



# The Medicaid Cost Management and Economic Stimulus Navigator

A Utah Health Policy Project Fact Sheet

February 25, 2009

## Introduction to the Medicaid Cost Management and Economic Stimulus Navigator

The Utah Health Policy Project has prepared the *Medicaid Cost Management & Economic Stimulus Navigator* to help policymakers understand the current state of Utah's Medicaid program, where cuts have occurred during the last year, and how Federal economic stimulus funds can be used to improve Medicaid and keep it whole.

As Utah has struggled to balance its budget over the last 6 months, Utah's Medicaid program has taken significant cuts: eligibility standards for pregnant women and people with disabilities have been scaled back; critical medically necessary services like physical therapy, occupational therapy, vision care, audiology, and dental care have been eliminated; and, reimbursement rates to providers and hospitals have been rolled back. The good news is the Federal American Recovery and Reinvestment Act provides sufficient funds to restore *all* of these cuts and prepare for increased enrollment in the program due to the recession.

## Utah Medicaid and the Federal Economic Stimulus

The American Recovery and Reinvestment Act (ARRA) sets aside an estimated \$240 million in economic recovery money for Utah Medicaid.<sup>i</sup> The Medicaid economic recovery money is delivered to the state through a temporary increase in the Federal Medical Assistance Percentage (FMAP) rate lasting nine fiscal quarters (October 1, 2008 through December 31, 2010). This means that Utah's FMAP will increase by 7.12% to 77.83% for FY 2009. For FY2010 and FY2011, Utah's FMAP will likely be even higher as the state's unemployment rate increases.<sup>ii</sup> **This increase in FMAP means that Utah's Medicaid program will cost nearly 27% less in state dollars over the life of the ARRA!**

To maximize the state's portion of these funds, policymakers must do 2 things:

First, in order to meet the ARRA's maintenance of effort (MOE) requirement, Utah must maintain Medicaid eligibility and eligibility standards as they stood in July 2008.<sup>iii</sup> **Failure to do so will disqualify Utah for all of the Medicaid money available.** Unfortunately, Utah has made a number of base budget reductions for FY 2010 that will cause the state to fail this basic test. To satisfy the MOE requirement, the Legislature must do these things:

1. Restore eligibility for the Medically Needy Program to 100% (from 44%) of the poverty level (FPL);
2. Restore Age, Blind, Disabled eligibility to 100% from 75% FPL;
3. Restore presumptive eligibility for pregnant women;
4. Restore the Foster Care Independent Living Program (HB 288, by Rep. Hogue in 2006);
5. Lower the asset limit for pregnant women back to \$3,000 (from \$5000).

Second, the state must demonstrate prompt payment to providers.

## **Valid and Worthwhile Uses of Medicaid Economic Stimulus Dollars**

### ***Restoration of Medicaid Service Cuts***

During the special session last September, the Utah Legislature eliminated critical Medicaid services that help people recover from serious medical conditions and become self-sufficient. The ARRA increased federal match rate translates to 27% reduction in state dollars needed to finance Medicaid at its current service and eligibility levels. Therefore the ARRA will free up more than enough state funding that can be reinvested into Medicaid to restore cuts that have occurred over the last year.

Utah should use the economic stimulus funds to restore the following services:

1. Physical therapy;
2. Occupational therapy;
3. Vision care;
4. Speech and hearing therapy;
5. Dental services for aged, blind, and disabled.

### ***Restoration of Medicaid Provider Cuts***

Utah Medicaid providers have taken a huge hit during the past year's budget reductions. It is already difficult 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 immigrant children and pregnant women, a new option for states created with the recent re-authorization of the Children's Health Insurance Program. Rep. Holdaway and Sen. Robles have each introduced legislation to lift the 5-year waiting period for lawfully present children and pregnant women to access cost-effective coverage through Medicaid or CHIP. 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.<sup>iv</sup>

<sup>i</sup> 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.

<sup>ii</sup> The American Recovery and Reinvestment Act (ARRA) provides every state a 6.2% base FMAP increase. Further, the ARRA replaces Utah's FY2009 FMAP rate with the state's higher FY2008 rate which equates to an additional 0.92% bump. For FY2010, Utah's FMAP base will increase by 05%. In addition, Utah will likely receive at least another 5.5% increase due to the state's unemployment rate.

<sup>iii</sup> 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.

<sup>iv</sup> Georgetown University Center for Children and Families (2009). Summary of New CHIP Re-Authorization Law.

<http://ccf.georgetown.edu/index/schipreauthorization>.