

The Ethics of Governmental Healthcare Programs

Rebecca Lunstroth, J.D., M.A.
Instructor
University of Texas Medical School at Houston

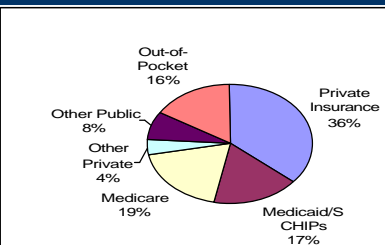
Objectives

- 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



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

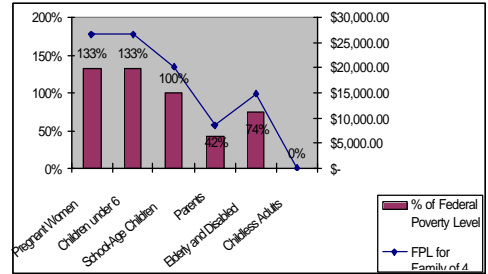
- Initially only available to persons eligible for cash assistance or welfare
- In 1972, federal law established Supplemental Security Income (SSI) providing cash assistance to the elderly and disabled poor. In Texas, SSI recipients are automatically eligible for Medicaid
- In 1980s, federal law mandated 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?



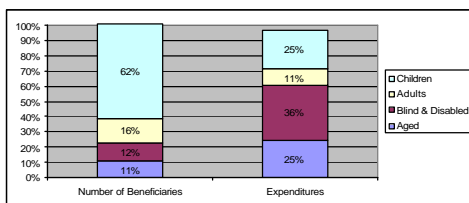
Federal Poverty Level – What is it?

- 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

	RVU	Conversion Factor	Total Payment
Medicare	24.12	x 38.2581	= \$82.25
Medicaid	24.12	x 27.261	= \$58.61

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

Benefit	Beneficiaries' Financial Obligation
Inpatient hospital	\$952 deductible per medical incident
Days 1-60	No coinsurance
Days 60-90	\$238/day
Days 90-150	\$476/day
After 150 days	No benefit
Skilled Nursing Facility	
1-20 days	No Coinsurance
21-100 days	\$119/day
After 100 days	No insurance

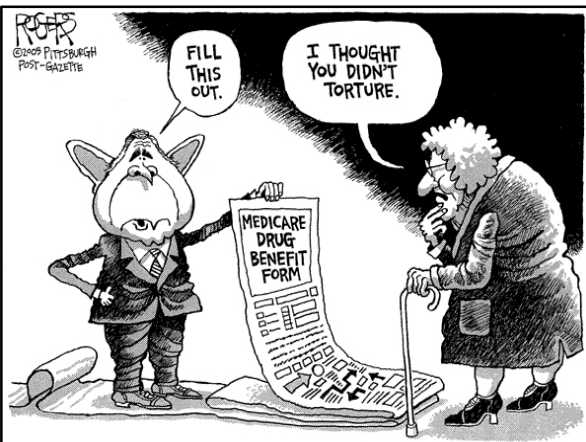
Medicare Coverage – Part B

Benefit	Beneficiaries' Financial Obligation
Premium	\$88.50/mo
Deductible	\$124/yr
Physician & other medical services*	20% coinsurance
Ambulatory Surgical Services	20% coinsurance
Outpatient hospital care	20% coinsurance
X-Rays, Equipments	20% coinsurance
Physical therapy	20% coinsurance
Clinical diagnostic lab services	No coinsurance
Home health care	No coinsurance

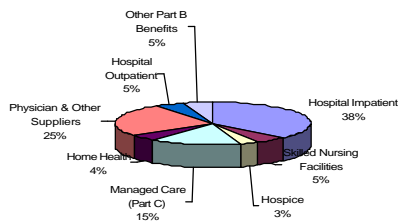


Medicare – Part D Prescription Drug Coverage

- 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



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?