

States take whacks at Medicaid funds

By Amy Goldstein

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WASHINGTON — States from Rhode Island to California are being forced to curtail Medicaid, the government health insurance program for the poor, as they struggle to cope with the deteriorating economy.

With revenues falling at the same time that more people are losing their jobs and private health coverage, states already have pared their programs, and many are looking at deeper cuts for the coming year.

Already, 19 states and the District of Columbia have lowered payments to hospitals and nursing homes, eliminated coverage for some treatments and forced some recipients out of the insurance program completely.

Many are halting payments for health-care services not required by the federal government, such as physical therapy, eyeglasses, hearing aids and hospice care. A few states are requiring poor patients to chip in more toward their care.

"It's not a pretty list at all," said Michael Hales, the Medicaid director in Utah.

Advocates for low-income Utahns covered by the joint federal and state government insurance plan, are keeping their fingers crossed that state lawmakers convening in January will take Gov. Jon Huntsman Jr.'s lead as they build the state's budget.

Cutbacks to balance the current budget will have to come first, but advocates say now is no time to make cutbacks, not only because a 13 percent increase in the number of people requesting coverage due to the economic downturn but also because federal matching funds of about \$3 to \$1 in state spending will be lost.

"The governor has taken great care in protecting critical services," said Lincoln Nehring, Medicaid policy director for the Utah Health Policy Project, a health policy research and advocacy group. But it won't hold without Congress, which must pass economic stimulus legislation that includes a temporary increase in the federal medical assistance percentage to help the state, Nehring said.

An FMAP increase will ensure that thousands of Utahns can continue to access the health care they need and the increase will sustain thousands of high-paying Utah jobs, which in turn will help the state get its economy moving again, Nehring said.

During September's special session, \$8.5 million in general funds were cut from Medicaid, which resulted in a loss of federal matching funds totaling well over \$19 million.

In announcing his budget plan earlier this month, Huntsman said creating more barriers to medical care doesn't make sense at a time when an estimated one in four Utahns generally cannot or won't get health insurance.

Huntsman has recommended dipping into the state's Rainy Day Fund and, as he and his fellow governors at a nationwide conference earlier this month told President-elect Barack Obama, is counting on extra federal funding to shore up Medicaid. On-again, off-again dental coverage, a favorite target among lawmakers, is also restored to seniors and disabled adults in the governor's budget.

Federal health officials set minimum rules about who can enroll and what care must be covered, but states are free to add to the basics. Those optional patients and services are what many states are rethinking now.

With the program the largest or second-largest expense in every state's budget, governors and state legislators have been pleading with Congress and the incoming Obama administration for help. Democrats who hold majorities in the House and the Senate are sounding sympathetic for now. They are considering close to \$100 billion to increase the share of Medicaid's costs that the federal government would pay during the next two years.

Obama also is open to extra help for Medicaid as part of a broad strategy to spur the economy. "We are considering a number of proposals ... including helping states meet Medicaid needs, reducing health-care costs, rebuilding our crumbling roads, bridges and schools, and ensuring that more families can stay in their homes," said Nick Shapiro, an Obama transition spokesman.

According to a Washington source who is in close contact with lawmakers, some in Congress also are beginning to entertain the idea of allowing unemployed people who have lost health benefits to sign up for Medicaid, with federal money paying the entire bill.

In the meantime, uncertainty over how much help may come, and when it might arrive, is prompting many states to make the biggest reductions to their Medicaid programs in years — and in some cases, ever.

Diane Rowland, executive director of the Kaiser Commission on Medicaid and the Uninsured, said the pressure on Medicaid programs is particularly acute because the economy has deteriorated so soon after a milder recession early in the decade. States already "have taken the cuts that were making the program more efficient ... Now they are making ... cuts into the core," she said.

Twenty states have cut Medicaid for the current fiscal year, according to a survey this month by Families USA, a liberal consumer health lobby. All but one, plus six others, are drafting deeper reductions for the coming year that they hope to avoid. Florida's Medicaid officials have just handed the governor and legislature a blueprint for a 10 percent reduction; it would eliminate coverage for 7,800 18- and 19-year-olds and 6,800 pregnant women.

Among the states with the gravest financial problems — and pressures on Medicaid — is California. In July, Medi-Cal, as the program there is known, slashed by 10 percent the rates it pays hospitals, nursing homes, speech pathologists and other providers of health care. It tried to lower payments to doctors and dentists, too, but they have sued to block the decreases.

Gov. Arnold Schwarzenegger has asked the state legislature to approve other cuts, including an end to dental care for adults, about 1 million of whom use it now, and a sharp reduction in care for recent immigrants.

At two hospitals run by NorthBay Healthcare, midway between San Francisco and Sacramento, about one patient in five is on Medi-Cal. The rate cuts translate into a \$4 million loss this year. In September, the health system closed a rehabilitation program for children that provided physical therapy, speech therapy and other help to about 300 young patients at a time — with 100 more usually on the waiting list.

"It was heart-wrenching to have to go out and announce," said Steve Huddleston, NorthBay's vice president of public affairs.

Rhode Island's approach has been the most far-reaching to date. This week, it announced an agreement with U.S. health officials that would, if the state legislature consents, change the entire financial basis of the program. The state would forfeit its Medicaid entitlement and accept a total of \$12 billion in federal money over the next five years. In exchange, Rhode Island would win uncommon freedom from federal rules, allowing it to enroll all its Medicaid patients in managed care, cover less treatment and expand care for elderly patients at home, instead of in more expensive nursing homes.

In South Carolina, Medicaid officials last week announced the third round of cuts since August. They are "real unpleasant stuff," said Jeff Stensland, spokesman for the Department of Health and Human Services. The program will stop paying for most dental care for adults, eliminate nutritional supplements, cut home-delivered meals from 14 a week to seven, curtail mental health counseling, stop building wheelchair ramps and pay for fewer breast and cervical cancer screenings.

Edna McClain, founder of Hospice Care of Tri-County in Columbia, S.C., helped coax South Carolina health officials to expand Medicaid to cover nursing care and other support for dying patients in the mid-1990s.

She was stunned this month when an e-mail arrived from the state's Department of Health and Human Services informing her that as of Jan. 1, Medicaid no longer would pay for new hospice patients. And after March 31, it would stop covering most people on Medicaid already in hospice care.

With a \$500,000 hole in her budget, she worries about how to care for low-income hospice patients, including a 47-year-old man whose weakened body is dangerously retaining fluid as he awaits a liver transplant.

The day after she received notice from the state, McClain composed a letter and fired it off to 107 state legislators. "They can at least hear from me," she said. But she knows, she said, her protest is too late to make a difference.