



The Hilltop Institute

analysis to advance the health of vulnerable populations

Focus on Reform: Medicaid Coverage Expansions

National Health Policy Forum

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State Perspectives: The Good News

- Major infusion of federal money
 - Prevent even deeper cuts
 - May provide windfall if it offsets existing state-only programs
- Important new options for LTC (incl. CLASS Act)
- New grants (health IT, wellness, public health, etc.)
- New demonstrations (dual eligibles, payment reform, medical home, accountable care orgs., etc.)

State Perspectives: Short-Term Challenges (now to 2014)

- Ongoing state budget challenges are real, pervasive, deep
 - FY 10 budget gaps – \$89.8 billion in closed budget gaps; \$18.9 billion in remaining gaps
 - FY 11 budget gaps – \$55.4 billion
 - FY 12 budget gaps – \$61.8 billion (many states have not yet estimated for FY 2012)
 - Source: NGA/NASBO State Fiscal Update, February 2010

State Perspectives: Short-Term Challenges (now to 2014) continued

- Budget challenges
 - States operating with furloughs, pay freezes, hiring freezes
 - Due to Medicaid and CHIP MOE, cuts will continue to be made disproportionately to provider rates and benefits
 - Difficulty finding \$\$ for unfunded mandates in law (e.g., building new eligibility systems; MOE)
 - Medicaid enrollment growth continues

ARRA's MOE resulted in provider rate cuts that will likely continue.

Number of States Reducing Medicaid Provider Rates, by year

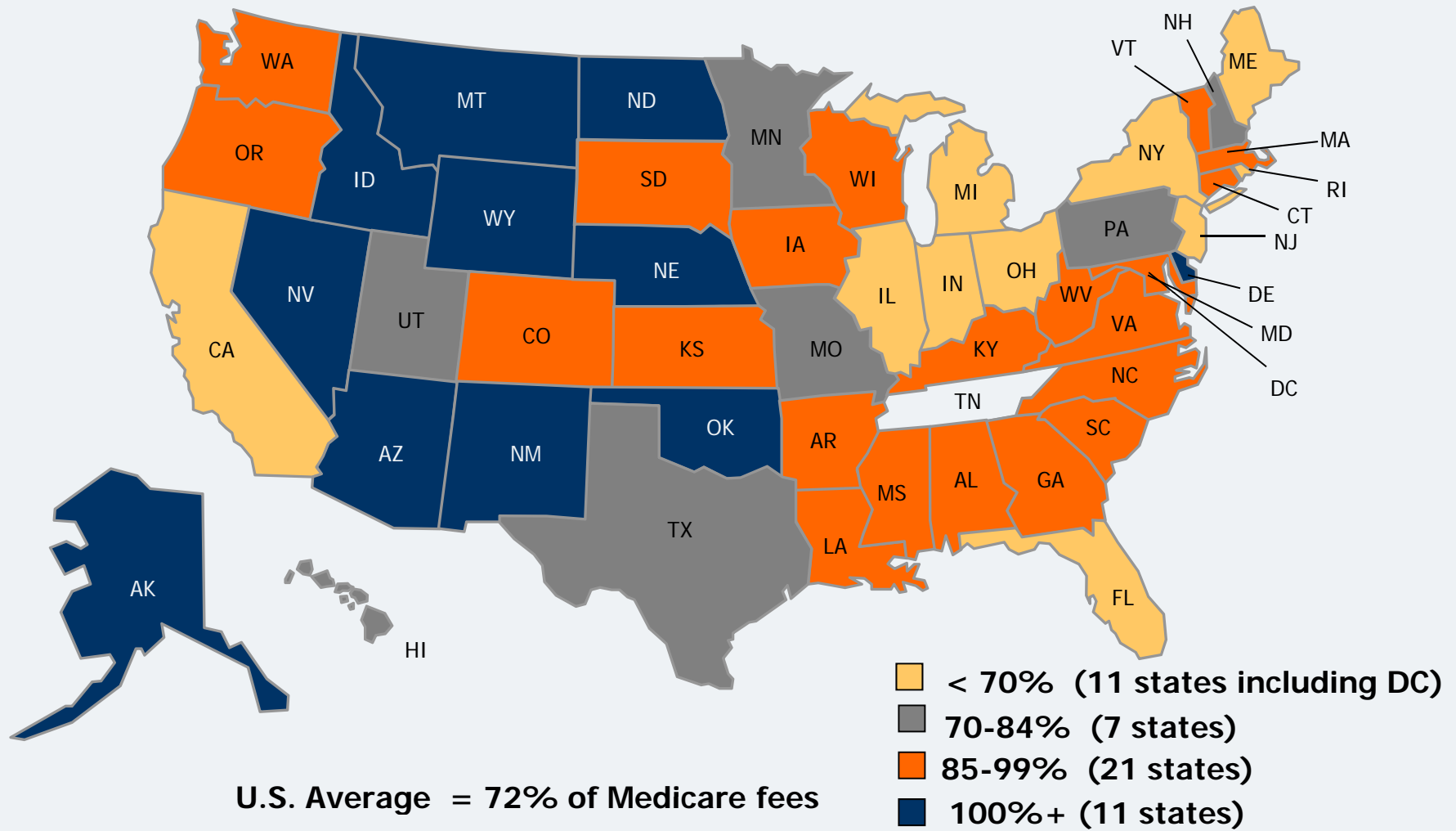
Provider Type	FY 2007	FY 2008	FY 2009	FY 2010
Inpatient hospital	17	16	27	33
Physician	0	1	8	13
MCO	0	1	5	5
Nursing home	6	5	14	26
Any of these	26	21	33	39

Source: Survey of states conducted by Health Management Associated for the Kaiser Commission on Medicaid and the Uninsured

State Perspectives: Long-Term Challenges (2014 and beyond)

- Building a sufficient provider network
 - Likely need to raise provider rates, especially for specialists and institutions
 - Sunset of federally funded Medicaid primary care fee increase
- Enrollment growth in existing eligibility categories, which is not subject to 100% FFP
 - Perhaps peak will arrive before 2014 . . .

Medicaid provider fees, as a % of Medicare, average 72% Across All Services



NOTE: Tennessee does not have a fee-for-service component in its Medicaid program
 SOURCE: S. Zuckerman, AF Williams, and KE Stockley, "Trends in Medicaid Physician Fees, 2003-2008," *Health Affairs*, 28 April 2009.

State Perspectives: Long-Term Challenges (2014 and beyond) continued

- Enrollment growth will require increase in state administrative infrastructure
 - Eligibility caseworkers and staff needed
 - Expansion of all internal infrastructure (provider enrollment, program administration, fair hearings, call centers, etc.)
 - Amendments to various existing contracts (managed care organizations, actuaries, U/R agents, etc.)
- States eventually will share portion of expansion population cost

State Perspectives: Concluding Thoughts

- Tremendous state variability
- Great opportunity to work within a *system* of coverage, unlike Medicaid's oft-siloed world
- Great opportunity to focus on quality, performance, and access
- Fiscal challenges should not be underestimated

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