



**The Hilltop Institute**

*analysis to advance the health of vulnerable populations*

# Focus on Reform: Medicaid Coverage Expansions

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National Health Policy Forum

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# State Perspectives: The Good News

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- Major infusion of federal money
  - Prevent even deeper cuts
  - May provide windfall if it offsets existing state-only programs
- Important new options for LTC (incl. CLASS Act)
- New grants (health IT, wellness, public health, etc.)
- New demonstrations (dual eligibles, payment reform, medical home, accountable care orgs., etc.)

# State Perspectives: Short-Term Challenges (now to 2014)

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- Ongoing state budget challenges are real, pervasive, deep
  - FY 10 budget gaps – \$89.8 billion in closed budget gaps; \$18.9 billion in remaining gaps
  - FY 11 budget gaps – \$55.4 billion
  - FY 12 budget gaps – \$61.8 billion (many states have not yet estimated for FY 2012)
    - Source: NGA/NASBO State Fiscal Update, February 2010

# State Perspectives: Short-Term Challenges (now to 2014) continued

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- Budget challenges
  - States operating with furloughs, pay freezes, hiring freezes
  - Due to Medicaid and CHIP MOE, cuts will continue to be made disproportionately to provider rates and benefits
  - Difficulty finding \$\$ for unfunded mandates in law (e.g., building new eligibility systems; MOE)
  - Medicaid enrollment growth continues

# ARRA's MOE resulted in provider rate cuts that will likely continue.

**Number of States Reducing Medicaid Provider Rates, by year**

Provider Type	FY 2007	FY 2008	FY 2009	FY 2010
Inpatient hospital	17	16	27	33
Physician	0	1	8	13
MCO	0	1	5	5
Nursing home	6	5	14	26
Any of these	26	21	33	39

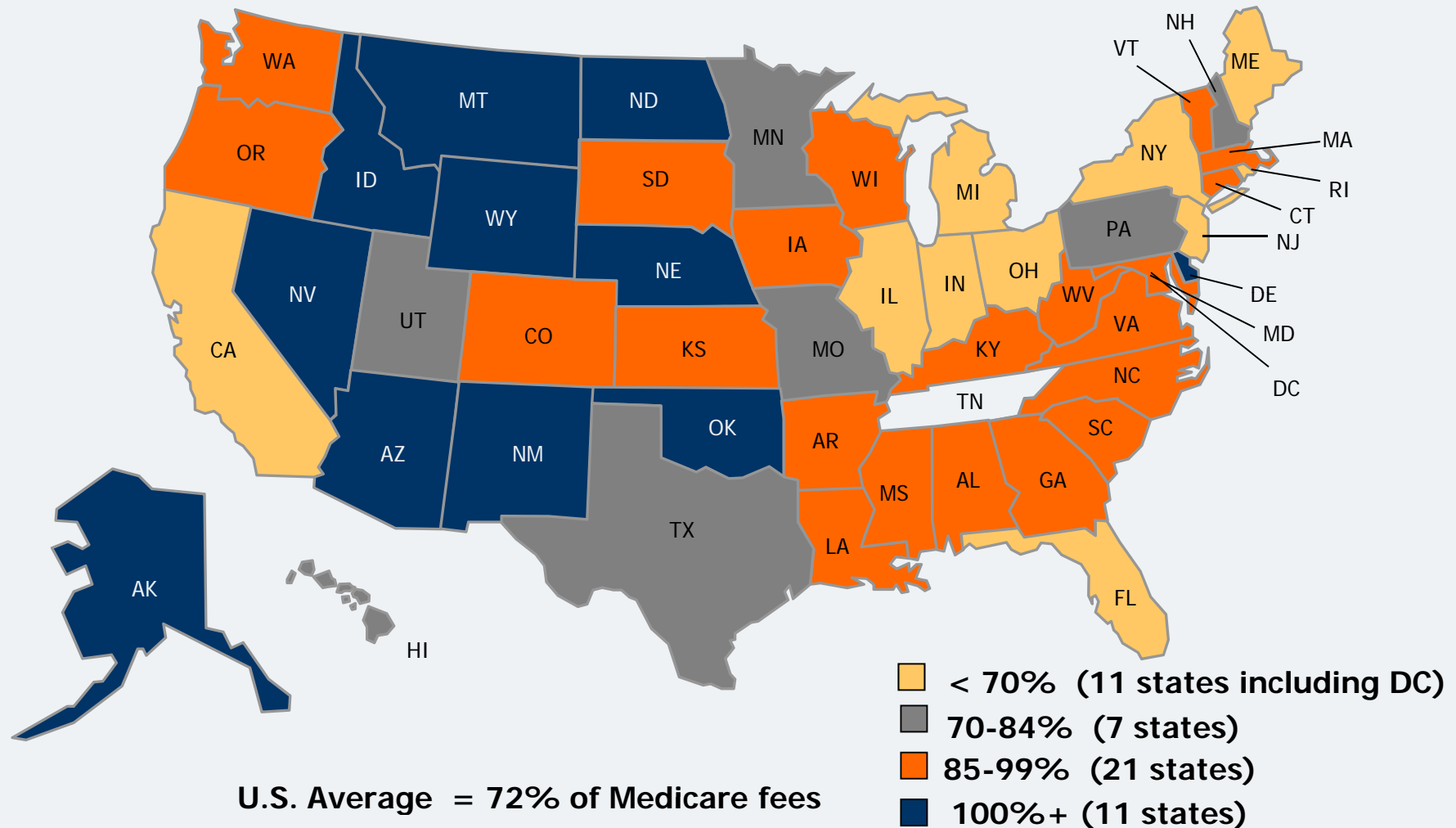
Source: Survey of states conducted by Health Management Associated for the Kaiser Commission on Medicaid and the Uninsured

# State Perspectives: Long-Term Challenges (2014 and beyond)

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- Building a sufficient provider network
  - Likely need to raise provider rates, especially for specialists and institutions
  - Sunset of federally funded Medicaid primary care fee increase
- Enrollment growth in existing eligibility categories, which is not subject to 100% FFP
  - Perhaps peak will arrive before 2014 . . .

# Medicaid provider fees, as a % of Medicare, average 72% *Across All Services*



NOTE: Tennessee does not have a fee-for-service component in its Medicaid program  
SOURCE: S. Zuckerman, AF Williams, and KE Stockley, "Trends in Medicaid Physician Fees, 2003-2008," *Health Affairs*, 28 April 2009.

# State Perspectives: Long-Term Challenges (2014 and beyond) continued

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- Enrollment growth will require increase in state administrative infrastructure
  - Eligibility caseworkers and staff needed
  - Expansion of all internal infrastructure (provider enrollment, program administration, fair hearings, call centers, etc.)
  - Amendments to various existing contracts (managed care organizations, actuaries, U/R agents, etc.)
- States eventually will share portion of expansion population cost



# State Perspectives: Concluding Thoughts

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- Tremendous state variability
- Great opportunity to work within a *system* of coverage, unlike Medicaid's oft-siloed world
- Great opportunity to focus on quality, performance, and access
- Fiscal challenges should not be underestimated

# Contact Information

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