

Medicaid funds on chopping block

But even more Utahns in need of program as economy slows

By Lisa Rosetta - The Salt Lake Tribune - Article Launched: 09/24/2008 12:12:32 AM MDT

For Medicaid, it's a double whammy.

With the economy foundering and unemployment ticking up, about 8,300 more Utahns have turned to Medicaid for health insurance since August 2007.

The increased enrollment is happening - as it usually does - at the same time the state's revenues are down. The Utah Department of Health, which did not receive any money for new enrollees, is nearing a need for supplemental funding.

But now lawmakers are wrangling over how to wipe out a \$272.4 million budget deficit - and Medicaid, like most other state programs, is facing the crunch.

On Thursday, Medicaid director Michael Hales will present two budget scenarios

By the numbers

\$272.4 million: State budget deficit, which means Medicaid cuts likely

8,300: Number of Utahns added to Medicaid since August 2007

3%: This cut would reduce the Medicaid budget by \$10M in general funds

5%: This cut would reduce the Medicaid budget by \$16.8M in general funds

to lawmakers. One reflects a 3 percent cut, or \$10 million in general funds and \$25 million in matching federal funds.

The other goes deeper - 5 percent, or \$16.8 million in general funds and \$40 in matching federal funds.

Hales, who is waiting until then to detail the state's proposed cuts, said optional benefits such as eyeglasses, dental care and physical therapy were considered first. Reimbursement rates paid to health care providers were also scrutinized.

"It's of course a very difficult process because there are no easy answers," he said. "We have a fairly lean Medicaid program to begin with, so there's just not that much flexibility."

Anticipating a cut in benefits, Medicaid enrollees rallied earlier this week on the steps of the Wallace F. Bennett Federal Building to decry changes. Low-income advocates, meanwhile, met in an emergency meeting to devise a strategy to fight it.

"There is no denying that our state has some very difficult choices to make given the economic realities," said Lincoln Nehring, Medicaid policy director for the Utah Health Policy Project. "But as we make our choices about where we want to cut, we have to be very conscious about what the long-term ramifications are."

Cutting back Medicaid benefits, he said, could result in higher health costs over the long run if Utahns are unable to get preventive care and instead appear in emergency rooms with serious illnesses.

"We may be very shortsighted if we cut our Medicaid and CHIP programs, our safety net programs, too far. It will come back to bite us," Nehring said.

The state, he said, should instead consider strengthening its preferred drug list by requiring physicians to get a preauthorization from the health department before they prescribe off-list drugs to Medicaid patients - a move that could save \$1 million.

Yet another option, he said, is to create a bulk purchasing program for drugs, allowing the state's Medicaid program, prison system, and Public Employee Health Plan to jointly negotiate

deeper savings.

Utahns on Medicaid aren't the only ones worried about potential cuts.

Kim Wirthlin, the University of Utah's vice president for government relations, said a dip in provider reimbursement rates could have a ripple effect on University Health Care. It may be forced to renegotiate its contracts with private insurers to make up for the lost revenue, she said.

That means the cost of health care for commercially insured Utahns could go up.

"To the extent we're not able to cover that, it just comes out of our bottom line," she said.

With one-fourth of its patients on Medicaid, however, it's a move the U. may have to make, Wirthlin said.

Scaling back investments in new equipment and facilities, as well as programs at the School of Medicine, may also be considered. The U., which could lose clinical revenue through lower Medicaid reimbursements, may also lose higher education funds.

While the state only funds 5 percent of the School of Medicine's budget, "it's critical," Wirthlin said. "If they did a 5 percent cut, we're looking at losing \$1.2 million in the School of Medicine - and that goes directly to our medical education."

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