National Association of
Children's Hospitals

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Statement

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Good afternoon. My name is David Alexander and I am the medical advisor for public policy to the National Association of Children's Hospitals. I am a pediatrician and have worked for more than 25 years in children's hospitals in 4 different states as both a clinician and in the executive leadership.

I would like to take this opportunity to share with you the clinician and children's hospital perspectives on Medicaid – why the program is critical to our institutions and to all of the children we serve. I also want to concentrate my remarks on areas in which we hope you will focus your reform recommendations in order to improve the care received by all of our nation's children.

As you proceed this year to identify ways to improve and strengthen Medicaid for the long term, I urge you to keep in mind 3 key facts about the program:

1. Children comprise more than 50% of Medicaid enrollees - one in 4 children and one in three infants are covered by Medicaid. As such, Medicaid is the single largest provider of health care coverage to children.

2. Despite being the majority of enrollees, expenditures for children's health services account for only 22% of total program spending. That's an especially telling number considering the program covers a disproportionate number of children with chronic illness and disability.

3. Medicaid is the backbone of <u>all</u> pediatric health care in this country, paying for nearly a third of the patient care provided by a private practice pediatrician and half of the care provided by a children's hospital.

Because such a large proportion of children's health care is financed by Medicaid, ensuring a strong, stable and adequately funded program is in the best interest of *all* of

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our children and their families, not just those who rely on the program for their health coverage.

Children's hospitals believe there are three key areas in which Medicaid can be reformed to improve access and care for children, and ultimately strengthen the program. Contrary to some opinions, the most significant challenges facing Medicaid coverage for children are not out-of-control spending or overly generous benefit packages. Instead, the real challenges are barriers to enrollment for eligible children, a dearth of pediatric quality and performance measures, and the absence of adequate payment for children's health care providers, much less any reward or incentives for providing efficient, high quality care.

Enrollment: Two-thirds of the nation's uninsured children are eligible but not enrolled in Medicaid or the State Children's Health Insurance Program (SCHIP). If all eligible children were enrolled, the nation would have virtually eliminated the problem of uninsured children – and the health risks that accompany it. Children's hospitals support federal incentives to deter loss of private coverage, but we believe Medicaid and SCHIP's safety net coverage for children should be maintained and strengthened, beginning with effective enrollment of eligible children.

Quality: Although it is the nation's single largest payer of children's health care, the federal Medicaid program has done little to invest in pediatric quality and performance measures. Federal investment under Medicare has resulted in significant advances in quality measurement for senior care. There has been no comparable investment in quality measurement for children. Instead, the federal government defers to states and individual children's providers, despite the dearth of measures for children's health and the fact that most states and institutions do not have adequate financial resources or large enough pediatric patient populations to develop meaningful quality measures.

It is only through a federally-led effort that such measures can be developed. Children's hospitals recommend a federal commitment to improving the safety, efficiency and effectiveness of health care services to children comparable to what CMS already is doing for adult quality of care measurement and pay for performance through Medicare. A Medicaid program that can recognize and reward quality and efficiency can mean better care and lower costs.

Access: Less than 5% of all hospitals, children's hospitals provide the great majority of hospital care for seriously ill children, as well as maintain essential critical and emergency pediatric services. These hospitals are also a major part of our children's health care safety net, providing 40% of all hospital care for children covered by Medicaid, plus substantial ambulatory specialty and primary care. Yet, depending on the year, Medicaid meets on average only about 80% of the costs of the inpatient care it covers in children's hospitals. For many hospitals it is significantly lower.

Medicaid payment for physicians' care is far worse. This poor payment drives pediatricians to limit the scope of their Medicaid practices or move to more affluent

areas, leaving poor children behind. For all that physicians complain about how badly Medicare pays, pediatricians and family physicians would be thrilled if Medicaid paid Medicare rates for identical services. Poor Medicaid payment is also one of the factors leading to shortages of pediatric subspecialists, which in turn causes access issues for all children.

The program must begin to meet the costs of its care to assure access to the services low income children need and to preserve the pediatric specialty and standby services all children need. Medicaid reimbursement to hospitals should be predictable and sufficient to meet the costs of care. Physician reimbursement needs to be adequate so as to guarantee access to care. If not, the pediatric specialty and standby services all children need and deserve will suffer.

Conclusion

Medicaid faces many challenges today in large part because of its success in helping the nation address so many different challenges that our health care system otherwise is not designed to handle: the long-term care needs of millions of middle and low-income Americans, the chronic health care needs of adults and children with serious disabilities, basic and catastrophic health care needs of low-income senior citizens, and the basic and catastrophic health care needs of millions of low and middle-income children.

As you study the program and recommend reforms, we urge you to remember that your decisions will have the potential to affect, directly or indirectly, every child in this country, including our own children and grandchildren.