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NEWS RELEASE

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SOUTH CAROLINA'S REVISED MEDICAID PLAN UNLIKELY TO CUT STATE'S COSTS

Many Beneficiaries Could Pay More for Fewer Services

New details contained in South Carolina's revised proposal to replace its Medicaid program with a system of state-funded personal health accounts show the plan is unlikely to save the state money even as it deprives many beneficiaries of needed health care services, according to a new analysis by the Center on Budget and Policy Priorities. The plan relies on an extremely complex administrative structure, which will be costly to operate and could prove difficult to implement.

"South Carolina's waiver proposal is based on the untested and unrealistic assumption that the private sector can quickly jump in and deliver essential health care services to hundreds of thousands of South Carolinians at less cost than the current program without allowing people to fall through the cracks," said Judith Solomon, senior fellow at the Center on Budget and Policy Priorities, and author of the new report.

"The current disarray surrounding the Medicare prescription drug program should serve as a warning to South Carolina policymakers," said Solomon. "Like South Carolina's proposal, the Medicare prescription drug program is extremely complex and relies heavily on the private sector. Problems with implementation of the new Medicare drug program have left many low-income seniors without needed prescriptions."

In June 2005, South Carolina first submitted its Medicaid proposal, which requires federal approval, to the U. S. Department of Health and Human Services. Following widespread criticism of the original proposal, particularly the fact that it could lead many vulnerable children to lose access to needed health care services, the state submitted a revised proposal in November. The revised request protects children from higher charges for health care services and reduced benefits. The revised proposal also reduces the amount by which co-payments charged to adults would be increased, although the increases still would be very substantial.

However, the revised proposal also reveals the full complexity of the state's plan, which requires contracts with large numbers of health care providers, "re-insurance" to protect managed care plans from substantial losses, and new systems to track each individual beneficiary's out-of-pocket health care expenses.

In addition, the proposal retains the provisions of the original plan that would make the state's Medicaid program less effective in meeting the needs of vulnerable low-income residents.

(more)

- Adults would face reduced health coverage and significant increases in out-of-pocket health care costs because private plans through which individuals would receive health care would not be required to provide the range of benefits now offered to adults under Medicaid.
- People with above-average health care needs, such as those with disabilities, chronic diseases, or other serious illnesses would receive inadequate funds for their health care, because the size of their personal health accounts would be determined by average medical care costs for people in their group

"Under this plan, the state could find itself paying more to provide less health care for its citizens," Solomon said.

For the full text of the new Center analysis, visit: http://www.cbpp.org/1-11-06health.pdf.

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The Center on Budget and Policy Priorities is a nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs. It is supported primarily by foundation grants.