

Background Briefing on 2004 Supplemental Budget

*Proposals for Low-Income
Medical Assistance*



Senate Ways & Means Staff - January 28, 2004

Briefing Will Cover 5 Main Topics

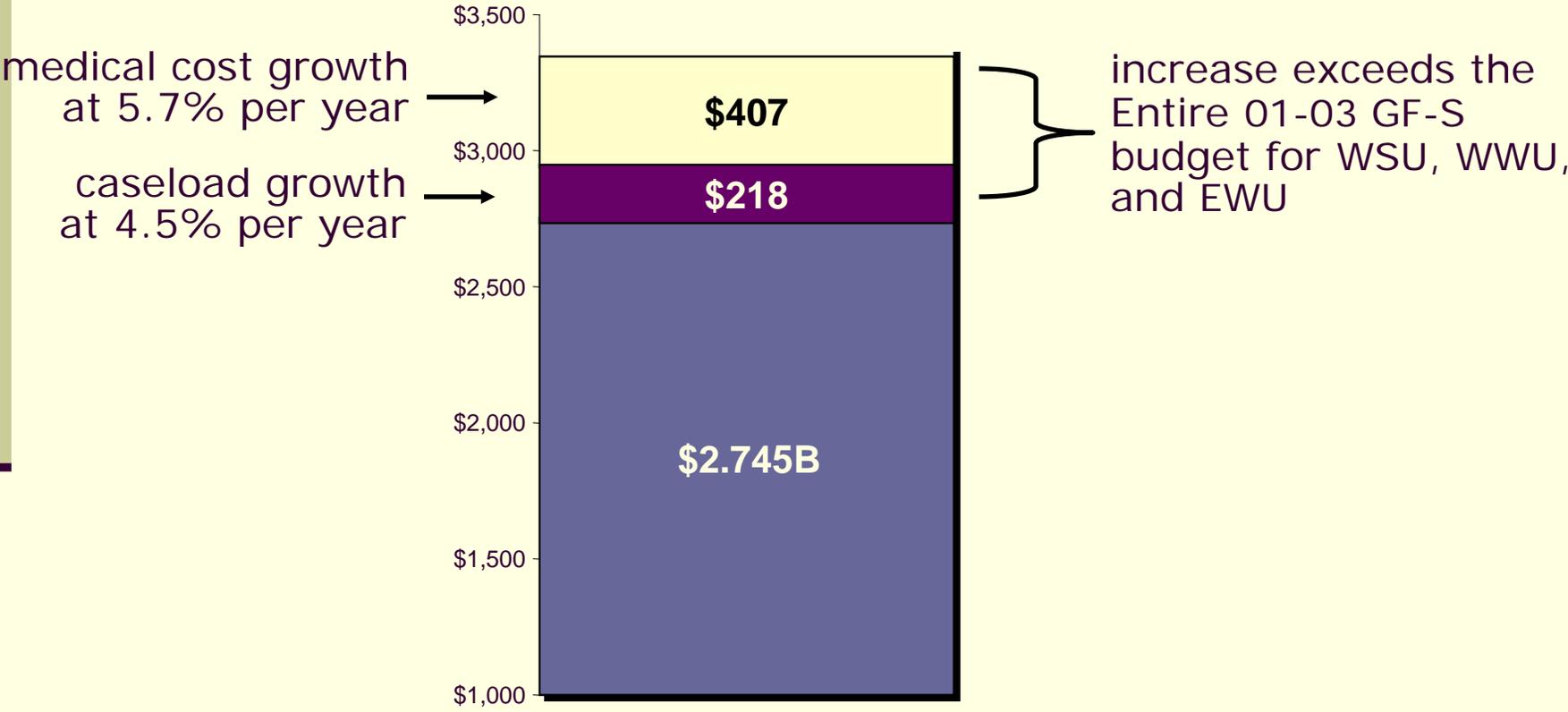
- Major medical assistance budget challenges last session.
- How they were addressed.
- Changes in the medical cost and revenue situation since last year.
- Overview of Governor's supplemental proposal.
- Outlook for next biennium.

Last Session, the Legislature and Governor Confronted Two Major Challenges with Regard to Funding Medical Programs for Low-Income People.

- State spending on DSHS Medical Assistance was projected to grow by \$625 million -- 24%
- The Health Services Account was headed for a deficit totaling more than \$500 million.

Continuing 2001-03 Medical Assistance Service and Eligibility Policies Was Projected to Require A \$625 Million Increase in State* Funding in 2003-05.

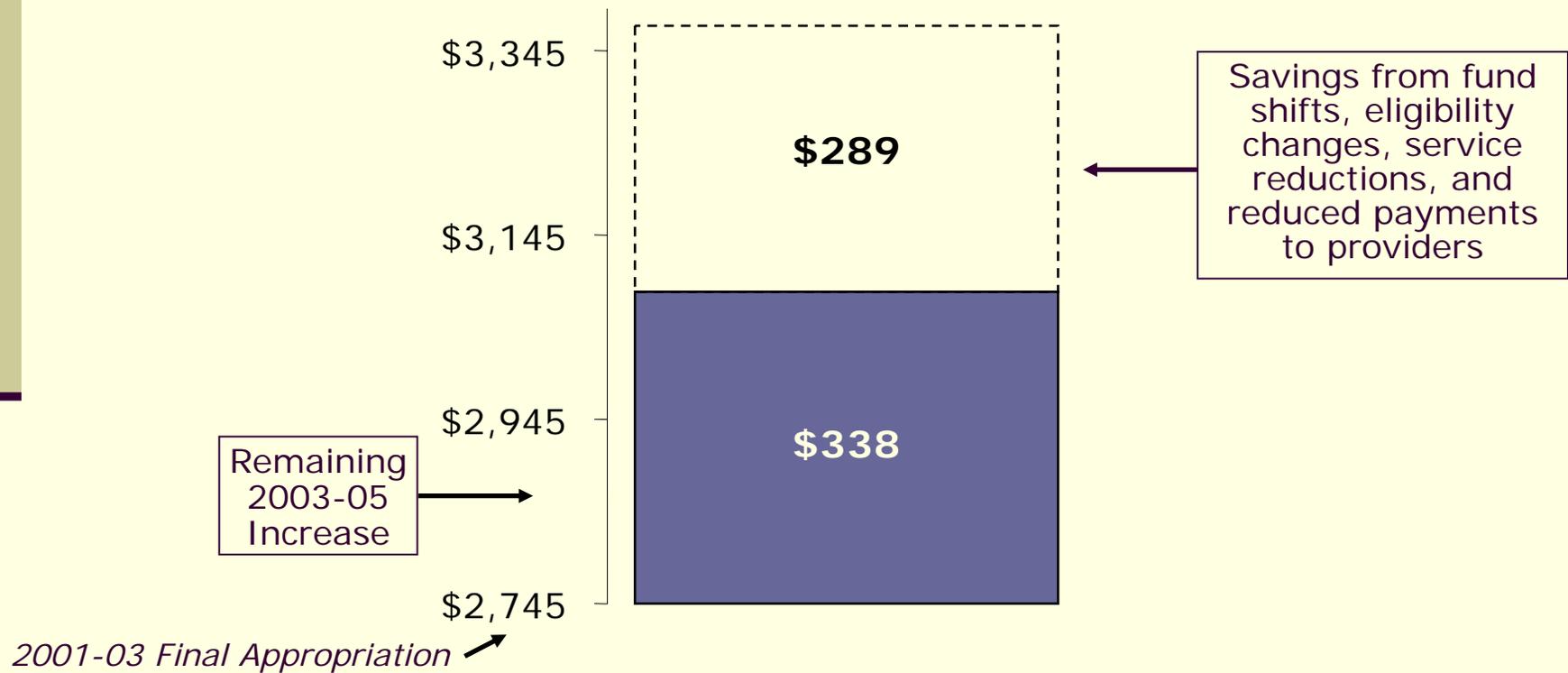
“Maintenance Level” Increase Due To:



*GF-S and Health Services Account funding, in millions, excluding pro-share transactions.

The \$625 Million Projected Increase in State Spending on DSHS Medical Assistance Was Reduced to a \$338 Million (12%) Increase in the Budget Enacted Last June.

State* Funding for Medical Assistance
(in millions)

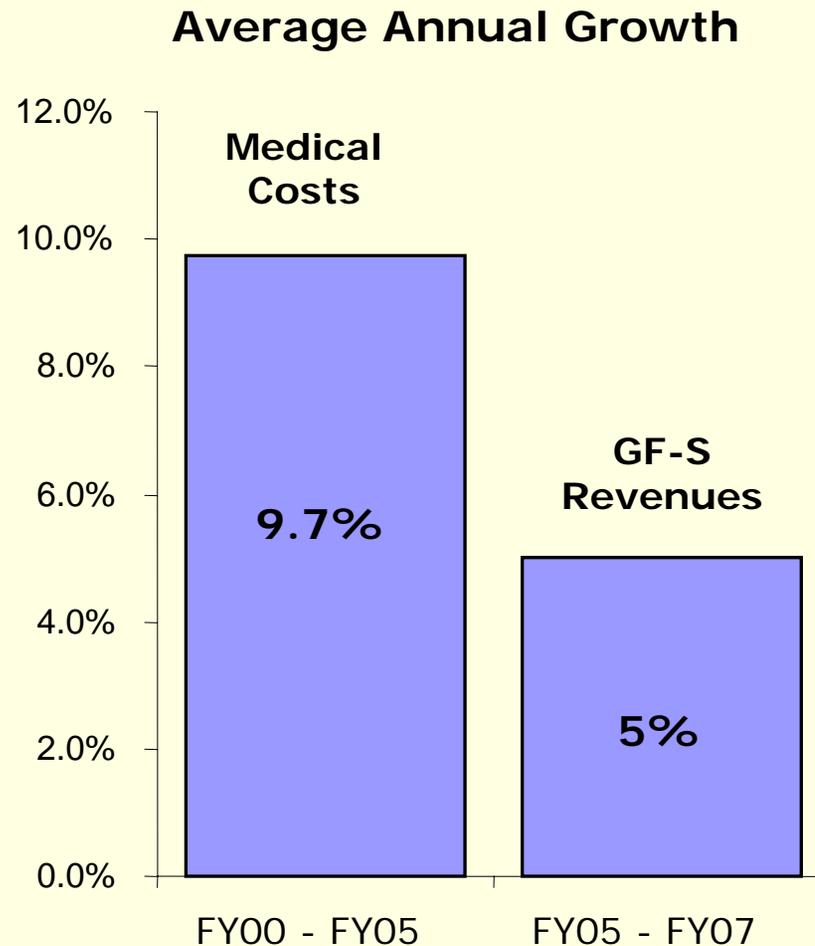


*GF-S and Health Services Account funding, in millions, excluding pro-share transactions.

The 2003-05 Budget Directed That a Number of Steps Be Taken to Limit the Growth in State Medical Assistance Expenditures.

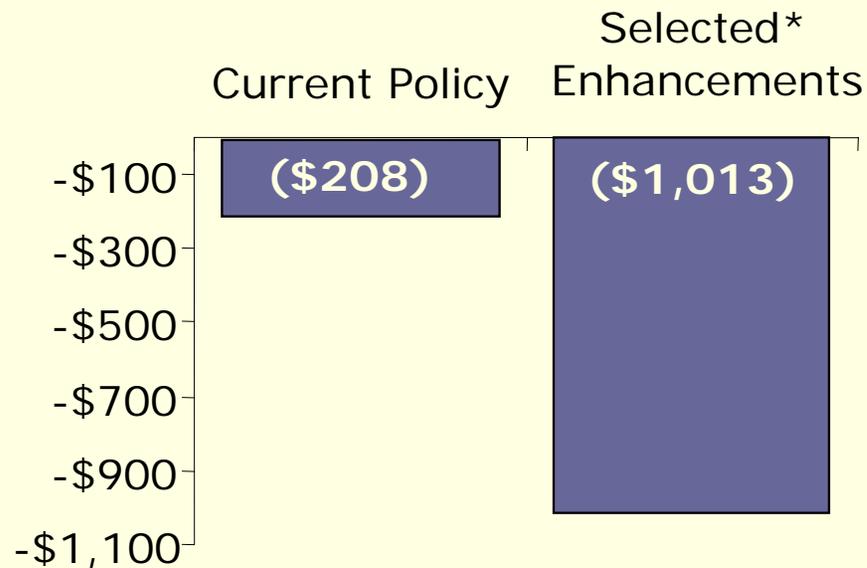
	Budgeted 03-05 State-Fund Savings In Millions of GF-S & HSA Dollars	
REDUCTIONS IN PROVIDER PAYMENT LEVELS		
Replace Medically Indigent Program with Lidded Hospital Grants	(\$76)	GFS
Limit Managed Care Rate Increases to 1.5%, and 5.0%	(\$51)	GFS & HSA
MAXIMIZE FEDERAL FUNDING		
Use Federal Children's Health Insurance Program (SCHIP) Funds for Immigrant Pre-Natal Care	(\$38)	GFS
INCREASE ENROLLEE COST-SHARING		
Charge Premiums of \$15-\$20-\$25 for Coverage of Children with Family Incomes of 150-200-250% of Poverty	(\$33)	HSA
Impose \$2-\$3 Co-Pays for Medical equipment and supplies, and Optical Services	(\$1)	GFS
CHANGE THE WAY SERVICES ARE DELIVERED		
Establish a Statewide Preferred Drug List	(\$24)	GFS
Reduce Adult Dental Services by 25%	(\$12)	GFS
Improve Integration of Medical and Long-Term Care	(\$6)	
Reduce Medical Equipment Costs by 5%	(\$2)	GFS
REDUCE THE NUMBER OF PEOPLE COVERED		
Shorten Eligibility Periods, and Increase Eligibility Verification Procedures	(\$24)	GFS & HSA
Limit Growth in Long-Term Care Caseloads	(\$4)	GFS

Despite Reductions and Cost Control Efforts, State Medical Assistance Costs Are Likely to Grow Substantially Faster than State Revenues Next Biennium . . .



... and to Contribute Significantly to the GF-S Expenditure vs. Revenue Deficit Projected for Next Biennium.

Projected 05-07 GF-S Expenditures
in Excess of Revenues
(In Millions)



*Enhancements assume extension of high-tech tax credits, homecare worker collective bargaining agreement, increased higher ed enrollments, cost-of-living increases for state employees and vendors, and maintaining current employer percentage of employee health benefit costs.

Last Year, the Health Services Account Was Headed for a Deficit That Would Total \$550 Million Over 4 Years.

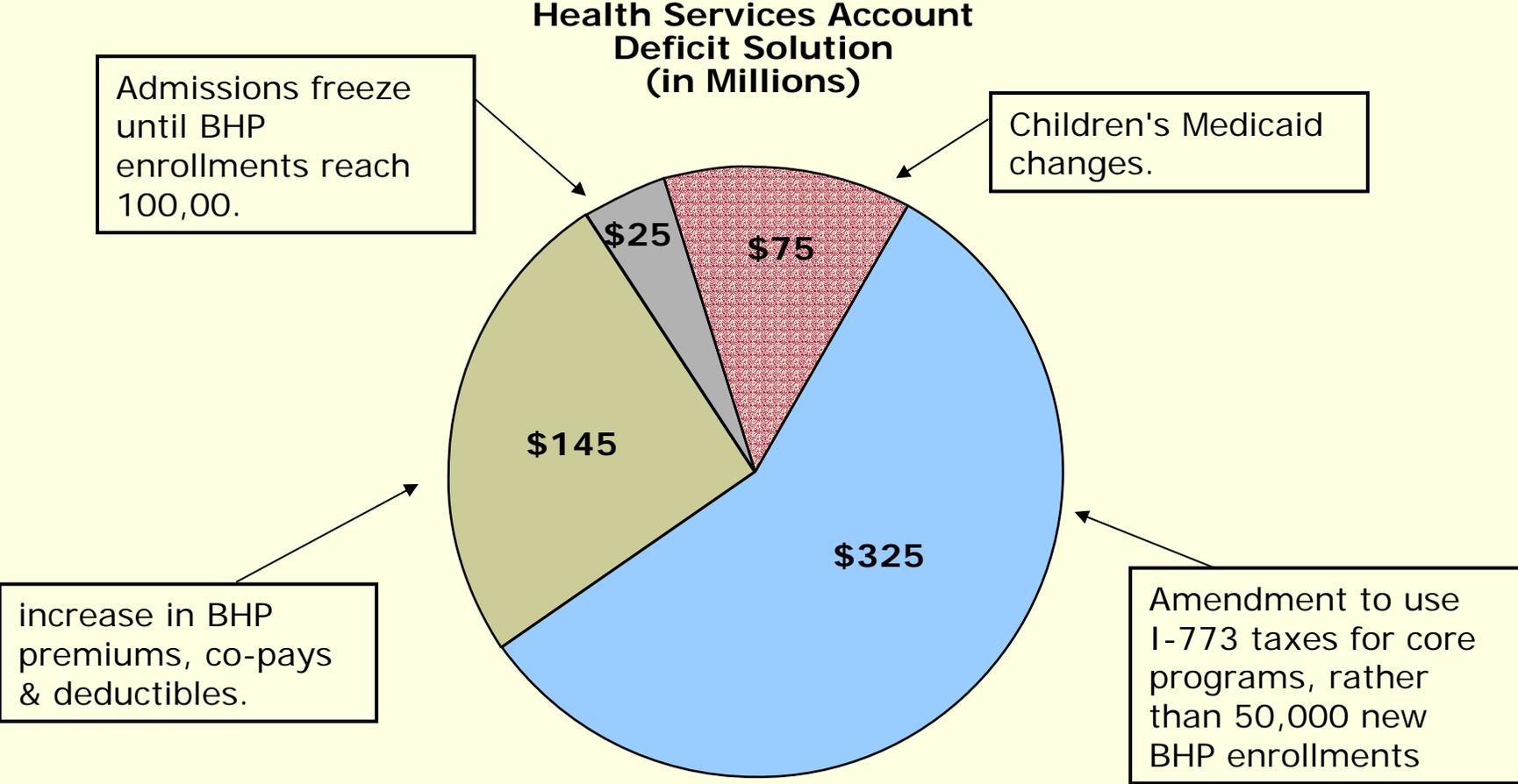
- Spending on "core" programs was projected to total \$2.4 billion during 2001-05.

core programs include BHP for 125,000; children's Medicaid; public health

- Revenues from all sources were projected to total \$1.8 billion.

revenue sources include tobacco settlement; "pro-share"; taxes on tobacco, alcohol, hospitals, and insurance premiums

The \$550 Million Health Services Account deficit was closed through a combination of revenue diversions, enrollment reductions, and benefit changes.



The Health Services Account Is Benefiting from Several One-Time Revenue Changes that Weren't Anticipated Last Year.

	<u>Dollars in Millions</u>	
	03-05	05-07
Interest on 01-03 I-773 Taxes	\$24	\$0
Delay in Tobacco Securitization	\$21	\$0
Increased Federal DiSH ¹ Grant	\$30	\$30
Reduced "Pro-Share" Revenue	(\$38)	(\$51)
Federal SCHIP ² Allowance	\$23	\$0
Totals	\$60	(\$21)

¹ "DiSH" = disproportionate share hospital payment.

² "SCHIP" = State Children's Health Insurance Program.

The Governor Proposes Using the Unanticipated Health Services Account Revenues for a Number of New Initiatives.

	<u>Dollars in Millions</u>	
	03-05	05-07
Medical Malpractice Fund	\$10	\$0
Rate Increase for Medicaid Births	\$10	\$21
Reduce Children's Medical Premiums	\$24	\$26
Rural School Nurses	\$1	\$2
Rural Health Profession Scholarships	\$2	\$4
Telemedicine Network	\$0.4	\$0
Retired Physicians Assistance	\$0.3	\$0.6
Totals	\$48	\$53

The Health Services Account Is Likely to Face a Substantial Deficit Again Next Biennium.

