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## Governor Nixon Proposes to Save Medicaid Money Without Cutting Eligibility or Services

*Ruth Ehresman, Director of Budget Policy*

The Governor announced his state budget proposal for Fiscal Year 2013 on January 17<sup>th</sup>. Although state general revenue is expected to grow by 3.9 percent in FY 2013 compared to the current year, the loss of federal stabilization dollars will result in lower revenue for state services compared to the previous year. As a result, the Governor's budget proposes to make up more than \$500 million through a combination of spending reductions and new tax collections mechanisms such as a tax amnesty program.<sup>1</sup>

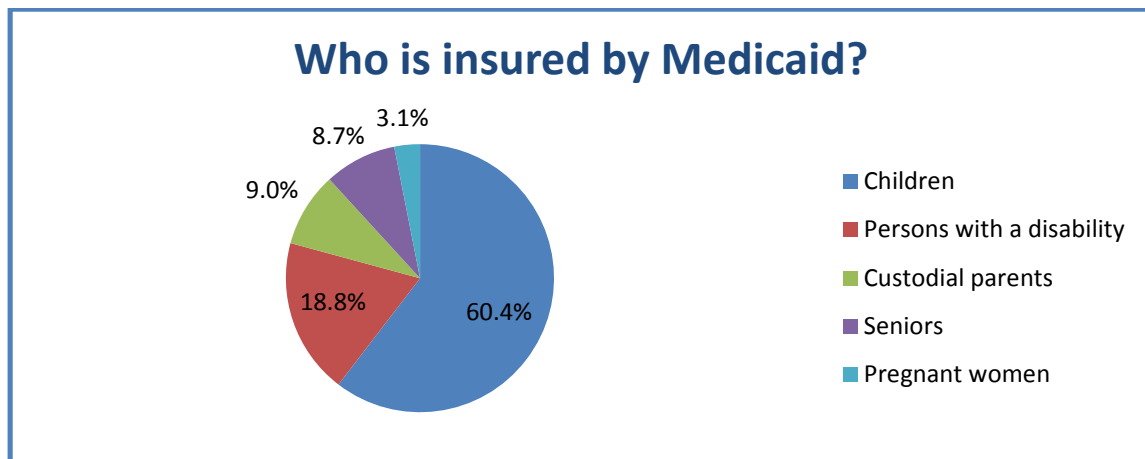
Specifically, the Governor proposed significant reductions to funding for Higher Education and Medicaid, including:<sup>2</sup>

- \$89 million reduction in state aid to 4-year colleges and universities;<sup>3</sup>
- \$16.9 million reduction to community and technical colleges; and
- \$191.7 million in Medicaid "efficiencies."

The following summarizes the impact of the proposed changes to Medicaid.

### Scope of the Medicaid (MO HealthNet) program

As of December 2011, Medicaid provided insurance to 893,535 Missourians. The graph below gives a clear picture of who is insured by Medicaid. More than six of ten Missourians insured by Medicaid are children.<sup>4</sup> Seniors and individuals with a disability account for slightly more than one-quarter of those insured by Medicaid, but account for the bulk of costs because of their higher-cost healthcare needs.



<sup>1</sup> See page 1 of: <http://oa.mo.gov/bp/pdf/files/2013presspacket.pdf>

<sup>2</sup> Ibid.

<sup>3</sup> Since the Governor's original budget proposal, Governor Nixon has recommended using \$40 million of a multi-state mortgage settlement to offset proposed cuts to higher education.

<sup>4</sup> MO HealthNet Division presentation by Marga Hoelscher to the MO HealthNet Oversight Committee, January 31, 2012

## Governor's Medicaid Budget Proposes Cost-savings Without Cutting Services

While the details of the Governor's proposed budget are not known, some additional detail was presented at the MO HealthNet Oversight Committee meeting on January 31, 2012. The following is a summary of several presentations made at the meeting.

The Governor's proposed budget does not assume caseload growth for Medicaid. In 2012 Medicaid was budgeted to serve 894,713 individuals, and as of December 2011 was insuring slightly fewer than that. The number of children insured by Medicaid showed an increase of less than one percent since June 2010, and the number of individuals with a disability increased by 1.5 percent. The number of custodial parents and pregnant women decreased slightly, and the number of seniors insured by Medicaid held steady.<sup>5</sup>

The Governor proposed to find Medicaid savings in the following ways:

- Reflect efficiencies in new managed care contracts; \$37 million
- Expand use of generic drugs, particularly in the use of eight newly available psychotropic drugs; \$29.5 million
- Increase pharmacy rebates for hospital medications; \$51.5 million
- Decreased Medicare Part B premiums; \$14.1 million. The state pays for the Medicare Part B premium for some low income individuals. The Part B premiums have decreased this year.
- Maximizing hospital FRA (Provider taxes); \$30.0 million. The federal government caps the amount of provider taxes a state may impose. The cap was increased to 6 percent from 5.5 percent
- Enhance care coordination: \$4.6 million. This is part of the health care home initiative to better coordinate the care of individuals with complex medical needs and reducing unnecessary use of the emergency room and hospitalizations
- Save through a public/private partnership in nursing facilities; \$10.9 million. It is expected that this will only affect the payment for services, and will not affect residents. The federal government needs to approve this initiative before it is implemented
- Increase federal funds for home and community based services as part of the "Balancing Incentives" federal program that encourages use of home and community based services; \$11.6 million. If the state meets the requirements of the Balancing Incentives program, additional federal money will be available to fund these services through a 2 percent enhanced federal match rate

Often, proposed "new decision" items are considered first when looking at ways to save money. Some of the new Medicaid decision items in the Governor's budget include increasing reimbursement rates for hospice services (\$200,000 General Revenue), the PACE program (\$1.6 million General Revenue), and MO HealthNet Division technology infrastructure (\$600,000 General Revenue).

The largest new Medicaid decision item compensates for the adjustment of the federal matching rate (FMAP) for Medicaid. Medicaid is funded through a mix of federal and state funding. Last year the federal government matched state funding so that every dollar spent on Medicaid was comprised of 63 cents of federal money and 37 cents of state money. The FMAP is adjusted yearly and now 61 cents of every Medicaid dollar are federal funds. The total cost of the FMAP decrease to the state is \$68.1 million. Of that, the Governor proposes that \$28.9 million come from General Revenue.<sup>6</sup>

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<sup>5</sup> MO HealthNet presentation to the MO HealthNet Oversight Committee by Emily Rowe, January 31, 2012

<sup>6</sup> Ibid 4 for all information regarding Medicaid savings and new decision items.