



Michigan COMMENTARY

Governor-elect Engler and Health Care

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THE BUDGET DEFICIT AND HEALTH CARE

There is good news and bad news for health care providers in the surprising victory of John Engler in the Michigan gubernatorial race. The good news is that the governor-elect appears to view the plight of health care providers with greater sympathy than his predecessor. The bad news is that sympathy will not mean immunity from the cuts that will have to come if the huge state budget deficit is to be eliminated.

Make no mistake about it: The budget will drive health policy under the Engler administration. And while everyone searches in vain for the good tax—one that will raise over a billion dollars in new revenues without offending anyone—the cuts will come fast and furiously. Certainly, the governor-elect will trim state government, liberating some of the programs that spent \$5 million trying to save \$5 million.

Downsizing state government, however, will not save anywhere near a billion dollars. More drastic measures will be necessary. Gone are the days of supplemental social services' appropriations. Medicaid will be cut one way or another, most likely by selective contracting and competitive bidding. The settling of the Medicaid lawsuit may mean that hospitals, on average, will receive 89 percent of their inpatient costs, but down the road fewer hospitals will be eligible for that "glorious" recompense. This is especially true because the federal government will continue to extend Medicaid coverage until all children whose families live below the federal poverty level are eligible.

Having forecast all that doom, it is worth adding that, believe it or not, things could be worse. Governor-elect Engler's sympathy for the health care industry may shield it only a little from cuts, but his understanding of health providers' plight may engender some exciting, creative approaches to health policy reform in Michigan in the next few years.

ENGLER'S HEALTH AGENDA

With this in mind, it is worthwhile to look briefly at Engler's health agenda, outlined in his campaign document "New Priorities for a New Decade in Health Care." One should begin by stating the obvious: This is a political document, not the gospel on Engler's health care priorities. It is one thing to be running for governor and quite another to be elected; this is a fact of political life. Also, one should acknowledge the comprehensiveness of the vision for health policy that Engler sets forth in the document. Whatever any camp may see as its flaws, few could argue that he failed to cover a good deal of ground. Many may be surprised that Engler devotes the greatest space to access problems and remedies and not to cost containment.

Health care providers probably can look forward to regulatory relief under the new administration. While some may hope for the abolition of the entire certificate of need program, this is not likely. Much more likely is a diminution of the program's inappropriate requirements. Gone, we hope, will be the days of CONs for

remodeling, new elevators, and parking structures. Gone will be a good deal of the onerous application process, which was intended to contain costs by discouraging facilities from applying, but which in reality only added unnecessary bureaucratic costs. It is time to stop holding hospitals hostage to the CON program. It is also time to stop containing costs by harassing applicants for state health programs; better to contain costs by reducing the number of harassers.

Medical liability reform appears to be the governor-elect's health care priority. It becomes even more attractive in a fiscal crisis, as it will not require additional state dollars, and it comes in the wake of the \$19 million medical malpractice verdict that played on page one of the Detroit dailies recently. In his health policy agenda, Engler recommends good samaritan immunity for providers of charity care, state liability protections for Medicaid providers, expanded use of mediation and arbitration, and continued tort reform. Look for some of these to become reality, with the latter two having the most promise.

From all indications in his policy agenda, Engler sees inadequate reimbursement to health providers as the central Medicaid issue: "We must pay the full cost of Medicaid services...if we accept the services, we have an obligation to pay for them." Obviously, this does not preclude cutting services or reducing the number of Medicaid providers, both of which he likely will have to entertain because of the budget deficit. Still, there is evidence that Engler's commitment to adequate reimbursement and health care runs quite deep. He mentions that Medicaid spending rose only 5 percent between 1984 and 1989, while spending on other state programs increased an average of 34 percent. Perhaps most significant, he compares the value of increased spending for health care with that for education: "Why is it good to spend large amounts of money on education, but bad to spend large amounts on health care?" he asks.

The governor-elect concentrates his Medicaid reforms in the cost containment section of his report, but the specific recommendations—payment for the full cost of services, privatization of Medicaid, prompt payment of claims, increased use of managed care, and consideration of prioritizing services—suggest that he hopes to cut Medicaid costs without cutting Medicaid provider reimbursement for covered services.

Engler states that he believes every Michigan citizen has a right to health care. He does not, however, advocate a universal health insurance plan. Rather, he prefers an incremental strategy, with incentives to small businesses and their employees to purchase health insurance, a moratorium on new state-mandated benefits, and the development of low-cost, limited benefits policies. Such insurance products most likely would include primary and preventive care services, which the governor-elect believes have been slighted. Clearly, these access recommendations will encumber the state general fund much less than a universal plan.

A PREMIUM ON CREATIVITY

Engler's health agenda looks promising for health care providers, the budget does not. What next? New ideas. Any new administration offers the opportunity for a shift in thinking, a reframing of the problems and the solutions. Health care providers need to seize that opportunity. If providers can come up with ideas that grab the imagination of Engler's people, they can claim the intellectual high ground in the debates on access, cost, and quality that are to follow. Providers cannot simply claim that high ground; they have to prove their value with creative solutions to the nagging problems. New coalitions can emerge—who is to say that Engler's business and health industry allies cannot break bread and come up with some new ideas about containing costs and improving access and quality? Goodness knows, we need them.