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Medicare plan would cost Michigan business, advocacy group says

By TODD SPANGLER • FREE PRESS WASHINGTON STAFF • April 15, 2008

WASHINGTON – Using one of the U.S. government's own formulas for figuring out the impact of regulatory change, a group advocating for affordable health care argued Tuesday that Bush administration plans to change Medicaid could cost Michigan billions of dollars in lost business and thousands of jobs.

Families USA, which is based in Washington, unveiled research suggesting Michigan could lose $1.5 billion in business activity, $572 million in wages and 15,300 jobs in the first year of the Medicaid rule changes if they are put in place.

Today, in the wake of the report, House Energy and Commerce Committee Chairman John Dingell, a Dearborn Democrat, is expected to move legislation which would place a moratorium on the Bush proposals for one year – and a new president and Congress are in office.

"We are looking forward to standing the administration on its ear," said Dingell.

Late last year, the Bush administration abandoned earlier efforts to move the regulatory changes through Congress, instead putting them in effect through executive order and without the agreement of Democratic leaders.

According to the nonpartisan Kaiser Family Foundation, which provides research on health care issues to policymakers, those regulations would have various effects, including prohibiting states from using federal funds to help pay for physician training; putting new reimbursement limits on Medicaid payments to government-operated hospitals and nursing homes; and placing restrictions on coverage of rehabilitation services to people with disabilities.

By limiting what it the federal government pays for, states would not receive as much in matching money. At present, the federal government provides a match of $1.39 for every $1 Michigan spends on Medicaid.

Congressional leaders – and some Republican members – have been howling since the changes were announced. Dingell said every governor in the nation is against them as well.

At a hearing earlier this month, an administration official said the changes are needed to "apply fiscal accountability in Medicaid." But Families USA and Dingell on Tuesday criticized the move as one which would have devastating effects not only on the people Medicaid serves but in a state like Michigan, which already is having its share of financial woes.

"The word I use is 'havoc,'" Janet Olszewski, director of Michigan's Department of Community Health, said of the changes' potential impact.

Unable to make up the federal matching dollars which would be lost to the state, Michigan would most likely be "forced to cut eligibility groups or eliminate whole categories of services" from the Medicaid menu, she said. That could mean cutting programs to help people with developmental disabilities function or pay to train Michigan's supply of physicians.

The changes, Olszewski said, "would absolutely wreak havoc on low income, vulnerable residents of Michigan."

Families USA, however, said its research shows the impact would be even more far reaching.

There's been something of a debate over how much the regulation changes would cost, depending on where you stand. While the nonpartisan Congressional Budget Office, for one, says the regulations would save just under $20 billion in five years' time, states say, collectively, they stand to lose nearly $50 billion in federal matching funds over that same period.

That $50 billion figure translates into about $732 million Michigan would lose in the first year. Families USA then took that figure, plugged it into a formula the Commerce Department developed to measure economic inputs — the department's Bureau of Economic Analysis touts it for showing the costs or benefits of everything from military base closings to power outages — not to mention "policy changes or regulatory effects" – and came up with a much larger impact on the state's economy.

"The first wave hits people in the medical industry," said Ron Pollack, Families USA's executive director. "Ultimately what occurs is when people lose income, it spreads to other parts of the economy."

The Centers for Medicare and Medicaid Studies, part of the U.S. Department of Health and Human Services, did not return a call for comment on the report today. But officials have previously told some media outlets, including Congressional Quarterly, that the states' $50 billion figure – which came out through a report done by the House Oversight Committee – was not credible. The White House has put the federal savings at about $15 billion over five years.

Dingell said a coalition of lawmakers from both parties are working together to put the one-year moratorium on the regulatory changes in place and that the savings could be made up in two ways – first by requiring states to use electronic means of verifying the assets of applicants, and by borrowing money from a physicians assistance fund which would later be paid back.

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