

# Governors Propose Medicaid Reform Strategies

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The Bush administration has focused on overhauling the Social Security program, but the nation's governors and health providers say the real crisis is in Medicaid.

The National Governors Association (NGA) has offered a reform proposal to Congress, which has begun considering what can be done to sustain the program that provides health care for some 53 million impoverished and disabled Americans.

In July, the administration named 13 voting members and 15 nonvoting members to its commission on Medicaid reform. By law, the commission has until Sept. 1 to outline recommendations for cutting \$10 billion from the Medicaid

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program; a report on long-term solutions for the program is due at year's end.

Tennessee Gov. Don Sundquist (R) will chair the commission and former Maine Gov. Angus King (I) will serve as vice chair, the

Health and Human Services department announced.

Both state and the federal governments are feeling the squeeze. The program will likely hit \$350 billion overall in 2005.

Medicaid represents 22% of the average state budget, according to testimony given to Congress by Mark Warner, Democratic governor of Virginia and chairman of the NGA. The problem: a skyrocketing caseload over the last 5 years, combined with rising health care costs, and an increasing number of sicker patients, Gov. Warner said.

The number of enrollees has grown by 40% in that period—at a time when eligibility has often been restricted, except for pregnant women and children, who have made up some of the growth. But there has also been a huge increase in the number of seriously disabled and severely and chronically ill recipients. Though they make up only 25% of the total number of Medicaid recipients, the elderly and disabled account for more than 70% of the budget.

That lopsided spending is seen when the per capita annual expense for various recipients is broken out. According to the Kaiser Family Foundation, Medicaid spends an average of \$1,700 per child, \$1,900 per nondisabled adult under 65 years, \$12,300 per disabled recipient, and \$12,800 per elderly recipient. So-called dual eligibles—those who receive both Medicaid and Medicare—also are an increasing burden, said Diane Rowland, executive vice president of the Kaiser Family Foundation.

Speaking at the Medicaid Managed Care

Conference in Baltimore in June, Ms. Rowland said that dual eligibles make up 14% of the Medicaid population but account for 42% of the program's costs. Medicaid covers prescription drugs, long-term care, acute care, and Medicare premiums for this group.

States have been using a variety of tactics to reduce spending. Forty-eight states now have drug cost controls, 50 have reduced payments to providers, and 21 have begun restricting eligibility and ben-

efits, Ms. Rowland said. In addition, states have increasingly looked to managed care to decrease costs and improve health, she said, adding that 13 states have 75% of Medicaid recipients in a managed care plan.

In mid-June testimony to the Senate Finance Committee, Gov. Warner outlined NGA's preliminary suggestions for improving Medicaid, mostly by giving states more options. States would like the power to get increased drug rebates and to en-

courage the use of more generic drugs. In a departure, Gov. Warner said that states would also seek to create a tiered system of copays for pharmaceuticals. Asset transfers, designed to "impoverish" people so they can receive Medicaid, should be more widely restricted, Gov. Warner testified.

NGA also is proposing that recipients be required to pay a portion of their costs through premiums, deductibles, or copays. ■

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