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Focus

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Medicaid Ahead: Keeping the Program Fully Funded

Following a year that focused on cost-containment within the Medicaid program, the state's attention has now turned to redesigning the program to serve the next generation of recipients. The Governor and his staff have developed the *West Virginia Comprehensive Medicaid Redesign Proposal,* centered around providing new ways to ensure coverage for West Virginia's most vulnerable population. The *Medicaid Redesign* carries the hallmarks of prevention, personal responsibility and disease management.

Currently in draft status, the *Redesign* has been submitted to U.S. Department of Health and Human Services Secretary Mike Leavitt for further consideration and will be broadened following additional feedback. A target implementation date has been set for July 1, 2006. The WVHA has expressed its willingness to work with the Administration on the *Redesign Proposal* and believes that an adequately funded Medicaid program is a critically important component to the restructuring of the program. Further erosion in provider payments only contributes to creating more cost shifting to the private sector and less access to healthcare services.

There are aspects of the *Redesign Proposal* that the state is currently considering. For example, to support the development of preventive healthcare services, non-traditional Medicaid services, such as nutrition, counseling and weight loss programs, will be added to the benefits package for recipients. Healthy Rewards Accounts also will be introduced, which provide the incentive for members to make healthy decisions and use healthcare services appropriately. The premise of these Healthy Rewards Accounts is based on Consumer Directed Health now used in the private sector. These accounts are used to finance a portion of out-of-pocket medical expenses incurred by employees. If a person spends wisely or has no claims, for example, the ending balance may be carried year-to-year. While a high deductible account would not be exactly applicable for Medicaid, the governor and his Administration believe the idea of incentives or disincentives for member behavior is appropriate.

According to the DHHR, the current West Virginia Medicaid program cannot cover populations outside of federal regulations without a special waiver. Medicaid's current categorical eligibility system does not allow appropriate populations, such as low-income childless adults, to receive benefits. Because working age adults have the highest uninsured rates at 21.9 percent of all age groups and the state has one of the lowest per capita incomes in the country, state administrators believe the program is no longer applicable to the needs of its low-income citizens and families. The *Medicaid Redesign Proposal* will address this need, as well.

The *Redesign* also proposes simplifying existing eligibility categories. At present, coverage groups comply with *Title XIX of the Social Security Act* and regulations contained in Title 42, Section 435 of the Code of Federal Regulations. Under this title, there are 29 eligibility categories. The *Redesign* recommends reducing these 29 categories to four, including children, adults 65 and older, those with special needs, and adults with children.

Medicaid's Role in WV's Healthcare System

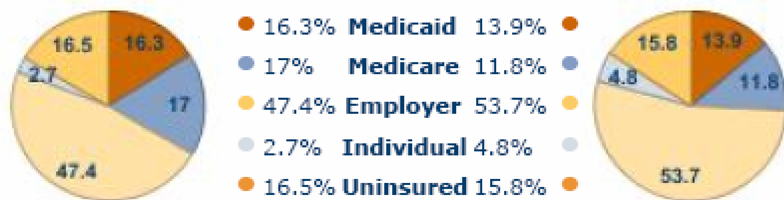
Medicaid provides vital health coverage for people who otherwise would be forced to go without medical treatment. As states deal with their budget shortfalls, they should recognize the important role that Medicaid plays in the lives of low-income working families, children, seniors and people with disabilities. Medicaid is a valuable and necessary service that provides health coverage for many of the most medically vulnerable people living in West Virginia, and, indeed, in the U.S.

Paying for much-needed medical treatments out of their own pockets is not an option for many low-income seniors, people with disabilities, children and working families. Medicaid is their only way to receive vital healthcare. In this time of economic uncertainty, West Virginia should not look to cut critical programs such as Medicaid that working families rely on for important healthcare needs. Even seemingly small cuts to benefits or increases in the amount of premiums or co-payments pose significant barriers to much-needed healthcare for low-income working families, children, seniors and people with disabilities.

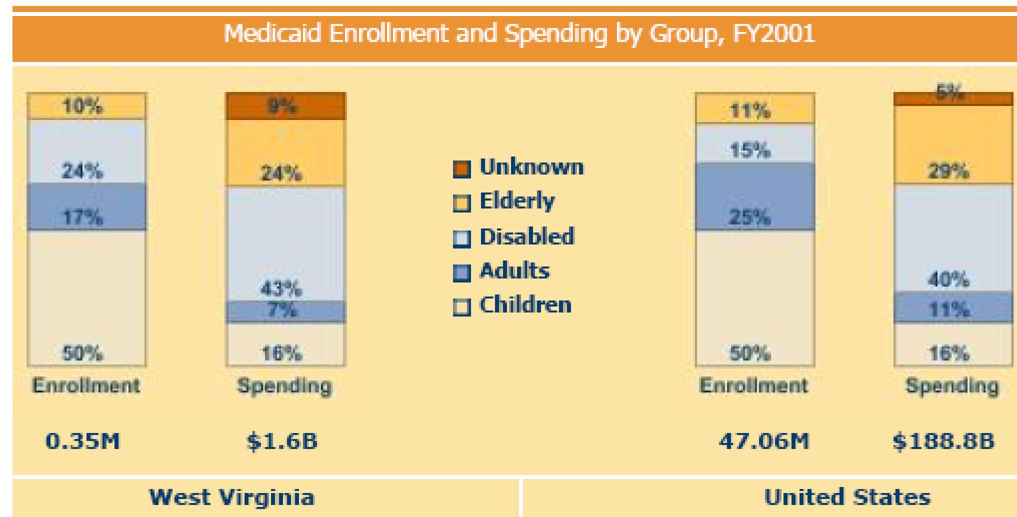
Source: Kaiser Family Foundation

Total Residents, 2003-2004	
WV: 1,787,330	**US:** 290,286,350

Distribution By Insurance Status, 2003-2004	
West Virginia	**United States**



Medicaid Enrollment and Spending by Group, FY2001



The Value of Increasing Healthcare Investments

In recent decades, significant advances in the U.S. healthcare system have helped people live longer and better lives. In fact, both mortality and disability rates have fallen consistently since the 1970s. This period has also, not coincidentally, seen substantial increases in healthcare spending. The year 2004 represented the sixth straight year of double-digit increases in the cost of providing medical benefits; costs are expected to increase by another 13.5 percent in 2005.

A number of factors contribute to high medical costs: liability insurance premiums have risen by more than 500 percent over the past several years; the number of state coverage mandates has risen exponentially, now numbering more than 1,400; the costs of caring for the uninsured are shifted to insured individuals through increased premiums and the like; and utilization of medical services and treatments is high, driven by consumers' insulation from overall costs.

Washington has lacked a comprehensive dialogue on healthcare spending and investment in the United States. All too often healthcare discussions in Congress and elsewhere seem to center on the substantial increase in per-person spending on healthcare, with little attention given to the commensurate gains in health, quality of life, and longevity due to increased investments in healthcare.

A focus on cost merely as a problem overlooks the value that patients and society in general derive from improved health. While costs are undoubtedly an important part of the healthcare debate, they should be considered in the context of the benefit achieved.

For example, an analysis commissioned by the Healthcare Leadership Council and six other leading healthcare organizations suggests that, in the past 20 years, each additional dollar spent on healthcare services produced health gains valued at $2.40 to $3.00. Though annual age-adjusted per-person healthcare costs between 1980-2000 increased by $2,254 (102 percent), this was accompanied by significant health gains such as the fact that annual death and disability rates declined, and a key measure of population health, the number of days in the hospital, declined from 129.7 to 56.6 days per 100 persons. Simply put, without the investment in healthcare that brought about these healthcare improvements, the U.S. would have experienced 470,000 more deaths, 2.3 million more people with disabilities, and 206 million more days spent in the hospital.

The study, *The Value of Investment in Health Care*, conducted by MEDTAP International, suggests that the value of improved health in the U.S. population over the past two decades significantly outweighs the additional healthcare expenditures that accompanied the improvements. Introduction of new medicines over the past 20 years, for example, has helped prolong and improve the lives of millions of Americans with diabetes, the MEDTAP

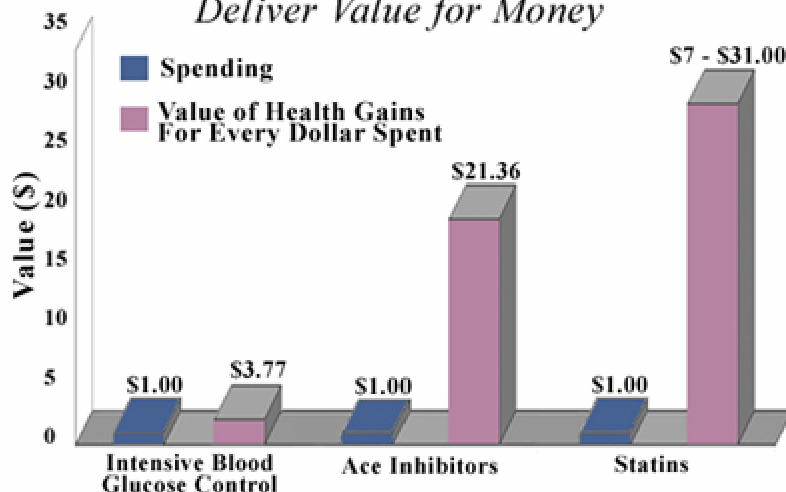
report shows. The report also quantified the value of improvements in the health of diabetes patients and found that for every additional dollar invested in overall care for the disease in the last 20 years, health gains valued at $1.49 result. The MEDTAP report finds that careful control of blood glucose levels with pharmaceuticals and other therapies reduces the risk of diabetes-related death by 10 percent and the chance of complications by 12 percent. In addition to producing value by preventing complications or death, new diabetes medicines can reduce overall healthcare spending by easing patients' symptoms and avoiding complications.

One recent study found that effective treatment of diabetes with medicines and other therapy yields annual healthcare savings of $685-$950 per patient within one-to-two years. Another study corroborated these results, finding that use of a disease management program to control diabetes with medicines and patient education generated savings of $747 per patient per year.

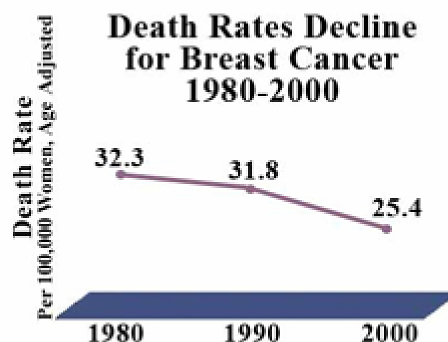
Medicines are becoming more and more effective in the fight against diabetes. Without the emergence of these new treatments, as well as new technologies to diagnose and monitor diabetes, the disease and its related complications would take a far higher toll on the health of Americans.

New medicines are also making possible significant improvements in the outlook for women with breast cancer, new research shows. Recent advances build on major gains made over the past two decades in the diagnosis and treatment of breast cancer. As a result of these advances, overall mortality for breast cancer has fallen from 32.3 deaths per 100,000 women in 1980 to 25.4 deaths in 2000, according to a new report by MEDTAP International, *The Value of Investment in Health Care*. In the same time period, the risk for a 54 year-old woman with breast cancer of developing the aggressive metastatic form of the disease has decreased from 40 percent to 15 percent.

The 2004 MEDTAP report also calculated the value of the improvements reflected in these statistics, finding that for every additional dollar invested in breast cancer treatment, $4.80 in health gains resulted. The report highlights some of the new medicines that play a key role in achieving these health gains. The report asks and answers a question that often goes unaddressed in the debate over healthcare costs: Is our increased healthcare spending worth it? The definitive answer is *Yes*!



Source: PhRMA Publications, *Values in Medicine*.



Source: PhRMA Publications, *Values in Medicine*.

In the past two decades, great improvements have been made in the treatment of breast cancer. As a result, most breast cancer patients now live for at least 10 years after their diagnosis.

Susan G. Komen Foundation

Over the past 20 years, each additional dollar spent on healthcare services has produced $2.40 to $3.00 in tangible gains in healthcare, according to a study recently released by The Value Group, a coalition of seven of the nation's leading health organizations. The report, entitled *The Value of Investment in Health Care: Better Care, Better Lives*, reveals just how important this investment is in the lives of people who depend upon the healthcare system to protect and care for themselves and their families. As lawmakers address rising healthcare costs, this study provides evidence on a critical issue frequently missing from discussion: the value of our increasing investment in healthcare.

The report — a compilation of published findings from the top peer-reviewed journals in health and medicine, supplemented with original analysis of national data — looked at the value of investment from multiple angles. It documents the dynamic advances in health, lifespan and quality of life due to investments in healthcare. Specifically, since 1980:

- Annual death rates declined 16 percent;
- Life expectancy from birth increased by more than three years;
- Disability rates for seniors fell 25 percent; and
- Number of days Americans spent in hospitals fell 56 percent.

The study also indicated that the improvements in outcomes for specific diseases have been even more striking:

- Mortality from heart attacks has been cut nearly in half;
- Stroke mortality has been cut by more than a third;
- Diabetes can now be managed to dramatically reduce complications, such as blindness, kidney failure, stroke and death; and
- Breast cancer mortality has been cut by more than 20 percent.

Copies of this report are available online at www.medtap.com.

Government Reimbursement, Uncompensated Care and Cost Shifting

In West Virginia, over 70 percent of revenue is covered by governmental healthcare programs like Medicaid. When programs like Medicaid do not pay their full share of costs, healthcare providers must shift the non-reimbursed cost of serving government patients to private sector payers. Simply put, through this cost shift the private sector and businesses subsidize public program beneficiaries.

Under funding of government programs creates a hidden tax that inflates prices and forces employers to pay more than their fair share for healthcare.

Last year, West Virginia passed over $97 million of Medicaid and other governmental program costs to private insurers like Blue Cross Blue Shield. Ultimately, the governmental cost burden will shift to private businesses to make up for the shortfall. Such a shift often makes private insurance too expensive for businesses to provide full or partial insurance coverage for their employees. It also makes insurance too expensive for individuals to purchase. Underinsured or uninsured workers compromise the state's economic well-being when they incur uncompensated care.

Unfortunately, West Virginia's hospitals are facing a financial crisis due in large part to chronic underpayment by governmental payers like Medicaid. Hospitals provided more than $445 million in uncompensated care last year.

Medicaid accounts for about 15 percent of a typical West Virginia hospital's revenue and that percentage is much higher for some, especially those providing maternity and high risk services. To compensate for Medicaid losses, hospitals may reduce services and access, raise costs to private payers, or, in extreme cases, hospitals may consider closure.

Hospital Day at the Legislature

Hospital Day at the Legislature, a special event sponsored by the West Virginia Hospital Association (WVHA) as part of its grassroots and advocacy program, will be held Thursday, February 23, during the 2006 legislative session.

The day, which will take place on the Capitol grounds, will include a legislative briefing of WVHA issues and remarks delivered by key elected officials. Participants will attend a Senate or House floor session and have an opportunity to meet with their local legislators.

Hospital Day offers all member hospitals a unique opportunity to connect with their legislators so that members may emphasize to them the important role hospitals play in the continued development of the state.

The Association will have a booth located in the Capitol Lower Rotunda for each hospital to place brochures and information regarding special services and outreach programs. Attendance will help to ensure strong legislative representation for West Virginia's hospitals, the WVHA strongly encourages all of its members to take advantage of this event.

Wetzel County Hospital Grows

Area legislators, city and county officials joined the Board of Trustees of Wetzel County Hospital (WCH) in New Martinsville to cut the ribbon this week on a nearly 20,000 square foot community building addition. The new addition provides needed space for staff education and patient wellness programs, as well as relocation of offices and storage to provide for expansion of the emergency department, surgery department and other clinical care areas.

"Wetzel County Hospital continues to move forward to meet the current and future needs of its service area," said George Couch, WCH Chief Executive Officer. "With the completion of this addition we will soon begin work to nearly double the size of our emergency department and return much needed space to clinical and patient care areas."

The project represents phase two of a three-phase multi-year project that started with the construction of an outpatient services building that provides state-of-the-art physical and occupational therapy services. The outpatient building also houses orthopedic surgery services and a modern outpatient clinic with over 30 physicians in specialties.

According to William Grimm, Chairman of the WCH Board of Trustees, "Our next phase is to nearly double the size and enhance the services of our emergency department." Grimm said that WCH emergency department volume increased from 11,493 cases in 1999 to 13,479 emergency and express care visits for the fiscal year ending June 30, 2005.

"It is vital that we expand to meet the rapidly growing emergency care needs of our area," Grimm added.

Grimm also recognized George Friedline, Vice Chairman of the WCH Board of Trustees and Terry Weber, WCH Maintenance Supervisor for their work and dedication on the project. "George and Terry are the two individuals that made this dream a reality," he said.

WCH Chief Financial Officer, David McCartney, CPA, said that "the hospital did not increase its monthly debt payments as a result of these projects. The board set aside money earned in profitable years to reinvest in the community's hospital and the balance of the construction cost was obtained through refinancing of existing bonds at a lower interest rate and lower monthly payment.

Several offices that had taken up patient care areas in the main hospital have been moved into the community addition. The hospital's billing office, which had been in leased offices, was also moved into the new space. The moves also create space for an additional operating room to meet the need for WCH's growing inpatient and outpatient surgical business.

Immediately available is a large classroom that can be used for hospital and community events or divided into two rooms for smaller meetings. Offices re-located into the Community Building include medical records; business office; medical library; medical staff coordinator; infection control officer; utilization review; human resources; payroll and diabetes educator. The hospital's storeroom has been moved into the basement, which also includes space for overflow equipment storage.