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Medicaid savings accounts urged

Proponent says plan would cut Del. Costs

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Delaware needs a "bold, dramatic, paradigm shift" in the way it provides health care to its poorest residents, and retired health care executive Richard Cherrin says this is the time to do it.

Cherrin on Wednesday proposed a shift to "consumer-driven" health [savings accounts](#) for Medicaid recipients, sketching out his plan at a meeting of the Commission on Medicaid Cost/Health Care Containment, which he chairs.

State officials are looking for some way to escape the unsustainable trend that now has about 25 percent of Delawareans enrolled in Medicaid, thousands more expected in the next year and the cost of that care tipping toward \$1.5 billion for [fiscal](#) year 2012.

Cherrin said the average cost of Medicaid -- in federal and state [money](#) -- is about \$7,000 per person in Delaware. If each got half that amount to spend on a menu of Medicaid-covered benefits, with incentives to have something left at the end of the year, Cherrin believes the money would be targeted more wisely and efficiently. The use of wasteful tests and procedures would be reduced, he said.

Those who have additional needs would be covered in traditional Medicaid fashion, he said. But those with leftover money would have that money applied to their [accounts](#) -- in a lump sum at the end of the year, rolled into similar coverage for the next year or invested in U.S. government securities for use in retirement.

Cherrin suggested a 12-month pilot program to test the proposal.

"This brings the issue of competition into the arena -- and there is no competition in the health care system now," said Cherrin, who was a senior vice president at Christiana Care and chief executive officer of the Visiting Nurse Association.

Commission members expressed interest in the idea while raising several concerns. A federal waiver could take two years to get, the plan would need to be adaptable to individual needs and some questioned whether the plan would raise costs instead.

Michael Cannon, director of health policy studies at the Cato Institute, predicts it would do that. He believes the end-of-year incentive would draw many more into the system -- those who are eligible for Medicaid but not enrolled in it.

"Providing the right amount of assistance is a difficult balancing act," he said. "If you provide too much, you encourage people not to take care of themselves and you will be inducing people to become dependent on that assistance. ... It would not be a savings to Delaware -- and Delaware would be pushing more than half that increased cost to taxpayers in other states.

"And personally, as a taxpayer in another state, I'm offended."

The commission has a Dec. 15 deadline to submit its recommendations to the governor and legislators. It meets again Nov. 30.