



THE COMMITTEE ON ENERGY AND COMMERCE

MEMORANDUM

June 10, 2013

To: Members of the Subcommittee on Health

From: Majority Committee Staff

Re: The Need for Medicaid Reform: A State Perspective

On June 12, 2013, at 10:00 a.m. in 2322 Rayburn House Office Building, the Subcommittee on Health will hold a hearing entitled “The Need for Medicaid Reform: A State Perspective.” The following memorandum provides background on the witnesses and Medicaid reform.

I. WITNESSES¹

Tony Keck, Director
Department of Health and Human Services
State of South Carolina

Seema Verma, MPH
Strategic Health Policy Solutions

II. MEDICAID REFORM

Medicaid, a state-federal partnership program enacted in 1965, was designed as a safety net for the most vulnerable Americans. While the program covered just four million people in its first year, there were nearly 72 million Americans (more than 25 percent of the population) enrolled in the program at some point in 2012 – more recipients than any other government health care program, including Medicare.² With the implementation of the Patient Protection and Affordable Care Act (PPACA), enrollment could grow by nearly 26 million– resulting in the largest expansion of the program in history.³

¹ Additional witnesses may be added by invitation.

² Medicaid and CHIP Payment and Access Commission. Report to the Congress on Medicaid and CHIP. March 2013. Page 95. Available online at <http://www.macpac.gov/reports>

³ Centers for Medicare and Medicaid Services (CMS). 2011 Actuarial Report On The Financial Outlook for Medicaid. Available online at <http://medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Financing-and-Reimbursement/Downloads/medicaid-actuarial-report-2011.pdf>

These unprecedented enrollment levels are exacerbating the program's financial issues. Federal Medicaid spending alone will reach nearly \$5 trillion over the next decade.⁴ The financial challenges are not just a federal debt-driver, but a state taxpayer liability as well. Over the next 10 years, states will spend at least \$2.5 trillion on Medicaid.⁵ According to the National Governors Association, "Medicaid represents the single largest portion of total state spending...."⁶ The data show that the size and costs of today's Medicaid are compromising the program's safety net mission for those in need.

Medicaid reforms can build upon the work and input from states as many have already pioneered reforms. In response to 2011 requests from the Energy & Commerce Committee, the majority of the nation's governors outlined seven principles for true innovation in the Medicaid program. The governors said, "[w]e must reassess and focus our efforts on reshaping how healthcare is delivered through innovation, creativity and responsibility – all demonstrated capabilities of states. We must bring the antiquated Medicaid program into the 21st century and secure the program's long-term integrity."⁷ The governors also published a report, "A New Medicaid: A Flexible, Innovative and Accountable Future," with 31 solutions to, "develop a better and more efficient Medicaid system, one that gives states greater flexibility, spurs delivery innovation, encourages greater accountability, and reduces the cost of the program to states and the federal government alike."⁸ The call from states for greater flexibility has been reiterated by Republican and Democrat governors alike.⁹

This hearing builds on the committee's ongoing efforts to review the program's current weaknesses and identify reasonable reforms. In March, the committee released a report entitled "The Medicaid Check Up: Reasons for Reform" which offers an assessment of whether Medicaid beneficiaries get the appropriate, high-quality care their insured counterparts receive and what an expansion of Medicaid means for the program's current gaps.¹⁰ More recently, Chairman Fred Upton and Senate Finance Committee Ranking Member Orrin Hatch released the "Making Medicaid Work" blueprint, which highlights the program's troubling fiscal reality and

⁴ CBO. Medicaid, February 2013 Baseline. Available online at <http://www.cbo.gov/sites/default/files/cbofiles/attachments/43885-Medicaid.pdf>

⁵ CMS. 2012 Actuarial report on the Financial Outlook for Medicaid. Available online at <http://medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Financing-and-Reimbursement/Downloads/medicaid-actuarial-report-2012.pdf>

⁶ National Governors Association (NGA). The Fiscal Survey of the States. Spring 2012. Available online at <http://www.nga.org/files/live/sites/NGA/files/pdf/FSS1206.PDF>

⁷ Republican Governors Association (RGA), Public Policy Committee. "A New Medicaid: A Flexible, Innovative and Accountable Future." August 30, 2011. Available online at http://www.scribd.com/fullscreen/63596104?access_key=key-16dzhu6py6idfkjml8it

⁸ Id.

⁹ National Governors Association, "Restructuring Medicaid: Concepts, Issues, and Alternatives." Staff Paper. July 24, 1995. Available online at: <http://www.clintonlibrary.gov/assets/storage/Research%20-%20Digital%20Library/jenningssubject/Box%200008/647860-flexibility-medicare-managed-care-3.pdf>

¹⁰ The report can be found here: <http://energycommerce.house.gov/press-release/medicaid-check-reasons-reform>

discusses tools to equip states to implement patient-centered reforms and impose fiscal discipline in the program.¹¹

III. STAFF CONTACTS

If you have any questions regarding the hearing, please contact Monica Popp at (202) 225-2927.

¹¹ The report can be found here: <http://energycommerce.house.gov/press-release/upton-hatch-unveil-solutions-blueprint-making-medicaid-work>