

**Georgia Shepherd**

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**Subject:** FW: HC Editorial, Remaking Medicaid's complicated, and important

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**From:** Greg Hudson [mailto:ghudson@holaw.net]  
**Sent:** Monday, February 20, 2012 11:11 AM  
**To:** Bill Bilyeu  
**Subject:** FW: HC Editorial, Remaking Medicaid's complicated, and important

See item 2 in the Houston Chronicle editorial – counties should ante up their share to pull down the enormous federal match.

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**From:**  
**Sent:** Sunday, February 19, 2012 4:32 PM  
**Subject:** HC Editorial, Remaking Medicaid's complicated, and important

# Remaking Medicaid's complicated, and important

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In the days we've spent trying to understand changes to the way that Texas hospitals and other health care organizations are paid for work they do for the poor, we've heard the super-complicated Medicaid system described as both "three-dimensional chess" and "a shell game." It's also a game with incredibly high stakes: As regional groups across the state begin to rewrite the rules, under something called a "Medicaid 1115 Waiver," billions of dollars and the health care of 4 million Texans are on the table.

The upside, potentially, is very high. In 2014, a health care reform measure kicks in that will allow far more uninsured Texans to join Medicaid. More efficiency now means big savings then.

With that in mind, the federal government is offering Texas a big, fat incentive to get more health care bang for taxpayer bucks. Over the next five years, in addition to basic reimbursements, the feds could potentially pay Texas institutions around \$14 billion to make our Medicaid system both more cost-efficient and better at keeping people healthy. And gone will be the old lump-sum payments for services that, critics say, sent too much money to the wrong places and demanded too little accountability.

Right now, Texas counties are supposed to be organizing themselves into regional health care groups - some of which will, presumably, be anchored by the state's biggest hospital districts. Hospitals and other medical services providers are pitching plans that would both save money and measurably improve health. For instance, a program can be designed to cut the rate of hospital-acquired infections, or to stop needless repetitions of medical tests, or to keep the mentally ill on their meds and out of emergency rooms.

By funding programs like those, the new system upends the economics of health care. Perversely, until now, because providers were paid only for services performed for sick people, doing cheap things to keep patients healthy actually hurt their bottom lines. But under the new rules, bang-for-the-buck programs would push a hospital toward the black, not the red.

At this early, confusing stage, it's not clear yet how many regional partnerships there will be, or which counties will belong to which partnership - much less what rules each region will play by. And yes, that stuff matters. In the short term, we need to make sure of three things:

- 1) That counties forge regional partnerships that make sense. If people who live in one county commonly go to the doctor or hospital in another, then those counties ought to be in the same region.
- 2) That counties (and to a lesser extent, other local-government health care entities, such as medical schools) ante up their share of the money needed to pull down the enormous federal match. Without that ante, the area won't receive money to improve its system.
- 3) [That hospital](#) districts, hospitals and other health-related entities in each region share the sandbox nicely. In Houston, at the first meeting convened by the [Harris County Hospital District](#), there was grumbling that the process is disorganized, and that everyone else had been kept in the dark. Up to a point, such complaints are to be expected. As state Rep. [Garnet Coleman](#), a major player behind the 1115 Waiver, says, "That's democracy. People are seeing how the sausage is made. It's not always pretty." What's important is how the sausage turns out.

Ultimately, each region's Medicaid program needs to work better - patients should be healthier, and costs lower. It's an easy goal to love. The hard part is getting there.