



## ***Utah Medicaid at Risk: Potential Cuts and Talking Points (revised: 2/6/09)***

Recently Utah approved significant cuts to the state's Medicaid program. Health and human services took a \$37.3 million reduction but then back-filled \$21.8 million with onetime money. Cuts to certain Medicaid optional populations were effectively postponed, though reimbursements to providers were not. While most of these cuts to the so-called 'optional' Medicaid eligibility categories were restored using one-time money for FY2009, these programs remain extremely vulnerable. Without an appropriation of new monies, these cuts will take effect in July 2009.

These cuts will cause Utah to lose significant Federal funding that Utah's economy desperately needs to weather the recession. Utah's Federal Match Rate for FY2010 is 71.68%. In other words, for every \$1 Utah invests in Medicaid the state receives \$3 in Federal funds. All told, if the \$27.5 million in Medicaid cuts were to go forward, Utah would forfeit over \$76 million in Federal funds! **IMPORTANT:** in order to meet Federal economic recovery maintenance of effort requirements, Utah must maintain current optional populations and eligibility criteria. ***Failure to meet this minimal requirement would cost the state \$300 million in economic recovery money.***

The reductions in provider reimbursements are not without cost and consequences to health system reforms. Hospital reimbursement was reduced between 8-10% (through an assessment) and already low provider reimbursements to doctors, dentists, home health providers, among others were reduced to pre-FY2007 levels. Generally, these cuts were not backfilled and will take effect immediately. These cuts will likely force providers to stop serving Medicaid beneficiaries. The good news is that Federal economic recovery money is coming soon to help Utah's Medicaid program. The recovery package will provide enough money to maintain current eligibility levels and criteria *and* to restore the provider rates along with access to medically necessary Medicaid services like vision care, dental, audiology, physical therapy and occupational therapy. To legislators who argue against using temporary funds for ongoing needs, we should say: beyond the period of fiscal relief, national (or state) health reforms will be designed to stabilize funding for all medically necessary and cost-effective care in public and private health insurance programs.

### **FY2009 Medicaid/Health Access Budget Cuts:**

  = Cut that will disqualify Utah for Federal Medicaid Economic Recovery money

  = Good Medicaid cost containment measure

Program	Summary	State General Fund cut and corresponding loss of Federal monies
Reducing 'Age,/Blind/ Disabled' eligibility from 100% of Poverty to SSI Levels	The federal government requires Medicaid to provide coverage to elderly, people with disabilities, and blind adults with income and assets at or below the Social Security Income (SSI) benefit level or approximately 75% of the federal poverty level (FPL). Utah, like most states, has wisely chosen to increase eligibility for this population to the federal poverty level (\$10,400 for an individual), and this is because the population in question would not have any other option for coverage. Providing only the federally required benefit can cause adults with disabilities who have part-time jobs or limited assets to face losing their Medicaid eligibility.	<p><b>General Funds: \$2.6 million</b></p> <p><b>Federal Funds- \$6.4million</b></p> <p><b>Economic Recovery: \$208,000</b></p>

	<b>5,800 Utahns would lose benefits and join the ranks of the uninsured.</b>	
<b>Reduce Spend-down Category from 100% FPL to 44%</b>	<p>The Medically Needy or “spend-down program” provides a pathway to Medicaid coverage for low income people who find themselves in a catastrophic medical situation, yet who start out with too much income to qualify for traditional Medicaid programs. The opportunity to spend down is particularly important for elderly individuals residing in nursing facilities and children and adults with disabilities who live in the community and incur high prescription drug, medical equipment, or other health care expenses.</p> <p><b>13,800 Utahns would lose Medicaid coverage for catastrophic expenses</b></p>	<p><b>General Funds: \$2.6 million</b></p> <p><b>Federal Funds: \$6.4 million</b></p> <p><b>Economic Recovery: \$208,000</b></p>
<b>Eliminate Presumptive Eligibility for Pregnant Women</b>	<p>Presumptive eligibility in Medicaid is an important strategy for improving access to early prenatal care for low-income pregnant women. Presumptive eligibility allows providers to begin treating pregnant women when they first seek prenatal care rather than several weeks later after a final determination has been made by the state regarding their Medicaid eligibility. Access to early prenatal care leads to better birth outcomes, healthier babies, and reduced health care costs.</p> <p><b>6,250 Women took advantage of this program in FY2008.</b></p>	<p><b>General Funds: \$851,600</b></p> <p><b>Federal Funds: \$2.1 million</b></p> <p><b>Economic Recovery: \$64,000</b></p>
<b>Lower Asset Test for Pregnant women from \$5,000 to \$3000</b>	<p>Currently low-income pregnant women with income less than 133% of poverty can have assets of up to \$5,000 and remain eligible for Medicaid. This proposal would reduce the allowable asset level to \$3,000.</p> <p>The Department of Health estimates that this change will disqualify <b>5,600 women per year from the program. This shift in policy sends the wrong message to young families: that they should not be saving for their future.</b></p>	<p><b>General Funds: \$3.2 million</b></p> <p><b>Federal Funds: \$11.6 million</b></p> <p><b>Economic Recovery: \$256,00</b></p>
<b>Foster Care Independent Living Program</b>	Provides Medicaid coverage for adults 18 to 21 who have been in state foster care.	<p><b>General Funds: \$450,000</b></p> <p><b>Federal Funds: \$1.1 million</b></p> <p><b>Economic Recovery: \$36,000</b></p>
<b>Dental Services: Age, Blind, Disabled</b>	Provides Dental services to people with disabilities and seniors. This benefit has been provided since 2006 using one-time funding.	<p><b>General Funds: \$2.2 million</b></p> <p><b>Federal Funds: \$6.6 million</b></p> <p><b>Economic Recovery: \$176,000</b></p>

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<b>Dental Services: Parents &amp; Adults</b>	Provides dental services to low-income parents and single adults on Medicaid or PCN. Without dental services it is difficult for Medicaid recipients to maintain good oral health. This can lead to a whole host of consequences including the loss of teeth that could otherwise have been preserved and making it more difficult for beneficiaries' to find and keep jobs.	<b>General Funds: \$2 million</b> <b>Federal Funds: \$6 million</b> <b>Economic Recovery: \$160,000</b>
<b>Optional Services: Physical Therapy, Occupational Therapy, Eyeglasses, Audiology</b>	While these service may not be "medically optional, all of these services are optional Medicaid services that states may choose to provide. Eyeglasses and hearing aids are important to help individuals find and keep employment. Physical and occupational therapy are critical in helping people fully recover from serious medical conditions or accidents and become self-sufficient.	<b>General Funds: \$472,000</b> <b>Federal Funds: \$1.1 million</b> <b>Economic Recovery: \$38,000</b>
<b>Primary Care Grants</b>	Provides funding to community health centers and other primary care providers who use a 'medical home' model to serve the state's 400,000 uninsured.	<b>General Funds: \$1.5 million</b> <b>Federal Funds: \$0</b> <b>Economic Recovery: \$0</b>
<b>Closing Utah Primary Care Network to New Enrollees</b>	Utah's Primary Care Network (PCN) program provides primary care, wellness care, and limited drug benefits to low income parents and childless adults. The program does not cover hospital care or specialty care. There are approximately 20,000 Utahns on PCN. However, the program has been closed to new enrollees since July 2008 and there are currently no plans to accept new applications. Under this proposal, PCN will remain closed to new enrollees through FY2010.  <b>There are currently 20,000 Utahns on PCN but 277,000 Utahns who may be eligible</b>	<b>General Funds: \$3 million;</b> <b>Federal Funds: -\$7.5million;</b> <b>Economic Recovery: \$240,000</b>
<b>Physician Provider Rate Reductions to FY2007 levels</b>	Health care experts in Utah have argued that because of our low provider rates there may be widespread lack of access to care for Medicaid beneficiaries. According to the Utah Department of Health, of the 4,700 estimated physicians practicing in the state, 3,540 billed Medicaid for services in fiscal year 2007, compared with 4,210 in 2000--a 16% decline!	<b>General Funds: \$429,700</b> <b>Federal Funds: \$1 million</b> <b>Economic Recovery: \$34,000</b>
<b>Non-Physician Provider Rate Reductions to FY2007 levels</b>	It is already difficult for Utah Medicaid beneficiaries to find dentists, home health providers, and other providers. This cut will cause more providers to stop participating in Utah's Medicaid program and exasperate the significant access problems that Medicaid recipients face.	<b>General Funds: \$8.5 million</b> <b>Federal Funds: \$21.5 million</b> <b>Economic Recovery: \$680,000</b>
<b>Hospital Assessment</b>	In order to continue to qualify for the maximum amount of federal money, this would impose a hospital assessment that effectively reduces the hospital reimbursement rate by 7.6%. If this new reimbursement is insufficient to cover the hospitals costs related to treating Medicaid patients, the hospital will likely shift those costs to paying clients (e.g., the insured and self-pay). In Utah hospital assessments should only be considered within the context of broad health system reforms. That is, if as a consequence of reforms we can anticipate a significant reduction in the rate of uninsured, then and only then should hospitals be assessed. In this case an assessment serves to recoup a portion of the Medicaid funding that was devoted to uncompensated care pre-reform. Utah is not ready to take this step—not even close.	<b>General Funds: \$32 million</b> <b>Federal Funds: \$0</b> <b>Economic Recovery: \$0</b>

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<b>Elimination of Media Outreach for CHIP</b>	Over 70,000 Utah children are uninsured, yet enrollment in CHIP is lower than expected. Media campaigns are critical in reaching out to families with uninsured kids and getting those who are eligible enrolled in CHIP or Medicaid. Cutting outreach will also undermine the goals of reform.	<b>General Funds: \$70,000</b> <b>Federal Funds: \$70,000</b> <b>Economic Recovery: \$</b>
<b>Elimination of UPP Media Outreach</b>	The Utah Premium Partnership (UPP) currently only has a handful of enrollees. This money was intended raise awareness of the program and encourage the thousands of Utahns who could benefit from UPP to enroll. Cutting outreach will also undermine the goals of reform	<b>General Funds: \$60,000</b> <b>Federal Funds: \$60,000</b> <b>Economic Recovery: \$0</b>

**\*Economic Recovery money based on a 8% increase to Utah's Federal FMAP rate.**

## **Good Cost Containment Measures**

<b>Capitated Medicaid HMO Contracts</b>	This changes the HMO contract arrangement between the state and Utah Medicaid HMOs (Molina and Healthy U) to a per-capita, risk based arrangement. This type of contract allows the state to receive a higher federal match rate for the HMO's administrative costs.  <b>HHS Appropriations has recommended to Executive Appropriations that this action be adopted.</b>	<b>General Funds: \$10 million one-time cost to the state</b>  <b>Federal Funds: Utah will receive \$4.4 million additional Federal Funds</b>
<b>Preferred Drug List Amendments (SB 87)</b>	This would allow the state to require prior-authorization before a non-preferred drug can be prescribed. This will bring Utah's Preferred Drug List program in line with best-practices of other state Medicaid programs and private health plans.  <b>HHS and Executive Appropriations have recommended that this cost containment measure be adopted. However, this change will require a change in statute.</b>	<b>General Funds: \$1.5 million</b>  <b>Federal Funds: \$3.6 million</b>
<b>Preferred Drug List Amendments (SB 86)</b>	The intent of this legislation is to narrow the drug classes excluded from the Preferred Drug List are limited to drug classes used to treat mental illness. The current exclusion, "psychotropic," has myriad of definitions that often include drugs and drug classes that the legislature did not originally intend to exclude.	<b>General Funds: \$</b>  <b>Federal Funds: \$</b>

## **Potential Cuts that were not included as HHS Appropriations recommendations (though they could return)**

Utah Medicaid Work Incentives Program (General Fund -\$650,000; Federal Funds- \$1.6 million)

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The Medicaid Work Incentive (MWI) allows people with disabilities to be able to work and earn up to 250% of poverty without losing their Medicaid benefits. In return for allowing an individual to earn a higher income, the MWI program requires the beneficiary to pay a premium for Medicaid coverage. Depending on income and assets, the premium can be up to \$15,000 per year. Elimination of MWI will mean that many adults with disabilities will be forced to give up their jobs and, thus, their independence. Without income these people will not be able to afford rent and other basic needs and will have no choice but to seek institutionalized care.

**Eliminate Workforce Financial Assistance (General Funds: \$425,000; Federal Funds: \$104,000)**

This program provides loan forgiveness to physicians that agree to work in underserved areas of the state. This will make it more difficult for rural practices and community health centers to recruit physicians. This, too, defeats the broader purposes of health system reforms and undermines struggling rural economies.

**Utah Medicaid Breast and Cervical Cancer Treatment and Detection Program (General Fund -\$1.7 million; Federal Funds-\$7 million)**

The Medicaid Cancer Program provides early detection for these cancers and helps women <250% of the poverty level who have been diagnosed with breast or cervical cancer pay their medical bills.

**Elimination or further reduction of the Medicaid Medically Needy Program (General Fund -\$9.4 million; Federal Funds- \$24 million)**

The Medically Needy or “spend down program” provides a pathway to Medicaid coverage for low income people who have extensive health care needs, yet who start out with too much income to receive cash assistance benefits. The opportunity to spend down is particularly important to elderly individuals residing in nursing facilities and children and adults with disabilities who live in the community and incur high prescription drug, medical equipment, or other health care expenses.

**Baby your Baby (General Fund -\$866,400; Federal Funds- \$2.2million)**

The Baby your Baby program encourages low income pregnant women to seek early and continuous prenatal care, beginning in the first trimester of their pregnancy. Early and continuous prenatal care is important to the future health of both the newborn and the mother.

**Eliminate the Vehicle Exemption to the Asset Test (General Fund -\$1.1 million; Federal Funds- \$3 million)**

Currently, Medicaid excludes from consideration a single vehicle that is used to commute to work or to medical appointments from the asset test. This proposal would eliminate this exemption. This would make it more difficult for Medicaid enrollees to hold down a job and creates another obstacle to families as they work to become self-sufficient.

**Further Provider Reimbursement Rate Decreases or Assessments**

Health care experts in Utah are already warning that because of current low provider rates there could be widespread lack of access to care for Medicaid beneficiaries. According to the Utah Department of Health, of the 4,700 estimated physicians practicing in the state, 3,540 billed Medicaid for services in fiscal year 2007, compared with 4,210 in 2000, a 16% decline. The number of dentists who treat Medicaid beneficiaries also has decreased by 14% since 2000. A cut of this magnitude will increase the number of providers who refuse to see people on Medicaid.

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