

State's Medicaid Cost-Cutting May Not Control Program Spending

October 28, 2011, 12:24 AM EDT

By Alex Wayne

Oct. 28 (Bloomberg) -- State efforts to cut Medicaid benefits and payments the health program makes to hospitals and doctors may not offset the loss of \$100 million in federal aid and added costs of treating patients in a flagging economy.

State Medicaid spending will rise 29 percent this year as governors confront an enrollment surge of unemployed people, according to an annual survey of Medicaid officials from the Kaiser Family Foundation in Menlo Park, California.

"Unemployment remains high with increasing numbers of poor and uninsured keeping pressure on state budgets and Medicaid programs to meet growing needs," said Diane Rowland, the foundation's executive vice president.

The loss of \$100 billion in U.S. funds authorized by the 2009 economic stimulus law is intensifying the squeeze, forcing states to raid budgets for transportation, corrections and other purposes to pay for Medicaid, said Matt Salo, executive director of the National Association of Medicaid Directors in Washington, in a telephone interview.

"In any given state, literally every dollar of new revenue that's coming in is all going to Medicaid," Salo said.

The foundation's estimate of a 29 percent increase in state spending is based on projections provided by state Medicaid officials. The survey released yesterday didn't ask how much states expect to spend in dollar figures.

Medicaid is a joint state-federal program. States and the U.S. government were expected to spend about \$442 billion combined on the health plan in 2011, according to the Centers for Medicare and Medicaid Services, with the federal government paying about 61 percent of the total.

Benefit Cuts

Under the 2010 health-care overhaul, which will expand Medicaid beginning in 2014, states are prohibited from cutting enrollment by reducing eligibility or making it harder for people to sign up. Governors have responded by cutting benefits and payments to providers instead.

California has eliminated 10 medically necessary benefits including dental care for adults and adult day-health centers, an alternative to nursing homes, said Anthony Wright, executive director of the Sacramento-based Health Access California, a statewide consumer advocacy group. This year's budget included \$709 million of provider cuts and new limits on visits to doctors and clinics.

“Though these reductions were difficult, they were necessary,” said Anthony Cava, a spokesman for the California Department of Health Care Services, which oversees the state Medicaid program, called Medi-Cal.

Weighing Options

Florida is awaiting U.S. approval to expand enrollment in managed-care plans in the state to control spending after Medicaid costs grew 42 percent in the five years to fiscal 2011. The state projects program spending will rise another 18 percent by 2015.

Arizona raised Medicaid beneficiaries' co-payments and froze enrollment in its program for childless adults and low-income children. The state is the only one Kaiser surveyed that expects see a decline in enrollment due to the cuts. Arizona anticipates 100,000 people will be dropped from its Medicaid rolls by July for a savings of \$190 million, said Monica Coury, a spokeswoman.

The enrollment freeze is being challenged in state court, since voters approved an expansion of Medicaid that has been essentially undone by the governor and Legislature. Arizona drew national attention in 2010 for eliminating coverage for some organ transplants. That coverage was restored earlier this year.

Freezing Payments

“We’ve never disputed that there was an impact from these cuts -- that is true in every state that is facing Medicaid pressure,” said Matthew Benson, a spokesman for Arizona Governor Jan Brewer, a Republican. “The bottom line is that we need to have a Medicaid program that we can afford.”

Forty-six states plan to freeze or reduce payments to hospitals or other health providers this year, Kaiser said. Thirteen states have eliminated at least one benefit in the last two years, such as dental care, and “almost all states have been making substantial changes in Medicaid pharmacy programs,” the group said, such as requiring state approval for prescriptions that aren’t on a “preferred drug list.”

“Many of the latest cuts will hit at the core of the Medicaid program,” Rowland said.

Most of the projected 29 percent increase in state spending “is really just to keep people on the program,” said Joy Johnson Wilson, health policy director for the National Conference of State Legislatures in Washington. “We knew it was a big hole, because the economy hasn’t improved that much -- not enough to get people into jobs and off of Medicaid.”

Fourteen states increased co-payments for Medicaid beneficiaries this year, and 24 expanded enrollment in managed-care plans run by companies including UnitedHealth Group Inc. and Centene Corp. About two-thirds of the nation’s 54 million Medicaid patients were enrolled in some kind of managed care plan in October 2010, the foundation said.

--With assistance from Christopher Palmeri in Los Angeles, Amanda J. Crawford in Phoenix and Simone Baribeau in Miami. Editors: Adriel Bettelheim, Andrew Pollack

To contact the reporter on this story: Alex Wayne in Washington at awayne3@bloomberg.net

To contact the editor responsible for this story: Adriel Bettelheim at abettelheim@bloomberg.net