



State of Wisconsin
Department of Health Services

Scott Walker, Governor
Dennis G. Smith, Secretary

Our Plan to Repair Medicaid

*By Dennis G. Smith
Secretary, Department of Health Services*

Medicaid plays a variety of critical roles in the lives of 1.1 million people in Wisconsin and in our economy. The challenge to us, simply put, is how do we continue to serve the most vulnerable among us while putting the program on a sustainable fiscal path? To help answer this question, we have engaged every segment of the Medicaid community—those who are served and those who serve. Our plan to bring some much needed repairs to Medicaid calls for changes across all four parts of medical assistance—eligibility, benefits, service delivery, and payment systems.

The discussion starts with the premise that we indeed need to “bend the curve” in the cost of health care. The need to change is quite clear. From the budget perspective, Medicaid is reducing funding for other vital services and priorities. Our budget increased by nearly 33 percent while funding for most state agencies, including education and transportation, was cut. Left unchecked, health care spending will increase to 20 percent of our economy. Small businesses, the backbone of our economy, see the excess cost of health care eating away at the profits they need to reinvest in order to grow and create jobs. The excess cost of health care makes it more difficult for our businesses to compete at the international level.

Government programs at the federal, state, and local levels will control about half of health care spending within the next few years. The cost curve will not bend without changing the way government programs regulate, pay, purchase, and compete.

Few people today argue that we do not spend enough on health care. The real problem is that we spend too much on health care, due, in part, to our payments systems, which hide the true cost of services from patients, purchasers, and even providers.

Everyone should understand there are no easy choices left and our proposed changes will only partially repair our various Medicaid programs. Long-term, authentic, transformation of Medicaid will not occur until policymakers at the federal level are convinced that a return to a true partnership with states with stable and predictable funding is the only way to make the program sustainable in the years ahead.

First, we intend to submit a waiver to the federal government that will restore commonsense and fairness to Medicaid eligibility. Our changes including closing loopholes and transitioning individuals into managed care and private coverage faster. No doubt our changes to eligibility are likely to draw the greatest amount of scrutiny. But our proposals must be examined in the context of our determination to avoid the alternative--terminating eligibility for more than 50,000 individuals – which is the option the federal government gave us to find the savings needed to keep Medicaid financially viable in the short term.

Second, in the area of benefit reform, we will put more of our working individuals and families into a benchmark benefits package that looks more like the coverage other working Wisconsin families are able to access in the private market. Medicaid benefits are typically more generous and require lower cost sharing than what most Wisconsin families can buy through their employers. As eligibility has been expanded over the years, the result has been a massive migration from private sector coverage to public benefits.

- MORE -

In 1997, the year the state Children's Health Insurance Program became law, 76 percent of children in Wisconsin with family income between 100 and 200 percent of the federal poverty level had private insurance coverage and 15 percent had public coverage. The most recent data shows that private coverage has dropped to 56 percent as public coverage increased to 43 percent for this age and income group. We believe that it is fair to align public benefits more closely with the private sector. No family below the poverty level will be asked to pay for their coverage, but those above the poverty level should be expected to contribute to the cost of their care. Even with increased cost sharing, BadgerCare will still be an excellent value for working families.

Changes to how services are delivered are in our third category of reforms. Most Medicaid costs are for a relatively small number of people who are elderly, have a life-long disability, or multiple medical conditions (or a combination of all three). We are developing a series of medical homes targeted to these specific high cost populations. Our proposals do not include any reductions in benefits for individuals who are elderly or who have a disability. While their benefits are protected, we will ensure that their care is delivered as part of a coordinated system. Appropriately coordinating their care will lower costs by reducing duplication of services, reducing overutilization of services, and substituting a less expensive but still appropriate health care setting for the delivery of care.

These new service delivery models will emphasize self-direction, recovery, evidence-based practices, value, and accountability. They will increase the number of people extending care, such as pharmacists, licensed midwives, and peer counselors, and give them a greater role.

Finally, we believe payment reform is also necessary. The traditional fee-for-service rewards volume rather than value. Though many have worked on performance-based payment ideas for some time, we need to incorporate them more quickly into public sector payment systems.

Those who rely on Medicaid deserve access to the quality care our outstanding health care systems provide and the supports they need to help them maintain their independence. Taxpayers deserve to know that their dollars are being stretched to realize the greatest potential value. We believe our modest proposals meet both objectives. Yet, everyone should also understand these changes are just the first steps needed to make Medicaid sustainable in the long term.