

Lewiston Tribune, Friday, Dec. 12, 2008 – by William Spence (2 pages)

Idaho eyes sharp cuts in Medicaid

Payments to hospitals, doctors and other service providers will drop by \$35 million

Medicaid payments to Idaho hospitals, doctors and service providers will be chopped by more than \$35 million this year, in response to recently announced state budget cuts.

These providers will bear the brunt of the impacts associated with the 4 percent general fund holdback ordered by Gov. C.L. (Butch) Otter on Dec. 1.

In its revised fiscal 2009 budget released this week, the Idaho Department of Health and Welfare indicated it will lose \$52 million as a result of the holdback - about five times more than any other state agency - including \$21.8 million in state revenue and another \$30.3 million in matching federal dollars.

Almost 90 percent of that amount will be passed on to various service providers in the form of reduced or eliminated payments.

Health and Welfare spokesman Tom Shanahan said the department manages a wide variety of health and safety programs for Idaho residents, ranging from disease prevention to food stamps to child protection and adoption services. It's organized into five divisions, of which the Medicaid division is the largest.

"Medicaid accounts for 74 percent of our total budget," Shanahan said. "We can't make the 4-percent reduction without cutting Medicaid."

Overall, the department is taking a number of steps to achieve the 4-percent holdback. For example, it's eliminating certain capital expenditures, it's cutting hours for some temporary workers, and it's waiting to fill open positions or eliminating them altogether. All department employees are also being asked to take three days off without pay sometime over the next four months. Department managers, including the agency director, are being asked to take four days off.

However, all of those steps together will only save about \$6.3 million, according to the revised budget. Payments for services account for 80 percent of the department's total expenditures; consequently, the bulk of the budget cuts will come in that area: Of the \$52 million in holdbacks, \$45.7 million will come from reduced reimbursements. Cuts in Medicaid reimbursements alone account for \$35.2 million of that amount.

"Our goal was not to reduce any Medicaid eligibility or eliminate any programs, so we had to reduce hours of service or reduce the reimbursements," Shanahan said.

When Medicaid patients visit a doctor or get treatment of some sort, the service provider bills the state. The reimbursement rate is typically limited by state or federal law, Shanahan said. In many cases, Idaho already provides a lower reimbursement than what would be allowed. Now it will pay even less.

In other cases, the state will reduce benefits - for example, it's cutting the hours of therapy available to developmentally disabled patients by 27 percent. Some payments are being eliminated altogether, as is the case with non-emergency transports. People on the Medicaid Basic Plan will now have to provide their own transportation to doctors and other service appointments.

Shanahan said the federal government has a program that allows hospitals and doctors to recoup at least a portion of these reimbursement cuts, meaning the net financial impact on service providers isn't entirely clear. There will be some impact, though.

"Our rate reduction isn't going to mean a dollar-for-dollar loss to them," he said. "But they're still going to take a hit."

The revised budget indicated that some service providers may choose to go out of business rather than continue to operate at the lower reimbursement rate. Shanahan indicated these reimbursement cuts will carry over into the 2010 fiscal year.

Otter ordered the 4-percent holdback in response to sharply declining state revenue projections. The holdback will save about \$130 million; he also asked agencies to put another \$54 million on reserve, in case additional cuts are needed before the fiscal year ends on June 30. Revenue estimates for fiscal 2010 are even worse.

Public education was the only part of the overall general fund budget unaffected by the holdback. Otter agreed to use \$60 million in savings to offset the impacts on K-12 schools, in part because they already had teacher contracts in place for this school year. It's unclear whether schools will remain untouched in the 2010 budget.