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Idaho Health, Welfare faces shortfall

Officials say agency faces \$210 million gap between cost of programs, revenue

BOISE - Idaho Department of Health and Welfare officials say they're facing a \$210 million shortfall between the expected cost of various Medicaid programs and the available revenue in fiscal 2010.

They're recommending several changes to plug the gap, including reducing certain benefits and freezing or cutting payments to hospitals and other Medicaid service providers.

All of these options combined, however, would only cover about half the shortfall. Officials hope the remainder of the money will come from a proposed increase in federal matching dollars, essentially another aspect of the multi-billion dollar stimulus package that Congress will be addressing shortly. If that money doesn't materialize, officials warned, deeper cuts will be required.

Health and Welfare's total proposed budget for 2010 is \$1.85 billion. Medicaid programs account for three-quarters of that amount, or \$1.4 billion; that includes \$385 million in general fund revenue and \$902 million in federal payments. Leslie Clement, administrator of the department's Medicaid Division, said the division's 2010 budget reflects the 4 percent holdback from fiscal 2009, plus an additional 2 percent. Specific proposals to handle the reduction include:

- Requiring hospitals to pay the required match for certain federal funds, rather than the state;
- Reviewing short-term hospital stays and diagnostic imaging requests more critically to determine if they are really warranted or effective;
- Reducing the number of treatment hours available to mentally ill and developmentally disabled individuals;
- Implementing a cost-sharing program for the Katie Beckett program, which enables severely disabled children to receive care at home. Middle- and upper-income families would be required to pay a portion of the cost;
- Contracting with a "transportation broker" to schedule and coordinate non-emergency transportation services for Medicaid recipients on a statewide basis, with the intent of improving efficiencies;
- Cutting payments to nursing homes, switching from flat-rate to fee-for-service payments to developmentally disabled service providers, and freezing reimbursements for medical and dental services at 2009 rates.

Hospitals, nursing homes and physicians/dentists would bear about 70 percent of the cost of these proposed reductions, Clement said. That assumes, however, Congress will increase the federal Medicaid match by about 4 percent. If that money doesn't come through, more stringent measures would need to be considered, such as reducing or eliminating eligibility for some programs.

"Idaho already has the third-most restrictive Medicaid eligibility in the country," she said, so the department hopes to avoid raising that bar any higher. Most of these budget proposals would require statutory changes before they could be implemented, Clement said. Many would require federal approval as well. That means it might be six months or more before some take effect, assuming the Legislature approves them. During presentations

Tuesday to the joint budget committee and the House Health and Welfare Committee, lawmakers quizzed Clement about various aspects of the plan.

Rep. John Rusche, D-Lewiston, asked if there's an opportunity to pursue additional federal matching dollars. For example, hospitals currently tax themselves to raise their share of certain matching funds, but nursing homes and physician groups have avoided doing so. If they went that route, they might be able to recoup some of the revenue they're losing.

Clement said that's been suggested in the past, but neither group was interested. However, she thought nursing homes might be receptive to the idea this session. "I think you'll probably have a proposal come before you this year," she said.

Rep. Branden Durst, D-Boise, asked if some of these cuts might result in higher costs down the road, such as greater institutionalization of the mentally ill. "When we cut \$210 million, I'm concerned that we'll be saving money today but spending more tomorrow," he said.

Clement said some critics predict that will be the case. However, she felt the cuts would avoid such an outcome. Moreover, for people whose benefits are being reduced, the department has agreed to track future impacts, to see if any unintended consequences emerge.

The House Health and Welfare Committee will take public testimony about the proposed 2010 Medicaid cuts during a hearing on Monday.