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The Role of Federal Waivers in the Health Policy Process

Authors: Allen Dobson, Donald Moran, and Gary Young | AUTHORS INFO & AFFILIATIONS

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Prologue:

On 3 August 1992, after nearly a year of evaluation, Secretary of Health and Human Services Louis W. Sullivan denied Oregon the federal waiver it needed to proceed with its sweeping Medicaid reform plan. T denial was based on perceived violations of the Americans with Disabilities Act (ADA), which had gone in effect a month earlier. A number of policy analysts have questioned whether the ADA was truly a significa factor in the denial, or whether election-year politics played a role. Whatever the case, "if Oregon is any example, [the federal waiver process] has the potential to have a chilling effect [11] on state efforts to refor health care, said Lynn Read, director of the Prioritized Health Care System in Oregon's Department of Human Services. The ramifications of Oregon s Medicaid waiver denial illustrate the power that such waivers have on the health policy process. While the increased role of the states in the health care reform debate has focused new attention on the federal waiver process, there is little published research in this area. Here a group of researchers from Lewin-VHI in Fairfax, Virginia, present their findings from a major new evaluation of federal waivers, which was funded by The Henry J. Kaiser Family Foundation. Allen Dobson, a vice-president at Lewin-VHI, earned his doctorate in economics from Washington University. He was a principal with Consolidated Consulting Group and served in the federal government as director of the Office of Research, Health Care Financing Administration. Donald Moran, also a vice-president at Lewin-VHI, joined the research group in 1985 after his tenure at the Office of Management and Budget, where he was Executive Associate Director for Budget and Legislation. Gary Young, a senior associate at Lewin-VHI, earned a doctorate in business management and a law degree from the State University of New York at Buffalo.

Abstract: Federal waiver programs enable states to bypass the requirements of federal programs such as Medicare and Medicaid to experiment with different ways of financing, organizing, and delivering health care. In tracking waiver activity from 1980 to 1990, the authors found that federal involvement with waivers lost momentum during the latter part of the 1980s, while state involvement increased. Three key issues dominate the discussion of waivers: administrative control, the role of the states, and the ability to evaluate demonstration waivers. Examination of the chronology of waiver activity suggests the emergence of a new era, wherein federal control reemerges as a way to counter the increased fragmentation of health policies among states. If this is the case, four areas need to be addressed: (1) balance of political and research objectives; (2) administrative flexibility for states; (3) careful scrutiny of rules; and (4) increased accountability. These recommendations can guide the federal government, with the states as partners, in its attempt to regain momentum in the use of waivers to expand the knowledge base.

Topics:
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NOTES

1.

Schlesinger M., “The Perfectibility of Public Programs: Real Lessons from Large-Scale Demonstration Projects,” *American Journal of Public Health* (August 1988): 899 - 902 .

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2.

U.S. General Accounting Office, *Access to Health Care: States Respond to Growing Crisis* , GAO/HRD-92-70 (Washington : GAO, June 1992).

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3.

For example, state Medicaid plans must meet forty-seven requirements set forth in Section 1902(a) of the Medicaid statute. Three of the most significant requirements are the following: (1) 1902(a)(1) Statewideness: All aspects of the state plan shall apply to all political subdivisions of a state. (2) 1902(a)(10) Comparability: The services provided to any individual shall not be different in amount, duration, or scope from those provided to any other individual. (3) 1902(a)(23) Freedom of choice: Eligible individuals may obtain services from any institution, agency, community, pharmacy, or person qualified to perform the service provided .

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4.

Not all demonstration projects involve waivers. Demonstrations that can be performed without departing from program rules and requirements do not need a waiver. This paper reports on demonstrations that require waivers only .

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