

# The Changing Role of Government: A State Perspective

*Governor Tommy G. Thompson*

Governor Tommy G. Thompson earned his bachelor's degree in political science in 1963 and his law degree in 1966, both from the University of Wisconsin-Madison. He is a former Army captain and a member of the U.S. Army Reserve. Governor Thompson's state government career began in 1966 when he was elected to the Wisconsin State Assembly at the age of 24. He rose through the ranks of the state legislature and ran successfully for governor in 1986. Governor Thompson has since brought national recognition to Wisconsin for reforms initiated in a variety of areas including education, environmental protection and trade and, most notably, welfare reform. The Governor currently serves as chair of the National Governors' Association and the Education Commission of the States. He was also co-chair of the 1996 Education Summit.

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Late in 1791, the infant American states completed their ratification of the first ten amendments to the Constitution: the Bill of Rights. It was hoped that the tenth and last of the amendments would bring clarity from the struggle of the young republic's leaders — even after the Constitution had been ratified — to shape the relationship between the national and state governments.

The amendment read, "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States are reserved to the States respectively, or to the people."

Each of the 13 original states was unique. Young as they were, the states had developed cultures of their own, born of the people who settled them, their cultures, their skills, and the land they settled. And each had its own unique problems, even then.

The Tenth Amendment recognized the uniqueness of each of the states and the desire of the people for self-government, free of the tyranny of a centralized government that was their experience and of which they remained leery. The amendment acknowledged, most importantly, that the states have the authority and the ability to administer to their own exigencies.

The past two centuries have only heightened the unique qualities and character of each of the states and the volume and complexity of problems that confront them. But heightened, too, has been the effort of the states to develop and implement innovative solutions to their unique problems.

All of this has been largely ignored by the federal government. The debate continues.

The experience of scores of governors has made the

boundaries of that debate clearer today than ever before, but the struggle over the nature of their relationship with the federal government is no less intense than it was over 200 years ago. The Tenth Amendment, the last in the Bill of Rights, serves now as the foundation for efforts by the nation's governors to shift power presently exercised by the federal government to the states.

The governors' work has at its heart the desire to return to the roots of American democracy, when the ideals of self-government and individual responsibility truly were the way of civic life, not just forgotten campaign promises. The innovative reform ideas of the states have been too often stymied by burdensome federal rules and regulations.

The desire to give the citizenry more control over their daily lives expressed itself most recently in the striking rush of American political will that was the 1994 elections. Since then, governors and their ideas — for a long time unwelcome — have been greeted warmly again in Washington, D.C. But with the warm greetings and open arms from the Congress came a sincere desire to listen and to act. And they have done both.

Proposed reforms of the Medicaid program are an outstanding case in point.

Congress passed legislation that gave the states greater authority to manage Medicaid and other programs, but President Clinton vetoed it. The bulk of the current reform initiatives, outlined in the Medicaid proposal of the National Governors' Association, may fall victim again to the guardians of the tired, tangled federal status quo. Those who believe (as the other 49 governors and I do) that the states can most effectively and efficiently adminis-

ter the Medicaid program have more work to do before we can implement all of our ideas.

## The Problem with Medicaid

The federal government now sends about \$225 billion to or through the states each year for programs for low-income Americans, a full 60 percent of which is spent on Medicaid. Since the late 1980s, Medicaid spending has spun out of control, growing 20 percent each year. It is projected to grow an additional 10 percent a year for the next seven years.

The problem is compounded at the state level, where spending on Medicaid consumes an ever-increasing share of state budgets, about 20 percent currently. By comparison, the states now spend roughly 22 percent of their budgets on all elementary and secondary education. The states will spend more on Medicaid than on any other state program by 1998.

I am keenly aware, as the governor of a state that spent almost \$1 billion last year on Medicaid, that my state and all the states simply cannot afford to sustain a program that devours 20 percent of state budgets each year and grows by 10 percent at the same time.

## The National Governors' Association Solution

That is why, as Chairman of the National Governors' Association (NGA), I led a bi-partisan group of five other governors to develop a Medicaid reform policy that gives the states the flexibility we need to make the program as cost effective as it can be and to provide better health care coverage for those who need it.

The nation's governors unanimously approved the Medicaid reform policy at our meeting in February. It has four goals:

- The basic health care needs of the nation's most vulnerable populations must be guaranteed.
- The growth in health care expenditures in the Medicaid program must be brought under control.
- The states must have maximum flexibility in the design and implementation of cost effective systems of care.
- The state must be protected from unanticipated program costs resulting from economic fluctuations in the business cycle, changing demographics, and natural disasters.

The NGA proposal would put an end to the federal government's "one size fits all" philosophy of Medicaid administration. What is best for New York or California may not be best for Wisconsin. Governors know this to be true.

The federal government, on the other hand, has not caught on. The NGA proposal allows states to tailor not only their eligibility requirements and benefits, it gives us the freedom to make the maximum use of managed care, a critical tool in controlling costs.

The NGA proposal reflects the collective experience of the chief executives of all the states. It is underpinned with the idea that the federal government should move out of the way and loosen the strangulating hold of its countless rules and regulations. When it does, we know the states can make it happen. In Wisconsin, we already are.

## Wisconsin: A Case Study of Reform

We began improving the Medicaid system in Wisconsin some time ago. Though the federal waiver system has stymied some of our ambitious innovations, industry experts have recognized Wisconsin's Medicaid system as the most efficiently run in the country.

Wisconsin became an active player in controlling health care costs by utilizing managed care and enrolling Aid for Families with Dependent Children (AFDC) recipients in health maintenance organizations (HMOs). Instead of serving as a \$1 billion blank check, the state negotiated for the best quality care at the best price. Instead of serving as a health care *payer*, the state is now a health care *buyer*.

What is most exciting about the program is that HMOs are providing Wisconsin's AFDC recipients with better health care. They have a primary care doctor they can see on a regular basis. They have greater access to important preventive care measures, steps that help them avoid medical problems and help us to control our costs.

While Wisconsin is not alone in utilizing a managed care system for Medicaid recipients, the block grant system will make it easier for all states to shift to a system of managed care.

As major buyers of managed care, the states would be able, under a Medicaid block grant system, to leverage their purchasing power to control costs as well as to improve access and quality. Many states also would be able to extend their formidable purchasing power to offer low-cost coverage to uninsured families.

Even though states throughout the country have been extraordinarily successful, enrolling nearly one-third of all Medicaid recipients in managed care, progress has been frustrated by the need for lengthy, time-consuming waivers of federal rules designed to impede managed care. The current waiver process gives governors an unpleasant choice: either we can accept the costly and burdensome

new strings often attached to federal waivers or we can forgo altogether the use of managed care and other modern delivery systems now common in the private sector.

While managed care, particularly for the elderly and the disabled, requires careful planning and vigilant oversight, it will be an essential part of any new Medicaid program.

### **Integrated Health Care Solutions**

The Medicaid block grant system would also allow states to pursue integrated solutions for providing health care, particularly long-term care for the elderly. Comprehensive service networks are being created throughout the country by the private sector from an integration of health care suppliers, particularly health plans, hospitals, and clinics. The federal government has been oblivious to these historic changes, but employers and other health care buyers are adapting to take full advantage of them. The Medicaid block grant system would allow the states to take advantage of them, too.

The states are now forced to adopt fragmented approaches to health care problems, most notably the provision of long-term care. An incomprehensible layering of federal restrictions has forced the states to create disparate programs so they can work around federal obstacles. The result in the provision of long-term care is a confusing, complex, and costly mix of home, community, and institutional care.

The new Medicaid block grant program, however, will permit states to integrate long-term care programs and to promote the purchase of private, long-term care insurance. If we combine the broad array of home, community, and institutional programs into more integrated solutions based on managed care, the elderly and the disabled will have more health care options and the taxpayers' costs will be better controlled. Integrated solutions also provide the states with greater leverage to improve the quality of and access to health care.

### **Common Sense Coverage**

The Medicaid block grant system has the further advantage of allowing the states to make Medicaid coverage more sensible. Because it is an entitlement granted by federal law, Medicaid coverage is currently determined by the courts and by rule-making bureaucrats. Neither the medical community nor the taxpayers has any real say in the matter, long frustrating the states as we have struggled to manage our systems.

Any new system will likely mean the end to Medicaid as the "Cadillac" of health care plans and the eventual adoption of coverage more akin to that offered to workers in private industry. Even though coverage for the elderly and the disabled will continue to include additional services, particularly for long-term care, the end of the legal entitlement will permit the states to take into account true medical needs and the relative cost-effectiveness of alternative services.

### **Streamlining Program Administration**

The Medicaid block grant system will also lead to streamlined administration of the program, saving taxpayers' money. Medicaid, under an avalanche of federal mandates, has become the most complex social program ever devised. The Medicaid program is now governed by more than 50,000 pages of federal-state agreements, more than 2,000 pages of federal laws and some 15,000 pages of federal rules and instructions. This extraordinary level of complexity makes the federal tax code read like a nursery rhyme.

The states must collectively prepare more than 8,000 federally mandated report every year. Most of the reports are never read — much less used — by a solitary living soul in the federal bureaucracy. Because of the labyrinth of federal eligibility rules, there are more than 200 different ways for one to enroll in Medicaid in Wisconsin alone. To make matters worse, federal loopholes force states to cover middle-class individuals, facilitating the hiding of assets and income.

Under a block grant system, state plans will be simplified, thousands of pages of inane federal rules will be rescinded and the 8,000 mandated reports will be reduced to just 50 — one for each state.

States like Wisconsin will be able to streamline eligibility determinations, close loopholes, and tie Medicaid coverage to participation in jobs programs like Wisconsin's "W-2" welfare reform program. Accountability will be enforced where it truly matters: in the establishment of fiscal controls, the undertaking of independent audits and evaluations, and the public reporting of program performance.

The states have already shown, with the limited experimentation the federal government has allowed, that we can manage complex programs like Medicaid much better than it can. The time for experimentation is running out; however, the states simply can no longer afford to support Medicaid in its current apparition. We have shown we can make it happen — in spite of the federal government — and we cannot wait to put our ideas to work. ★