

Principles for Addressing Medicaid Funding Challenges through the Recession and Beyond



Background

The Utah state budget is being stretched by the recession, and difficult decisions must be made to bring the budget into balance. Because Medicaid consumes 18% of the state budget, it is an enticing target. However, the Legislature should take great care as they look to shave dollars from Utah's Medicaid program. Utah has one of the leanest and best managed Medicaid programs in the country. While Utah ranks 49th in the country in per-capita Medicaid spending, it still delivers high quality coverage to those in need.

The benefits of Utah Medicaid are much broader than just providing access to cost-effective care to Utah's low-income children, working parents, people with disabilities, and the elderly. Medicaid spending has an enormous benefit on Utah's economy: For every dollar Utah spends on Medicaid the Federal government contributes \$3 more. This money creates or supports thousands of quality, good paying jobs. Further, Medicaid helps prevent the cost shifting to private payers associated with the growing burdens of uncompensated care. Right now 14% of private health plan premiums reflect the costs of caring for the uninsured, however inefficiently. Cutting Medicaid will only add to that cost, making it difficult for hospitals to serve as the ultimate safety net for the community.

Economists have long recognized the beneficial impact Medicaid spending has on the economy, particularly in hard times. Their wisdom is reflected in the Obama administration's decision to make Medicaid fiscal relief a cornerstone of the national economic recovery plan. When the federal recovery legislation passes, Utah's federal Medicaid match rate will be even higher, pumping millions of additional dollars into the state! Utah simply cannot afford *not* to maximize these incoming federal resources. Against this background, the Utah Medicaid Partnership offers the following principles to guide decisions on the Medicaid budget during the recession.

THE PRINCIPLES

1. **Maximize cost containment within Medicaid.**

There are several ways that Utah Medicaid can contain costs and become more efficient. Before the state explores *any* cuts to services, eligibility, or provider reimbursement rates, Utah Medicaid should strengthen the Preferred Drug List, for example, and convert Medicaid managed care contracts to a full-risk, capitated basis. These steps will not only help Medicaid weather the recession, but also make it a more cost effective program in better times.

2. **Take concrete steps to maximize federal funding and fiscal relief.**

Funding in the form of Medicaid fiscal relief is forthcoming from the new Congress. However, to take full advantage of this funding, Utah must maintain our current investment in Medicaid and restore October cuts. In other words, if we decrease our investment in Medicaid we will LOSE valuable federal dollars

Endorsing Organizations

- AARP of Utah
- Advanced Auto Salon
- Alliance House
- American Academy of Pediatrics-Utah Chapter
- Association for Utah Community Health
- Bear Lake Community Health Center
- Cache Valley Community Health Center
- Comunidades Unidas
- Disability Law Center
- Erin Kimball Memorial Foundation
- Hatch Family Chocolates
- Intermountain Pediatric Society
- Legislative Coalition for People with Disabilities
- March of Dimes Utah Chapter
- Midvale Family Health Clinic
- Molina Healthcare of Utah
- Mountainlands Community Health Center
- OPTIONS for Independence
- Rural Health Association of Utah
- Salt Lake Community Action Partnership
- State Family Council
- Utah Academy of Physician Assistants
- Utah Clubhouse Network
- Utah Developmental Disabilities Council
- Utah Health Policy Project

continued on next page

that can keep Medicaid whole and stimulate Utah's economy. For every dollar that Utah spends, the Federal government contributes \$3 more. For the sake of full economic recovery, Utah should maintain eligibility levels and restore services, raise provider rates to a level that will ensure timely access to care, and fully fund the considerable caseload growth that can be expected through the recession.

Set the stage for fiscal relief by augmenting the Governor's Medicaid budget recommendations as follows:

- a) **Buy time:** Allocate *temporary* funding to Medicaid in the form of bonding, rainy day funds, or the proposed tobacco tax increase.
- b) **Replace this funding with the fiscal relief dollars** once they are allocated by Congress, sometime in the middle of February.
- c) **Prepare for the cessation of fiscal relief** (18 months to 2 years down the road) by implementing every cost containment tool in the toolbox, including bulk purchasing of pharmaceuticals, disease management and medical homes, and other proven initiatives.

3. **Minimize cost-shifting.**

Prevent expensive cost-shifting by keeping Medicaid whole. All Utahns need access to health care to stay on the path to self sufficiency. The payer of last resort, Medicaid, is designed to provide cost-effective health care to low-income individuals who would otherwise go uninsured. A weak or under-utilized Medicaid program will increase the amount of uncompensated care delivered through Utah's already frayed health care safety net. The cost of that care will be shifted in turn to the insured. Thus, by maintaining services that provide access to cost-effective wellness and preventive care, we can limit the growth in health care costs for all payers.

4. **Reform the health care payment and delivery system, including Medicaid.**

Like all other payers, Medicaid suffers from waste and fragmentation caused by the current fee-for-service payment system, which the Institute of Medicine calls "toxic." Convene the leading stakeholders through the [Utah Partnership for Value-Driven Health Care](#), Utah's Chartered Value Exchange, to create a new payment system demonstration pilot that aligns incentives for providers, payers, and the public to promote value.

To make Medicaid truly sustainable, we must have comprehensive, financially sustainable health system reforms that address access, cost and quality. Health system reforms should begin with a coordinated, systematic effort to align all treatment and financing decisions with evidence-based medicine.

Utah Multicultural Health Network

Utah School Nurse Association

Utah Speech Language Hearing Association

Utah Statewide Independent Living Council

Voices for Utah Children

This list is still forming

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