow pace of government change, it is unlikely that Oklahoma's Medicaid programs will be ideal anytime soon. However, it is past time to examine the benefits they offer and the populations they serve, and to make sure they do not overburden taxpayers with ineffective methods.

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