

## Health Care Freedom for Washington State

By Roger Stark, MD, FACS  
Health Care Policy Analyst

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SB 5596 requests that Washington state receive a Medicaid waiver from the federal government.<sup>1</sup> Instead of receiving the current open-ended dollar match from the federal government, the waiver would ask that Washington receive a fixed amount of money in the form of a federal block grant directed to the state's Medicaid program. The block grant is a recommendation of the Washington Policy Center that will give the state's Medicaid program more flexibility.<sup>2</sup>

As established under the 1965 Medicare and Medicaid law, the existing Medicaid program is an entitlement funded by both federal and state taxpayer dollars. Washington state taxpayers fund approximately 48 percent of our state's Medicaid program. Although the administration of the program is done at the state level, rules and regulations are determined by the federal government.

SB 5596 would allow Washington state a five-year period in which to establish a Medicaid demonstration project and would return control of the program back to the state. The bill would cap the amount of money available under Medicaid each year and would allow for real budgeting, rather than an open-ended entitlement. The language of the bill emphasizes preserving the safety net for the most vulnerable in our communities and improving health care management for low-income people.

SB 5596 asks the federal government for maximum flexibility in redesigning the Washington state Medicaid program. Emphasis is placed on encouraging good health care consumer behavior and lower utilization by enrollees. The waiver would allow the use of proven health coverage strategies like health savings accounts (HSAs), the establishment of a variety of insurance plans with benefit options and price flexibility, and the potential use of health care vouchers.

### Washington State Medicaid Today

Washington state's Medicaid program is administrated by the Department of Social and Health Services (DSHS).<sup>3</sup> In 2008, Washington had 1,004,673 people enrolled in 17 Medicaid-eligible groups.<sup>4</sup> This is approximately 15 percent of the 6.5 million people living in the state.<sup>5</sup> The number of Medicaid recipients in Washington reached over 1.2 million people for fiscal 2009.

The total spent on Medicaid in Washington state in fiscal 2008 was \$4.13 billion. That figure soared to \$6.3 billion in fiscal 2009. Washington state's financial contribution for both years

<sup>1</sup> <http://apps.leg.wa.gov/documents/billdocs/2011-12/Pdf/Bills/Senate%20Bills/5596.pdf>

<sup>2</sup> <http://www.washingtonpolicy.org/publications/notes/washington-needs-medicaid-flexibility>

<sup>3</sup> [www.dshs.wa.gov](http://www.dshs.wa.gov)

<sup>4</sup> The data for this section was provided by the Washington State Department of Social and Health Service, December 2008.

<sup>5</sup> "Washington State Population by Age and Sex, 1990-2030," Office of Financial Management, State of Washington.

is approximately 48 percent of the total, with the federal government paying 52 percent.<sup>6</sup> These percentages are virtually identical to the national average. Of course, the money contributed by both state and federal governments comes from the same source: American taxpayers.

## **Analysis**

Our research shows SB 5596 would serve the public interest of the people of Washington because it would give state officials more control over the Medicaid program and would allow the state to budget for the program in a reasonable fashion. It would help contain the soaring cost of Medicaid and would give more health care control to the individual enrollee. The bill would potentially allow for a consolidation of the multiple eligibility groups in the current program. Participants have no incentive in the existing Medicaid program to control costs or utilization because it is an open-ended entitlement. Allowing Medicaid recipients access to HSAs and medical vouchers would respect their choices when using services, strengthen the social safety net in our communities and ensure that low-income families receive the health care services that best fit their needs.

The Washington Policy Center has more solutions to the state's Medicaid problems. Please see our Medicaid studies from December 2010<sup>7</sup> and January 2011.<sup>8</sup>

*Dr. Roger Stark is a health care policy analyst with Washington Policy Center, a non-partisan independent policy research organization in Washington state. Nothing here should be construed as an attempt to aid or hinder the passage of any legislation before any legislative body.*

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<sup>6</sup> Ibid.

<sup>7</sup> Ibid. See Ref. 2.

<sup>8</sup> <http://www.washingtonpolicy.org/publications/notes/national-health-care-reform-and-new-medicaid>