



State Medicaid Responses to Fiscal Pressures



Medicaid and CHIP Payment and Access Commission

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Overview

- Medicaid in state budgets
- Overview of the state budget process
- Sample of state Medicaid responses

Medicaid in State Budgets

- Medicaid accounts for a large portion of state spending and is generally a major focus of state budget development
 - 28.2 percent of all state and federal sources
 - 19.7 percent of state general funds raised through income, sales, and other broad-based state taxes
 - 15.8 percent of general funds, local contributions, and dedicated health care-related taxes

Medicaid's Share of State Budgets Including and Excluding Federal Funds, SFYs 1987-2015



Notes: SFY is state fiscal year. Amounts shown here reflect the most recent information available in cases where data for a given 11 year were published and then updated in a subsequent report. The all federal and state funds category reflects amounts from any 12 source. The state general funds category reflects amounts from revenues raised through income, sales, and other broad based 13 state taxes. The all state funds category reflects amounts from any non-federal source; these include state general funds, other 14 state funds (amounts from revenue sources that are restricted by law for particular government functions or activities, which for 15 Medicaid includes provider taxes and local funds), and bonds (expenditures from the sale of bonds, generally for capital projects).

Source: MACPAC analysis of data in National Association of State Budget Officers 2016.

March 2, 2017

State Budget Process

- State agencies, legislature, and governor are involved in the budget development and approval process
- State fiscal year (SFY) generally does not coincide with federal fiscal year
 - States also vary on the timeline of their budgets (annual vs. biennial)
- States generally have balanced budget requirements

Overview of States Included in Analysis

State	Governor	Expansion Status	Total State Medicaid Spending, FY 2015 (in millions)
Alabama	Robert Bentley (R)	Non-expansion	\$1,681
Kansas	Sam Brownback (R)	Non-expansion	1,360
Maine	Paul LePage (R)	Non-expansion	973
Ohio	John Kasich (R)	Expansion	6,951
Oklahoma	Mary Fallin (R)	Non-expansion	1,802
Oregon	Kate Brown (D)	Expansion	1,991
Pennsylvania	Tom Wolf (D)	Expansion	10,565
Virginia	Terry McAuliffe (D)	Non-expansion	4,111
Wyoming	Matt Mead (R)	Non-expansion	292

Source: For total state Medicaid spending: MACPAC, 2016, analysis of CMR-64 Financial Management Report net expenditure data as of May 24, 2016.

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Alabama

- \$85 million budget gap in SFY 2017
- Proposed cuts to benefits and payments
 - Eliminating: Prescription drugs, eyeglasses for adults, outpatient dialysis, prosthetics/orthotics, Program of All Inclusive Care for the Elderly (PACE)
 - Eliminating: health home fee, physician case management fee, primary care bump
 - Decreasing payment rates for most providers and certain administrative costs
 - Implementing pharmacy preferred providers
- Proposed increase in revenue via statewide lottery
- Legislature utilized funds from BP oil spill settlement

Kansas

- \$56 million Medicaid budget gap in SFY 2016
 - 4 percent provider payment cuts, remove funding for on-call days, decrease funding from incentive program for community hospital providers, “capable person” policy (CMS blocked)
- More recent proposals for SFYs 2017–2020
 - Increasing fees on HMOs, increasing hospital provider tax, 100 percent federal match for American Indian/Alaska Native services, Medicaid expansion

Maine

- \$70 million reduction in Medicaid spending in SFYs 2018–2019
- Governor proposal included:
 - Eliminate separate facility fees, decrease payments to critical access hospitals, rebase hospital tax year, eliminate coverage for parents above 40 percent federal poverty level (FPL)
 - In FYs 2016 – 2017, governor proposed decreasing payment for Drugs for the Elderly and other benefits, and reducing payment for non-emergent services provided in the ED to the primary care rate

Ohio

- Ohio faced \$47 million in Medicaid cuts in SFYs 2016–2017 and more than \$1 billion in SFYs 2018–2019
 - Simplifying eligibility determination
 - Adjusting eligibility (eliminating coverage for non-aged or disabled adults above 138 percent FPL, eliminating spend down, increasing the asset test)
 - Financial adjustments (implementing premiums, cutting nursing home and hospital payments)
 - Tax on all health insurance plans

Oklahoma

- State faced \$1.3 billion overall deficit in SFY 2017
 - Agency proposed 25 percent rate cut to all providers, eliminating coinsurance and deductible crossover payments, and moving individuals into the state premium assistance program
 - Legislators proposed cutting eligibility of non-pregnant, able-bodied adults younger than 65, and eliminating prescription drug coverage and closing state nursing facilities
- Ultimately, cut provider payments by about 3 percent, decreased funding in other agencies, and increased revenue through tax reform.
 - Currently, considering increasing cigarette tax to pay for health care initiatives

Oregon

- Projected deficit of \$500 million within health department for SFYs 2017–2019
 - Agency proposed cutting coverage for certain Medicaid medical services, requiring usage of a preferred drug list for mental health providers, eliminating Medicaid graduate medical education payments
 - Governor proposed increasing the tax on hospitals, cutting Hospital Transformation Performance Program, including the insurance and managed care tax, reducing or removing certain payments for inflation, and reducing administrative costs

Pennsylvania

- Amid an overall SFY 2016–2017 deficit of \$1.3 billion, Governor warned of \$600 million in cuts to the Medicaid program
 - Cuts to prescription drug assistance, HCBS for seniors, and services for individuals with mental illness or intellectual disabilities
- Governor's proposal instead recommended a host of new or increased state taxes outside of the Medicaid program

Virginia

- Estimated \$255 million increase for the 2016–2018 biennium
- Governor proposed:
 - Medicaid expansion
 - Provider payment decreases, including withholding inflation from certain facilities, limiting overtime hours for consumer-directed attendants, and annual provider assessment fee for certain hospitals
- In mid-session revisions, governor eliminated raises for state employees and utilized state's Rainy Day Fund

Wyoming

- Roughly \$55 million Medicaid reduction in SFYs 2017 and 2018
- Governor proposed many adjustments including:
 - Reductions in provider payment and administrative costs
 - Reductions in third party payments including crossovers
 - Caps and prior authorization requirement for certain therapy and behavioral health services
 - Eliminate adult dental and vision coverage, continued closure of Prescription Drug Assistance Program
 - Eliminate coverage for those over 100 percent FPL in the Employed Individuals with Disabilities (EID) program, and breast cancer treatment and cervical cancer treatment programs



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