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Editorial

Florida's Medicaid Gamble

Florida is about to experiment with a radical change in its Medicaid program in a desperate attempt to rein in the upward spiraling costs of the program. The pilot project is based on a cherished belief of conservative health analysts - that consumer choice and competition among health plans will improve the quality of care and hold down costs. While there's reason to wonder if those theories will hold up, Florida has been responsible and serious in preparing this test. It makes sense to give it a try, while watching carefully to make sure some of the poorest and most vulnerable people in the country do not suffer as guinea pigs.

The Florida experiment, which was approved last week by the federal government but needs final approval from the State Legislature, would start by transferring more than 200,000 Medicaid beneficiaries in two counties to managed care plans. Certain categories of patients would have to join managed care plans, which they would select with the help of a "choice counselor." Florida's Medicaid program would pay the plan a premium for their care, adjusted to reflect the health status of the patient.

That would make Medicaid less like an entitlement program, in which the beneficiary is legally entitled to specified services and the state pays the bill, and more like private insurance, where the managed care plan would define the benefits to be provided, subject to approval by the state, and the state would pay only the contractual premium.

The benefits would have to be actuarially equivalent to the standard range of Medicaid services, but a given plan could rejigger its offerings for the clientele it serves, offering H.I.V. patients, for example, a lot more prescription drugs but less hospital care than standard Medicaid.

For the most part, Florida appears to be proceeding cautiously. It is not changing the eligibility rules to eliminate people from the Medicaid rolls. Not has it promised short-term savings. It has simply pledged to hold the average spending increases per patient to the levels they were projected to reach anyway.

State officials believe the new approach will save money in the long run because the managed care plans will have incentives to screen patients aggressively, treat problems early, before they become horrendously costly, and manage a patient's care in a cost-effective manner. They also believe there will be less opportunity for fraud and abuse.

But there are reasons to be skeptical. Medicaid is notoriously parsimonious in reimbursing hospitals and doctors, so it is not clear that managed care plans, which often have to add in a profit margin, can do the job more cheaply. The beneficiaries, often poorly educated, may find it confusing to choose a health plan, even with the help of a

counselor, given the consternation voiced by elderly Americans over the much easier task of choosing a Medicare prescription drug plan. Most worrisome, to patient advocates, is what may happen to the small percentage of patients whose costs exceed their annual benefit limits. State officials are confident that they will receive the care they need, with the excess costs treated as uncompensated care, but advocates worry that health plans will find ways to trim back.

Florida's plan is the first to inject competition and consumer choice into Medicaid, and it may well serve as a model for other states if it works out. There is good reason to be wary of this approach. But advocates who support more traditional government spending can't hope to make their case if they resist tests of other approaches. The experiment is surely worth a try.