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## **The Governor's Budget Proposal: Where Does the \$67 Million in Medicaid Savings Come From?**

Many Missourians want to know how the Governor plans to trim \$67 million from Medicaid in FY2012 without making cuts in eligibility. Here's the scoop.

According to materials distributed to members of the General Assembly by the Department of Social Services, the number of Missourians who receive health care through Medicaid (MO HealthNet) has consistently trended upward since June 2007. In June 2010, 923,000 Missourians were insured by Medicaid, an increase of 10.9 percent since June 2007. The increase is due to both an aging population and the deep economic recession that resulted in the loss of jobs and employer-sponsored health insurance. The populations with largest growth were individuals with a disability and children.

While there is a popular public perception that Medicaid growth is out of control, numbers indicate otherwise. From FY2009 through FY2011 (our current fiscal year), costs have grown by 10 percent. This growth is lower than the growth in costs of most Missourians' private health insurance. And while overall costs have grown by 10 percent, the amount of general revenue spent on Medicaid has remained essentially flat. Medicaid is financed by a mix of state money that is matched by federal funds. The federal government has provided an "enhanced" (higher) match to states over the past few years, realizing that states have to have balanced budgets and that cutting health care is generally bad for both individuals and the state economy.

The costs of Medicaid are not distributed equally among all populations. While 73 percent of those enrolled in Medicaid are children, pregnant woman and very low income parents, they account for only about one third of total costs. Seniors and individuals with a disability make up 27 percent of those enrolled, but account for two-thirds of the total cost.

The Governor's plan proposes to achieve savings by focusing on these high need populations and providing case management to drive down costs. An estimated \$1.1 million will be saved by managing care for individuals with a mental illness, and \$8.8 million will be saved by adopting a medical home model for individuals with multiple chronic conditions. The federal government is offering a higher-than-usual match (90 cents of federal money for every 10 cents of state money) for states that adopt medical home models.

Additional federal funds are also available to states that increase the proportion of long-term care dollars that support home and community-based care. The Governor proposes to take advantage of this opportunity, thereby saving \$17 million.

By consolidating audit functions and better identifying inaccurate and improper Medicaid billing, an estimated \$5.7 million will be saved.

Changes in provider payments are also expected to achieve savings, including: \$4.5 million by a 2 percent reimbursement rate reduction for in-home care providers; \$20 million by changing the payment design of some outpatient hospital services and a potential temporary reduction of inpatient per diem rates; and \$1.8 million by lowering managed care rates for plans that include administrative costs that are not for the benefit of the patient.

Finally, the Governor proposed saving \$8.8 million by using provider taxes rather than general revenue to draw down the federal match at University Hospital.

The ball is now in the General Assembly's court. They, along with the Governor, face short and long term challenges in assuring that Medicaid efficiently delivers quality care. Missouri's low reimbursement rates sometimes discourage providers from participating in Medicaid. Enhanced federal matching funds will not last forever. The number of Missourians insured by Medicaid is expected to continue. One thing is certain: the stakes are high. We can't afford to get it wrong for 923,000 Missourians.