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Government Health Benefits and the Economy

THE ECONOMIC DOWNTURN'S IMPACT ON GOVERNMENT HEALTH BENEFITS LIKE MEDICAID

With the economy in a downturn, more Americans are turning or will be to Medicaid and related Government Health Insurance Programs and this may have serious repercussions for medical care providers. You are listening to ReachMD, The Channel for Medical Professionals. I am Bruce Japsen, a healthcare reporter with the Chicago Tribune and joining me today is Robin Rudowitz. Ms. Rudowitz is a principal policy analyst for the Kaiser Commission on Medicaid and the uninsured, a major initiative of the Kaiser Family Foundation. The commission functions as a policy institute and forum for analyzing healthcare coverage and access for the low-income population and assessing options for reform. Prior to joining Kaiser, she was a Senior Manager at the Luan Group, a Health Policy and Management Consulting Firm. She has also spent many years working on budget and health policy issues at the Federal, State, and Local levels of government.

BRUCE JAPSEN:

Robin Rudowitz, welcome to ReachMD.

ROBIN RUDOWITZ:

Thanks for having me.

BRUCE JAPSEN:

So, in my role as a healthcare business reporter and everybody yet seems to be as writing and talking about the economic downturn, but in the healthcare industry other things that are shaking out that you are going to tell us about are potential problems with Medicaid down the road and potential coverage issues if you will. Could you get us started and let's talk a little about this report.

ROBIN RUDOWITZ:

Right, well as you mentioned, Medicaid is affected when there is an economic downturn that counters cyclical programs. So, when you have more people, who are unemployed, they lose their employer sponsored coverage and their incomes decline and they potentially could become eligible and apply in a role in the Medicaid program. Of course, this increases enrollment and it also increases spending

on the program, which puts additional pressure on state budgets. We already know that state budget situation is in quite a severe situation right now and the economic downturn and this increased pressure on Medicaid that could make that worse, we know that states need to balance their budgets each year unlike the Federal Government so, and Medicaid is a large component of state budgets, so this of course has implications for the Medicaid programs for potentially coverage and provide rates, benefits, and other areas of the program.

BRUCE JAPSEN:

Is this happening across the country right now on your survey or is it just happening in certain areas or is it pretty widespread?

ROBIN RUDOWITZ:

Well, we did a survey with the Medicaid Directors and we spoke to them all over the summer and at that time they were just adopting their fiscal 2009 budgets. At that time, many states were not really proposing significant cuts to the Medicaid program. What they did report was that they were already seeing increased enrollment projected for fiscal year 2009 and increased spending as a result of the economy, but since this economic downturn is really following so closely after the last downturn, many states are still in the process of restoring cuts particularly for provider payments and some eligibility cuts that they made during the last downturn. So, Medicaid is not really the first place that states are going to make these cuts; however, as this fiscal situation worsens, we potentially are likely to see larger reduction in the Medicaid program.

BRUCE JAPSEN:

Well, that's interesting because of the medical care providers, the doctors out there listening, you know, they probably want to know what to expect, what did we see in the last downturn because if it looks like as you are saying people were getting caught up and that was probably good news for providers, they might see some payment delays or what did they see in the last downturn that they might see this time?

ROBIN RUDOWITZ:

Yeah, exactly. During the last economic downturn, every state in the country did some type of provider rate reduction mostly because this is a sort of immediate way that states can achieve fiscal savings or slow the rate of growth and of course Medicaid payment rates are already lower than Medicare and commercial payment rates for many providers, so by cutting these rates or freezing rates in some cases, the rates are already low, so you could potentially have issues around the access and provider participation. So, as the economy started to improve in the 2005 year, many states started to restore many of these provider cuts that they had made during the last downturn and I think states are hesitant to go down that route again, but given the fiscal situation that is certainly something that they may need to look at.

BRUCE JAPSEN:

Now I am in Illinois where I am very familiar with the situation and I know you are in Washington, so in Illinois it seems like when they get into these budget binds, the doctors and hospitals, doctors in particular they just don't get paid and there is a lag of a few weeks and then months before they are paid. Is that what goes on in other states or if they are so many people hooking up with Medicaid because they lose their insurance, do states have the ability to cut benefits and pay the doctors or how does that all work?

ROBIN RUDOWITZ:

Well, during the last economic downturn, again provider payment rates was one of the first place where states turned, but there certainly were a whole range of other program reductions including cuts to eligibility as well as cuts to benefits. You know again, as states started to expand their programs and think about covering more uninsured like in Illinois, assuring up provider rates and enhancing provider rates was one of the areas where states concentrated on to ensure the adequate amount of provider participation so that people had access to those providers and to services. So, again this is one area where states can look, but, they really are going to have to balance, balancing their budget with these potential provider rate cuts, which could impact provider participation and therefore access for beneficiaries on the program to the services that they need.

BRUCE JAPSEN:

If you are just joining us or even if you are new to our channel, you are listening to the Clinicians Roundtable from ReachMD, The Channel for Medical Professionals. I am Bruce Japsen with the Chicago Tribune and with me today is Robin Rudowitz. She is a principal policy analyst for the Kaiser Commission on the Medicaid and the uninsured, which is a major initiative of the well-known Kaiser Family Foundation, and we are talking about a not so happy topic that physicians and other providers will be dealing with; its the potential cuts to Medicaid or the increasing numbers of people that will be turning to Medicaid and the economic downturn and we were just talking about the adequate amount of provider participation.

Now, when there is more money and providers have complained about Medicaid reimbursement, do the providers come back into the program?

ROBIN RUDOWITZ:

Well, provider rate is one of the key factors that affect provider participation in the program and that is a key one. So, certainly states have tried especially in the area of dentists to enhance provider rates, to encourage additional participation in the program. So, targeting specific payment rates and states did again during the last economic downturn cuts provider payments, but then when the economy improved, they really did try to restore some of those cuts or try to catch up for some years where payment rates had been frozen. So, it's unclear exactly what will happen during this economic downturn, but that is one of the places where states look during the last one. One of the issues with Medicaid, I think, is that when states need to save a dollar in their program, they are really losing at least a dollar in federal revenue.

BRUCE JAPSEN:

Yeah, that's an important thing to know because I don't think a lot of people understand that Medicaid is jointly funded by the state and the federal government. So, if you could continue on that, I think that's very important.

ROBIN RUDOWITZ:

Right, so it is a program that's administered by the states, but the program is jointly funded by the states and the federal government. So, every dollar that states spend on the program they get a match of at least a dollar from the federal government. So, the reverse is also true. If they need to cut a dollar in their state spending, they are going to lose a dollar in federal revenue. So, you really need to

make a two-dollar program cut to save a dollar in state revenue or state spending. So, you need to cut the program much more to again save that one dollar of state funding, which has implications on the program as well.

BRUCE JAPSEN:

And, is this something we have heard about with the Bush administration that some states have asked for flexibility in the ability to pay providers more and perhaps get more people into the program. Is the economic downturn going to affect that or I don't know it from your study or your data, does it show our states doing different things with the Medicaid program and are they able to get more provider participation even in a downturn?

ROBIN RUDOWITZ:

Well, our study doesn't focus exactly on that issue, but certainly states were moving forward quite aggressively at the end of 2007 and into 2008 in terms of really using Medicaid and the state children's health insurance program as a foundation to really expand coverage and knowing that if you expand coverage, you need to have adequate provider participation and access, but states who are really moving pretty aggressively, the economy was good, states were anticipating a robust reauthorization of the children's health program and the uninsured numbers were continuing to grow and employer sponsored coverage was continuing to rise in cost. So, states were really stepping in and taking quite aggressive action and trying to expand their Medicaid programs. Of course, many of these expansions are jeopardized by the current budget situation and by the failure to permanently reauthorize the children's health insurance program. So, there's a whole series of things including you know the state budget situation, but also some activity at the federal level that could hinder some of those efforts to expand coverage at the state level.

BRUCE JAPSEN:

Now, I don't know if from your data it shows, but if I were a physician listening to our program what could I do or what can I expect if in the downturn, I mean, how quickly will this impact me and how will it impact me?

ROBIN RUDOWITZ:

Well, more states certainly have been increasing physician rates than reducing rates in the past several years especially since the economy had started to improve. It seems like sometimes nursing home providers and inpatient hospital providers might have something in state legislation that would give them an automatic inflation factor and those were the areas I think where state said well, our budget is too tight and we really cannot use that inflation factor. Physicians sometimes state increase physician rates and then don't do it for several years, but then might do a bigger bump in one year. So, again I think it's this balance between states looking at balancing their budgets and recognizing the need to assure our provider participation and access for the beneficiaries on the program.

BRUCE JAPSEN:

Because as you say in your survey here that states experienced a spending growth of 5.3%, which was up significantly from the previous 2 years and for fiscal year 2009, they saw even larger increases in Medicaid enrollment and spending, which would seem to be good for doctors. Now does that include the federal match?

ROBIN RUDOWITZ:

Right, that is in total Medicaid spending. So, that is both state and federal dollars that is projected by the states and states did note that while a key factor was the economy and the increased enrollment that was driving that spending another key factor driving that spending was increased rates for providers. You know that was part of this catch up still going on from the last economic downturn that was contributing to that higher spending rate.

BRUCE JAPSEN:

And so in reality the states might have only raised at what 2-1/2% or so?

ROBIN RUDOWITZ:

Well, that's hard to say.

BRUCE JAPSEN:

Okay, because it is a doubling. So, it seemed like it would be a good way to expand the pool if you will. Now if I am a physician and I want to learn more about this, is there a place I can go on the web to find it?

ROBIN RUDOWITZ:

The report is located on the Kaiser Family Foundation website at www.kff.org and it is entitled "Headed for a crunch – an update on Medicaid spending coverage and policy headed into an economic downturn."

BRUCE JAPSEN:

Well, with that I would like to thank Robin Rudowitz, who has been our guest. She is a principal policy and analyst for the Kaiser Commission on Medicaid and the uninsured, which is a major initiative of the Kaiser Family Foundation and we have been talking about something that providers are going to have to be dealing with. If they aren't already, they will be learning about this as states and the federal government deal with this economic downturn, which could definitely be affecting their reimbursement from Medicaid.

I am Bruce Japsen, and you have been listening to ReachMD, The Channel for Medical Professionals. Please visit our website at www.reachmd.com, which features our entire library including this show and on-demand podcasts or call us if you have questions or comments at toll free at 888-639-6157, and I would like to thank you today for listening.

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