



Much ado about something

By Steve Clark

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The Jindal administration is pushing a plan to completely overhaul the way Louisiana delivers health care to indigent members of its population—and time is of the essence.

If you made it through the previous sentence without nodding off, take a moment to congratulate yourself. Stories about massive health care issues like Medicaid can seem stultifying or irrelevant to the average reader. This one should matter to you, however, if you're interested in money.

What does Gov. Bobby Jindal's bid to restructure Medicaid have to do with the average Joe—at least the average Joe who's also a CEO or business owner? How does it impact them directly, if at all, and why should they care or even pay attention?

That was the question posed to Department of Health and Hospitals Secretary Alan Levine, who was adamant that Joe the Business Owner and Joe the CEO are directly impacted by the current state of Louisiana's Medicaid system and would be affected by improvements to it.

"Don't think about Medicaid in a vacuum," Levine says. "It affects every single person in this state. You're either paying for it or relying on it."

He says one reason small-business owners should like the reform plan—dubbed Louisiana Health First—is that it includes a provision for a state subsidy to make it easier for employers to offer and employees to afford private insurance. From the employer's perspective, it could mean the difference between being able to offer insurance or not.

According to the Kaiser Family Foundation, the average premium for employees with family coverage was \$5,683 in 1999; today, it's more than double at \$12,091. It's a substantial problem, says David Hood, senior health care policy analyst for the Public Affairs Research Council, especially with employers typically kicking in 50% of the cost—or more, in some cases.

Increasingly, employers can't afford to offer insurance and drop it. Even if they offer benefits, many employees opt out because they can't afford it or aren't willing to spend the money. In theory, an uncovered employee is more likely to be an ill employee, which increases absenteeism.

“It’s something that CEOs ought to be concerned about,” Hood says. “You want to cover your employees if you can. A healthy workforce is always better than one that’s not healthy. It’s certainly better that a small-business employee or employer will be able to maintain coverage or develop new coverage if he doesn’t already have it.”

Hood, the former DHH secretary during Gov. Mike Foster’s administration, says he’s glad to see the business insurance subsidy included in the Louisiana Health First proposal. Under Hood’s tenure, DHH attempted to put together a similar subsidy in 2003, he says.

Another provision of the DHH plan would expand Medicaid coverage of residents with household incomes of up to 50% of the federal poverty level. Louisiana’s Medicaid program now only goes up to 12%, a level of coverage Hood calls “embarrassingly bad” compared to other states. Changing it to 50% of the federal poverty level would insure roughly 60,000 more people statewide under Medicaid.

This is good news for small business as well. Low-wage employees without a hope of affording or having access to insurance could be covered under a reformed system.

Hood says even large companies that offer benefits don’t necessarily help all employees pay for it. During his tenure, DHH had a number of employees who weren’t insured, which Hood says seemed a little strange considering the agency’s role.

Levine says the state will be in trouble if it doesn’t deal with the ballooning cost of its Medicaid program. State taxpayers spent \$7 billion on it during the last two years, he says. During that period, the cost mushroomed by 28%, or \$1.6 billion.

In 2004, the year before Hurricane Katrina, Medicaid’s cost to taxpayers represented 10% of the state general fund, Levine says. This year, it was 16%. By 2011, it will be 21.5% of the state general fund. As Medicaid eats up more and more of the budget, things like public education, law enforcement and public safety, transportation and roads will suffer, he says.

Allowing Medicaid to suck up more and more resources will lead to cuts in vital services, Levine says. That’s something everyone—CEOs included—should worry about, and why it’s necessary to get going on reform as soon as possible.

“This is not money that we’re printing,” he says. “You are paying for it. You are paying for more than \$1.5 billion worth of growth over the last two years, and that money is coming out of your pocket. There’s a very clear impact if we don’t get our arms around the growth.”

Fraud also is a major concern, Levine says, noting that in the last month the state attorney general prosecuted four cases of fraud in which \$14 million was stolen from Medicaid.

“There’s 30,000 providers of Medicaid in Louisiana, and that’s only four,” he says.

In addition to specifics like employee coverage, there are probably some reasons more difficult to quantify why a good reform plan would make Louisiana more attractive to business. How well or poorly does the state run its own programs, for instance?

“There are certainly reasons to improve anything that government does, and health care is certainly the most prominent thing,” Hood says. “It’s the biggest thing in the budget and employs more people than any other state agency.”

The question is whether Levine’s plan is a good one, he says.

The Louisiana Hospital Association on Dec. 12 endorsed the reform effort as well as the necessary first step of submitting a Medicaid waiver to the federal Centers for Medicare and Medicaid Services. Hospitals obviously want a say in what kind of reform the state winds up with. John Matessino, Louisiana Hospitals Association president and CEO, noted that the plan’s strategies would be “discussed and debated over the next several months.”

While PAR agrees with the goals of Louisiana Health First, the group has reservations about some specifics—such as the central role of managed care in Levine’s reform model.

Hood says Louisiana’s Medicaid program isn’t as flawed as is being represented, noting that DHH got control of ballooning costs during the Foster administration, kept growth to a minimum and yet at the same time vastly expanded Medicaid coverage to children and the disabled. And he thinks the warnings of widespread fraud may be overblown.

“Medicaid needs to change,” he says. “It’s not a bad program, but it’s not good enough. We need to do something. I think it boils down to doing something that’s successful.”