

# PERSPECTIVE

Promoting Health Care Transparency and Competition



## Marriage of Managed Care, Medicaid Can Be Saved

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By Kevin T. Kavanagh,

Medicaid Managed Care has been dealt another major blow with the failure of TennCare (Tennessee Medicaid). Managed care produced huge initial cost savings in the private sector but even in this venue it is currently not controlling costs and private insurance companies have continued to raise premiums to meet their profit goals. Why is this happening? Managed care attempted to control costs using two tactics. The first was to reduce the charge of individually billed line items. This tactic was highly effective and produced huge initial savings in the private market. The second was to control utilization. Medicaid currently pays rock bottom rates with most return visit charges under \$25 and procedures and visits can not be charged for the same date of service. Thus, any savings in Medicaid can only come by the administrative control of utilization. Unfortunately, this is like nuclear fusion, in that the cost savings produced is not greater than the amount of money which is poured into the administrative overhead.

Here is where the difficulty comes in. Patients vary widely and can have a plethora of different presentations for the same disease. For example there are so many diagnostic codes available to justify a CT scan that almost every patient can qualify for one. The saying "That medicine is more of an art than a science" is true and no one has been able to form a reliable rule-based system that will not misdiagnose a significant number of patients. Making a

single mistake is very costly. Both physicians and patients dislike control of medical utilizations and when mistakes occur they are quick to blame and seek action against the controlling authority. In the Medicaid system, control of utilization is even more difficult since Federal Law prohibits co-pays. Thus, the final solution will probably require a Federal waiver or for the Federal Government to completely rework the current system. For higher income Medicaid recipients, such an overhaul might include a modification of health savings accounts.

That is not to say that Medicaid Managed Care is not without its merits. Management of pharmaceutical over usage such as narcotics and antibiotics may produce benefits by reducing drug addiction and bacterial resistance. However, implementation of managed care protocols in the offices of financially strapped physicians of southeastern Kentucky would be difficult. Possible solutions may include:

- Increase funding for Medicaid. This makes a lot of sense, since Kentucky receives a 3.5 to 1 Federal match. In other words, for every dollar Kentucky places in the system, The US Government places 3.5. This can be done similar to using the gas tax to fund highways. Those who live unhealthy lifestyles should pay more. Kentucky should seriously consider raising taxes on cigarettes

*Summary*  
(Total Word Count 631)

**Because of the Large Federal Matching Funds for Kentucky, Funding of Medicaid Makes Sense.**

**Health Watch  
USA**

**Promoting Healthcare  
Quality, Access &  
Affordability**

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## Promoting Healthcare Quality, Access & Affordability

## Monitoring and Controlling Medical Drug Usage is one of the Best Ways to Prevent Wasting of our Healthcare Dollar

and alcohol. It has even been suggested by some to tax junk foods. Although the later is hard to define and would be almost impossible to implement.

- Control of pharmaceuticals with the use of less expensive but effective alternatives. This needs to involve education of both patients and physicians. New drugs should not be automatically approved. There have been

a number of new drugs recently rushed to the market and then withdrawn because of patient hazards. These drugs have included:

Vioxx, baycol, propulsid, rezulin, duract, poslcor, pondimin, redux, and seldane.

In addition, detailing of physicians by drug company representatives needs to be closely monitored.

The best way to save the health

care dollar is to live a healthy life. Those that are smoking, obese, and lead a sedentary life are for the most part their own worse enemy. They need to have an understanding of where the problem really lies and be a little more understanding of doctors who cannot cure their illness without their help and the state of Kentucky that is having difficulty funding their medical care.

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