



Medicaid Cost Management Navigator

Special 2009-2010 Edition

A Utah Health Policy Project Issue Brief

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Introduction to the Medicaid Cost Management Navigator

The Utah Health Policy Project has prepared the 2009-2010 edition of the *Medicaid Cost Management Navigator* to help policymakers understand the current state of Utah's Medicaid program, where cuts have occurred during the recession, and how the program arrived at the need for \$60 million in additional funding for FY2011.

Going into the 2010 General Session, the fundamental challenge facing Utah's Medicaid program is enrollment growth. Since the beginning of the recession in December 2007, Utah's Medicaid program has grown by 40,000 to 200,000 enrollees. However, the state has only provided ongoing funding to serve 160,000 enrollees. Even with the state's favorable federal match rate (3 federal dollars for every \$1 spent by Utah), for every 1,000 additional individuals in Medicaid it costs the state roughly \$1 million.

The state's menu of options to budget for this increased enrollment is very limited. Having already cut most of the 'optional' services (physical therapy, occupational therapy, vision care, audiology, and dental care) over the last two years, Utah has one of the leanest Medicaid programs in the country. To trim costs even further, the state has reduced most provider and hospital reimbursement rates to levels not seen since the 1980s. Further reductions could easily violate federal Medicaid "equal access" requirements and lead to lawsuits. Lastly, the American Recovery and Reinvestment Act (ARRA) requirement that states maintain Medicaid eligibility levels and standards prevents Utah from limiting new enrollment in Medicaid. National health reform legislation will very likely continue this maintenance of effort requirement.

Against this background, Utah must explore a combination of proven efficiencies such as improving Medicaid's Preferred Drug List, implementing the Family Planning Waiver, and better fraud prevention, and revenue enhancements like the tobacco tax to keep the program functioning.

ARRA, National Health Reform, and Utah Medicaid

Both the American Recovery and Reinvestment Act and national health reform prevent Utah from cutting Medicaid eligibility.

ARRA sets aside an estimated \$240 million in economic recovery money for Utah Medicaid.ⁱ These funds are delivered to the state through an increase in the Federal Medical Assistance Percentage (FMAP) rate lasting nine fiscal quarters (October 1, 2008 through December 31, 2010). ARRA requires that state maintain Medicaid eligibility levels and standards as they stood in July 2008.ⁱⁱ Failure to do so will disqualify Utah from *all* of the Medicaid money available.

In addition, national health reform legislation will require states to maintain eligibility standards unless coverage is extended beyond 133% FPL. Utah currently does provide Medicaid coverage to most populations earning over 133%.



Medicaid Efficiencies

Strengthen Medicaid's Preferred Drug List (PDL): \$200,000 savings (FY 2011); 1.5 million savings (FY2012)

Utah currently excludes about half of all drugs from consideration on its preferred drug list. Unlike most private insurance company formularies and most other state Medicaid PDLs, Utah leaves drugs used to treat mental illness off the list. Utah should remove this exception. To minimize disruption in care individuals current drugs should be grandfathered into the program.

Family Planning Waiver (PDL): a \$4.3 million initial investment (FY2011) yields \$4.3 million savings each year, starting in FY2012

Medicaid pays for more than one third of births in Utah. As a result, providing family planning services to women otherwise eligible for Medicaid pregnancy-related coverage can yields significant cost savings from reduced pregnancy-related and newborn care. By extending Medicaid postpartum family planning services from 60 days to two years to women, Utah could save \$4.3 million per year through reduced rates of unintended pregnancy and improved health an birth outcomes related to better spacing between pregnancies. Further, the state could prevent 1,500 abortions per year by providing this coverage.

Fraud Prevention: \$500,000 investment; \$1-5 million (FY2011)

A recent legislative audit found that Utah Medicaid stands to improve upon its fraud detection and prevention program.ⁱⁱⁱ Replacing the state's nearly 30-year-old Surveillance and Utilization Review System with a new computer system could potentially prevent millions of dollars in fraudulent payments to Medicaid providers. The audit estimated the state could save up to \$5 million (in state \$) through better fraud prevention.

Revenue Enhancements

Tobacco Tax increase from 69¢ to \$2 per pack: \$77 million in new revenue

Tobacco related diseases cost Utah's Medicaid program millions of dollars per year. Increasing Utah's tobacco tax to the \$2 per pack will both help pay for these costs *and* reduce the number of Utahns who smoke. A win-win for Utah.

Remove the Sales Tax on Food but moderate the impact thru an Earned Income Tax Credit: \$180 million

Raising the food tax from the current 1.75 percent to the state uniform sales tax rate of 4.7 percent would net \$180 million in annual revenues. To lessen the impact on low-income families, this increase should be paired with a new state earned income tax credit (EIC) program designed to stimulate self sufficiency in working families.

Wise Medicaid Investments

Even in tight economic times, Utah would be wise to consider the following investments in Utah's Medicaid program. All are proven to reduce or minimize the cost shifting that leads to higher health care costs for all payers.

Restoration of Medicaid Service Cuts

Since the beginning of the recession, the Utah Legislature eliminated critical Medicaid services that help people recover from serious medical conditions and participate in the workforce.

Utah should use savings realized from efficiencies and revenue enhancements to restore the following services:

1. Physical therapy;
2. Occupational therapy;
3. Vision care;
4. Speech and hearing therapy;
5. Dental services.

Restoration of Medicaid Provider Cuts

Utah Medicaid providers took a huge hit during the past year's budget reductions, making it even more for Utah Medicaid beneficiaries to find dentists, home health providers, and other providers. If Utah does not restore reimbursement rates, more providers will stop participating in Medicaid and exasperate the significant access problems that recipients already face.

Implement New Medicaid (and CHIP) Option for States Created with CHIP Re-authorization

Policymakers should consider opening up Medicaid and CHIP to legal permanent resident children and pregnant women, a new option for states created with the recent re-authorization of the Children's Health Insurance Program. An estimated 70% of this population is uninsured and not likely to qualify for coverage in the private market. Thus these bills will jump start health system reforms and prevent further cost shifts.^{iv}

ⁱ Lav, Iris, et. al., *Recovery Act Provides Much-Needed Targeted Medicaid Assistance to States*, Center on Budget and Policy Priorities, February 13, 2009; the total amount of monies Utah will receive will depend on a number of factors, including: the state's unemployment rate and the amount of state funds appropriated to Medicaid.

ⁱⁱ A State is not eligible for an increase in FMAP if eligibility standards, methodologies, or procedures under its State Medicaid plan (including any waiver under such title or under section 1115 of such Act (42 U.S.C. 1315) are more restrictive than those in effect on July 1, 2008.

ⁱⁱⁱ Office of the Legislative Auditor General State of Utah, *A Performance Audit of Fraud, Waste and Abuse Controls in Utah's Medicaid Program*, August 2009, http://le.utah.gov/audit/09_12rpt.pdf

^{iv} Georgetown University Center for Children and Families (2009). Summary of New CHIP Re-Authorization Law. <http://ccf.georgetown.edu/index/schipreauthorization>.