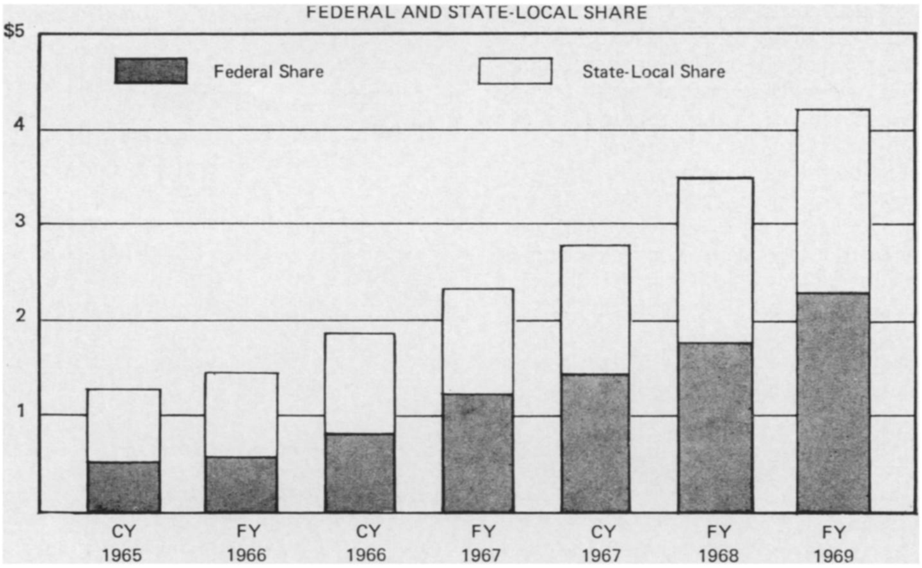
PUBLIC HEALTH

Breaking the bank

Lush fees are leading the Medicaid program into deep trouble



Advisory Commission on Intergovernmental Relations

Medicaid costs climbed by billions in five years and are still soaring.

In New Mexico, a state that recently suspended its Medicaid support of the needy because it ran out of money, two dentists made more than $90,000 each in 1968 for treating welfare patients, one osteopath billed Medicaid for seeing a patient 100 days in a row at charges of $6.18 to $81.37 a day, and $12,000 a month went to pay patients' taxi fares to and from physicians and dentists.

In Florida, a general practitioner was paid $191,000 from the Medicare treasury in a single year. A Georgia surgeon collected $131,000.

By 1976, at present rates of spending, the Federal trust fund, that should have backed Medicare for another decade, will be dry. Medicaid, once referred to as Medicare's little brother, cost $372 million in 1966 when only a few states were involved. In 1967, the outlay was $1.9 billion. By 1971, estimates predict, Medicare will cost about $7.3 billion and little brother will be draining $7.4 billion from Federal and state treasuries.

By the end of this month, the names and addresses of doctors in the country who made $25,000 or more last year from Medicare or Medicaid will be on file in the Senate. In light of costs that are skyrocketing by billions of dollars and disclosures that some are reaping cash rewards that gain them swift entry into the upper income brackets, Congress has decided to take a long, hard look at what is going on. Federal medical support for the aged and the indigent will survive, but some of their bonanza aspects are likely to be wiped out.

Medicare provides hospital coverage (from Social Security funds) to individuals over 65 who, for $4 a month, can opt for coverage of doctors fees as well. In that case, the Federal Government matches the cost of the premium with another $4. Of the 20 million participating in the hospital plan, 19 million are also in the voluntary Medicare doctor program.

Under Medicaid, the Federal Government and the participating states share the cost of medical care for persons receiving various forms of cash aid and, in some states, for the medically indigent: individuals whose incomes enable them to support themselves except for medical expenses.

In fiscal 1968, 8.6 million individuals received aid in 39 states and four jurisdictions. Eleven states (Alabama, Alaska, Arizona, Arkansas, Florida, Indiana, Mississippi, New Jersey, North Carolina, Tennessee and Virginia) have so far chosen to stay out of the costly program which is draining state funds at unanticipated rates.

A Social Security tax increase in 1967 was supposed to keep both health programs going. Now, rising hospital and doctor fees have spurred calls for another. The Senate Finance Committee, headed by Louisiana democrat Russell B. Long, is conducting a probe of the situation.

To get a focus on the issue, the Finance Committee has, since March, sent questionnaires to state and local hospital associations, to every Medicare or Medicaid carrier, to various national groups such as the American Hospital Association, to governors of the 39 states participating in Medicaid and to hospital administrators. The questionnaire asked for hard facts about dollars spent and taken in, about the number of patients seen by each participating doctor or treated in each hospital and the kinds of medical ailments they had.

The probe, which will be completed and sent to the full Finance Committee early in June, may or may not be made public. There has been no decision yet, though the committee is free to release its information if it wants to.

In advance of any Congressional action, the Nixon Administration has moved to cut some of the burgeoning costs. In fact, the President's budget trims $505 million from Medicaid. This means, overall, a $1 billion reduction, because the program involves matching state funds.

Additional cost-cutting moves are under consideration. One, which Health, Education and Welfare Secretary Robert H. Finch is expected to effect by regulation, is the imposition of fee schedules on doctor-payments under Medicaid. Currently set by states, they vary tremendously, and are often higher than those paid by private carriers such as Blue Cross-Blue Shield. The Secretary plans to limit payments to levels equal to those paid by Blue Cross-Blue Shield in a given area. Presumably, this could cut payments in some cases by 10 to 15 percent, saving $56 million next fiscal year.

At least for the present time, Medicare fees will not be affected. Because it is a fully Federal program it seems to be more in hand than its burgeoning little brother, and has apparently been less subject to abuse by high-priced physicians.

Another economy measure, which can also go into effect by secretarial order, is to eliminate the current two percent "cost-plus" payment to hospitals, originally intended to offset expenses involved in buying new equipment and revising procedures to accommodate the Medicaid program. A $45 million saving is anticipated. A two percent cost-plus payment to nonprofit institutions and a one-and-a-half percent cost-plus allowance to profit-making institutions, such as nursing homes, under Medicare, will also be dropped, saving another $75 million.

To recoup $126 million, the Administration, through HEW, proposes to change its Medicaid provisions for the mentally ill, limiting the presently indefinite hospital stays to 120 days. But this will require Congressional approval and is likely to run into a brick wall in the Senate. Federal payments for the mentally ill, initiated in 1965, were first proposd in 1960, approved by the Senate and later dropped in Senate-House conference. At that time, Sen. Long filibustered for three days in an attempt to get the provision back in the law, and now that it is finally there, he is not likely to let it drop.

A spoksman for HEW says the Medicaid curtailments, aimed only at saving money, will not affect the number of persons, expected to be 9.5 million in 1969, who receive benefits. But if New Mexico is any indication, this view may not hold water. When that state's budgeted $15 million ran out three-quarters of the way through the year, at least 1,500 nursing home patients lost support.

A provision in the original legislation, referred to as a "mandate for bankruptcy," is leading a number of states (Oklahoma is particularly pinched, as are southern states) into serious trouble. That provision says that in order to stay in the program, states must steadily expand the scope of their Medicaid so that by 1975 they will be covering the needs of all of the medically indigent residents. Contending that in the face of spiraling costs states should be allowed to hold the line, Sen. Clinton Anderson (D-N.Mex.), a Finance Committee member, introduced a bill to strike the expansion requirements from the law. His bill, which appears to have strong backing, will be tacked on to some House appropriations bill when it reaches the Senate.

A similar move is anticipated for Sen. Long's long-standing desire to push through a bill that would require generic prescriptions for drugs (SN: 12/9/67, p. 559) under these programs, but whether or not that will make it into law this Congress is uncertain. ◇

RIGID ROTOR

New chopper in trouble

Lockheed

Army's Cheyenne: Its vibrations and high costs threaten its promising future.

One of the most technologically ambitious military aircraft in recent years is the Army's AH-56A Cheyenne armed helicopter. Almost every major system in the chopper is new, from the rigidly mounted rotor system (SN: 3/23/68, p. 291), which increases stability by eliminating the hinges found in conventional rotors, to the automatic laser-beam rangefinder, to an infrared, day-or-night aiming device controlled by movements of the pilot's helmet.

In recent months, the Cheyenne has been having its troubles. Members of what is now widely condemned as the military-industrial complex have often tended in the past to write off such difficulties as normal for any advanced, new program. However, the Cheyenne's have come at a time when the Pentagon has been responding to Congressional pressure by cracking down on its contractors. Planes, missiles, ships and tanks are all feeling the squeeze in ways ranging from rewritten contracts to threats of dropping whole programs where they stand.

The first sign that the Cheyenne's number might be coming up was the fatal March 12 crash of one of 10 prototypes already delivered to the Army under a research and development contract totaling more than $90 million. The flight was apparently being made to investigate known instabilities in the rotor system, and photos taken just before the crash reportedly showed that three of the four rotor blades had come off.

Less than a month later, following discussions with the aircraft's builder, Lockheed-California Co., in Burbank, the Army sent Lockheed an itemized and pointed notice, titled Project Cure, detailing the company's "failure to make satisfactory progress toward the production and timely delivery of aircraft which will meet contractual requirements."

At stake is the Army's purchase of as many as 375 Cheyennes, at a sky-rocketing cost now estimated to be about $969 million. The only production agreement so far in existence is a letter, yet to be hammered into contract form, covering about $21.4 million worth of long-lead-time hardware, which must be procured or manufactured early to keep the program on schedule. This and subsequent contracts could be trimmed or even dropped if Lockheed fails to convince the Army that its objections can be overcome.

Lockheed's reply, a hefty, 430-page document delivered to the Army on April 28, is apparently being favorably received. At least some of the cited difficulties were already being corrected as the Project Cure notice was being sent.

One problem cited by the Army, for example, referred to inadvertent backward movements of the control stick by the pilot, while the helicopter was on the ground, which on two occasions had caused the rotor blades to dip and strike the tail section of the fuselage, damaging the blades. A 20-pound-pull spring now prevents the stick from easily being pulled all the way back while the chopper is grounded.

Other difficulties for which solutions are believed already to have been tried include the need for repeated corrections with the control stick to compensate for the right-rolling tendency caused by gyroscopic precession, and the tendency for the stick to creep leftward with increasing forward speed, due to unequal lift between the advancing and retreating sides of the rotor.

The Cheyenne has some less readily