

**SPARROW HEALTH SYSTEM
GUIDING PRINCIPLES FOR A SUCCESSFUL
MEDICAID PROGRAM
FEBRUARY, 2002**

1. The Medicaid program must be adequately funded, based upon sound actuarial principles, designed to cover the true costs of healthcare to avoid the need for cost shifting.
2. The State Medicaid program should maximize federal matching funds wherever possible, including state tobacco settlement funds.
3. The program should include incentives for cost effective, quality and scientific based care, and hold providers and health plans accountable for the quality and outcomes of care.
4. The program should strive to maximize the portion of funding used for patient care and minimize administrative costs.
5. Financing must have adequate financial reserves to withstand risk and must be administered equitably.
6. The program could redistribute hospital funds based upon Medicaid volume to increase Federal matching funds and assist Disproportionate Share Hospitals.
7. Pharmacy benefit should be carved out and directly state managed due to economies of scale.
8. The program should strive to incent consumers to take individual responsibility for lifestyle and health care choices.