The Ethics of Governmental Healthcare Programs

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Objectives

- Understand the evolution and scope of Medicare and Medicaid
- Begin a discourse on what you see as the benefits and flaws in the system
- Start a dialogue as to the role these programs should play in the future

Factors Influencing the Creation of Medicare and Medicaid

- Clear and visible need of the elderly and poor
- Social Security already in place and functioning
- Elderly population – 9% in 1960
- Not bound by employer groups
- Harder to qualify for private policy
- Addresses the needs of a particular rather than general population

How Health Care is Financed in the US - 2002

<table>
<thead>
<tr>
<th>Source of Health Care</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Insurance</td>
<td>36%</td>
</tr>
<tr>
<td>Medicaid/SCHIPs</td>
<td>17%</td>
</tr>
<tr>
<td>Medicare</td>
<td>19%</td>
</tr>
<tr>
<td>Other Public</td>
<td>9%</td>
</tr>
<tr>
<td>Other Private</td>
<td>4%</td>
</tr>
<tr>
<td>Out-of-Pocket</td>
<td>16%</td>
</tr>
<tr>
<td>Private Insurance</td>
<td>36%</td>
</tr>
</tbody>
</table>

Total = 1.340 trillion

Medicaid - Overview

- Established in 1965 under Title XIX of the Social Security Act
- Financed jointly by the State and Federal government (In TX – 40/60 match)
- Covers health and long-term care of the sickest and poorest Americans
- Accounts for 1 out of every 6 dollars spent on personal health care in the US and of half of all money spent on long-term care
- Largest source of public funding for mental health services
- Covers the medical expenses of more than half of all Americans who are living with AIDS
- Each state runs and manages its own Medicaid program that must meet minimal federal standards

Brief History of Medicaid

- Initially only available to persons eligible for cash assistance or welfare
- In 1970, federal law established Supplemental Security Income (SSI) providing cash assistance to the elderly and disabled poor. In Texas, SSI recipients are automatically eligible for Medicaid
- In 1980s, federal law mandated Medicaid coverage for groups not eligible for SSI or TANF resulting in major expansion
- The Balanced Budget Act of 1975 cut Medicaid spending by $17.2 billion dollars but also created CHIPs

Medicaid has been transformed from a narrowly defined program available only to those eligible for cash assistance into a large insurance program with complex rules.
What is Medicaid?
- Nation’s public health insurance program for low-income people.
- Provides health coverage for 39 million children and parents and long-term care for 8 million individuals with disabilities and premium assistance and long-term care for over 6 million low-income elderly.
- Medicaid buys services for the poor and disabled in the private health care market.

Who is covered by Medicaid – by FLP?

Federal Poverty Level – What is it?
- In 2006, the FPL was $20,000 for a family of four:
  - $9.62/hr. or $384/wk or $1,666/month
- Federal minimum wage - $5.15/hr = $10,712

Who isn’t Covered by Medicaid
- Parents of children who are covered. Lower eligibility requirements for parents than children.
- Adults without children. No matching funds available for this category
- Undocumented Immigrants – only qualify for emergency services including the costs of labor and delivery

Texas Medicaid Beneficiaries & Expenditures – FY 2002

What does Medicaid Cover?
- Mandatory Services
  - Physician services
  - Hospital services
  - Laboratory and x-rays
  - Medical and surgical dental
  - Family planning
  - Early and periodic screening
  - Nursing facilities
- Optional Services
  - Prescription Drugs
  - Dental services
  - Prosthetic
  - Physical rehab & therapy
  - Intermediate care facilities for
    - Personal care services
    - Hospice
SCHIP (State Children’s Health Insurance Program)

- Legislated in 1997 to afford children living below 200% of FPL health insurance coverage
- Like Medicaid, federal/state program with 3/1 matching of dollars
- Not an entitlement
- Provides for comprehensive medical services in exchange for small annual fee and cost sharing payments based on sliding scale
- Feds have capped maximum payout and states can set eligibility guidelines

How are Physicians Reimbursed?

- Reimbursement is based primarily on Medicare’s Resource Based Relative Value Scale (RBRVS)
- Reimbursement on average is 60% of payment under Medicaid

<table>
<thead>
<tr>
<th>RVU</th>
<th>Conversion Factor</th>
<th>Total Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>24.12 x 38.2581</td>
<td>$82.25</td>
</tr>
<tr>
<td>Medicaid</td>
<td>24.12 x 27.261</td>
<td>$56.61</td>
</tr>
</tbody>
</table>

Challenges

- Ties to state budgets make it susceptible to year to year changes depending on fiscal soundness of state.
- Continued tension between controlling costs and delivering health care
- Low reimbursement rates and administrative burdens impact access to care
- Low thresholds leave majority without any coverage
- Fraud and abuse in the system

Medicare - Overview

- Established in July 30, 1965
- By law, most individuals 65 and over are entitled to Medicare
- Covers people under 65 with permanent disabilities
- Spending in 2005 = $265 billion or 12% of all federal spending
- Medicare benefits accounted for 17% of the nation’s total health care spending of $1.8 trillion = $1,800,000,000.00

Medicare’s Structure

- Part A – hospital insurance, skilled nursing and hospice care (45% of spending)
- Part B – Supplementary Medical Insurance – physician, outpatient and preventative services (35%)
- Part C – Medicare Advantage (HMO) - 15%
- Part D – Prescription Drug Coverage

Medicare Funding

- Part A – funded by a dedicated tax of 2.9% paid equally by employers and employees (1.45%)
- Part B – beneficiary premiums and general revenues
- Part C – from both payroll tax, premiums and general revenues
- Part D – general revenues, beneficiary premiums and state payments
Supplemental Coverage

- Medicare covered less than half (45%) of beneficiaries' total health care spending in 2002.
- Seniors spent an estimated 22% of their incomes on health-related services and premiums (AARP)
- Retiree health insurance, Medigap and Medicaid help fill this gap.

Medicare Coverage – Part A

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Beneficiaries' Financial Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient hospital</td>
<td></td>
</tr>
<tr>
<td>Days 1-60</td>
<td>$952 deductible per medical incident</td>
</tr>
<tr>
<td>Days 60-90</td>
<td>No coinsurance</td>
</tr>
<tr>
<td>Days 90-150</td>
<td>$238/day</td>
</tr>
<tr>
<td>After 150 days</td>
<td>$476/day</td>
</tr>
<tr>
<td>Skilled Nursing Facility</td>
<td></td>
</tr>
<tr>
<td>1-20 days</td>
<td>No Coinsurance</td>
</tr>
<tr>
<td>21-100 days</td>
<td>$119/day</td>
</tr>
<tr>
<td>After 100 days</td>
<td>No insurance</td>
</tr>
</tbody>
</table>

Medicare Coverage – Part B

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Beneficiaries' Financial Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium</td>
<td>$88.50/mo</td>
</tr>
<tr>
<td>Deductible</td>
<td>$124/yr</td>
</tr>
<tr>
<td>Physician &amp; other medical services*</td>
<td>20% coinsurance</td>
</tr>
<tr>
<td>Ambulatory Surgical Services</td>
<td>20% coinsurance</td>
</tr>
<tr>
<td>Outpatient hospital care</td>
<td>20% coinsurance</td>
</tr>
<tr>
<td>X-Rays, EQUIPMENTS</td>
<td>20% coinsurance</td>
</tr>
<tr>
<td>Physical Therapy</td>
<td>20% coinsurance</td>
</tr>
<tr>
<td>Clinical diagnostic lab services</td>
<td>No coinsurance</td>
</tr>
<tr>
<td>Home health care</td>
<td>No coinsurance</td>
</tr>
</tbody>
</table>

Medicare – Part D Prescription Drug Coverage

- First significant change in Medicare
- Between 2006 and 2015 estimated cost of program approx. $724 billion
- Standard Plan:
  - Monthly premium (cost varies – avg. $32/month
  - $250 deductible
  - 25/75 split from $250 - $2250
  - 100% of next $2250
  - 5/95 split after spending $3600 out of pocket
Medicare Benefit Payments by Type of Service, 2005

- Hospital Inpatient: 38%
- Skilled Nursing Facilities: 5%
- Hospice: 3%
- Managed Care (Part C): 15%
- Home Health: 4%
- Physician & Other Suppliers: 25%
- Other Part B Benefits: 9%
- Hospital Outpatient: 5%
- Hospital Inpatient (Part D): 13%
- Hospice Facilities: 7%
- Other Part B Benefits: 6%

Characteristics of People on Medicare

- 35% have three or more chronic conditions
- 29% are in fair/poor health
- 27% have cognitive impairments

Challenges

- Fiscal health of Medicare fund
- Aging of America
- Continued benefit levels

Ethical Issues of Government Health Programs

- Should the government sponsor anytime of health care?
- If so, who should be the beneficiary?
- Should government plans be expanded to cover more people?
- Why aren’t the government plans afforded to more people?
- How should these plans be financed?
- Should non-citizens be afforded coverage?