



Washington's State-Funded Medical Programs for Low-Income People

**Staff Overview Briefing
for the
Senate Ways & Means Committee
January 24, 2011**





State Medical Programs that are the Focus of Today's Work Session

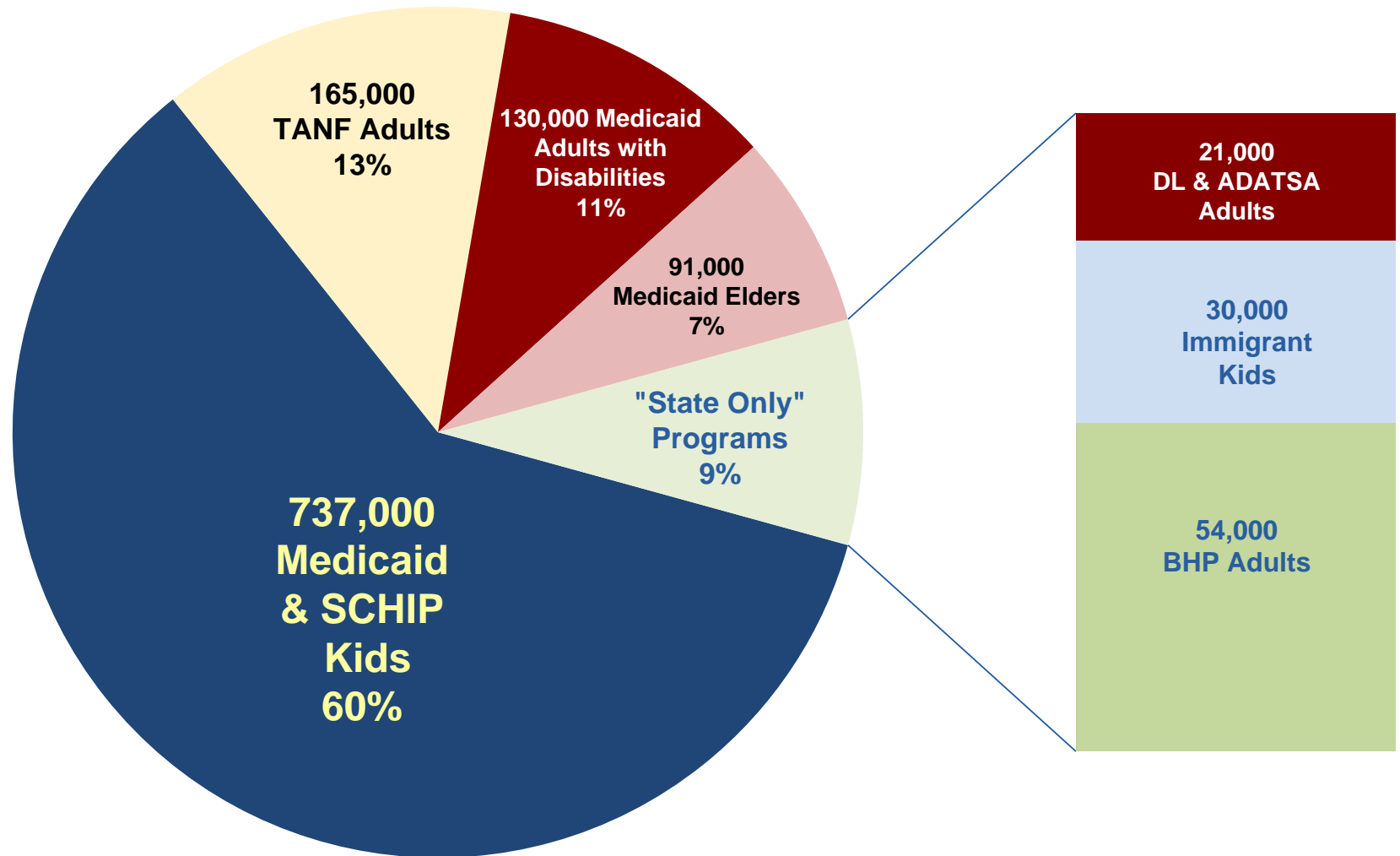
■ Medicaid Primary & Acute Care

- 55% of Medicaid program that pays for hospitals, clinics, doctors, dentists, drugs, etc.
- not the 45% that pays for DD, Mental Health, & Long-Term Care

■ State Medical Programs

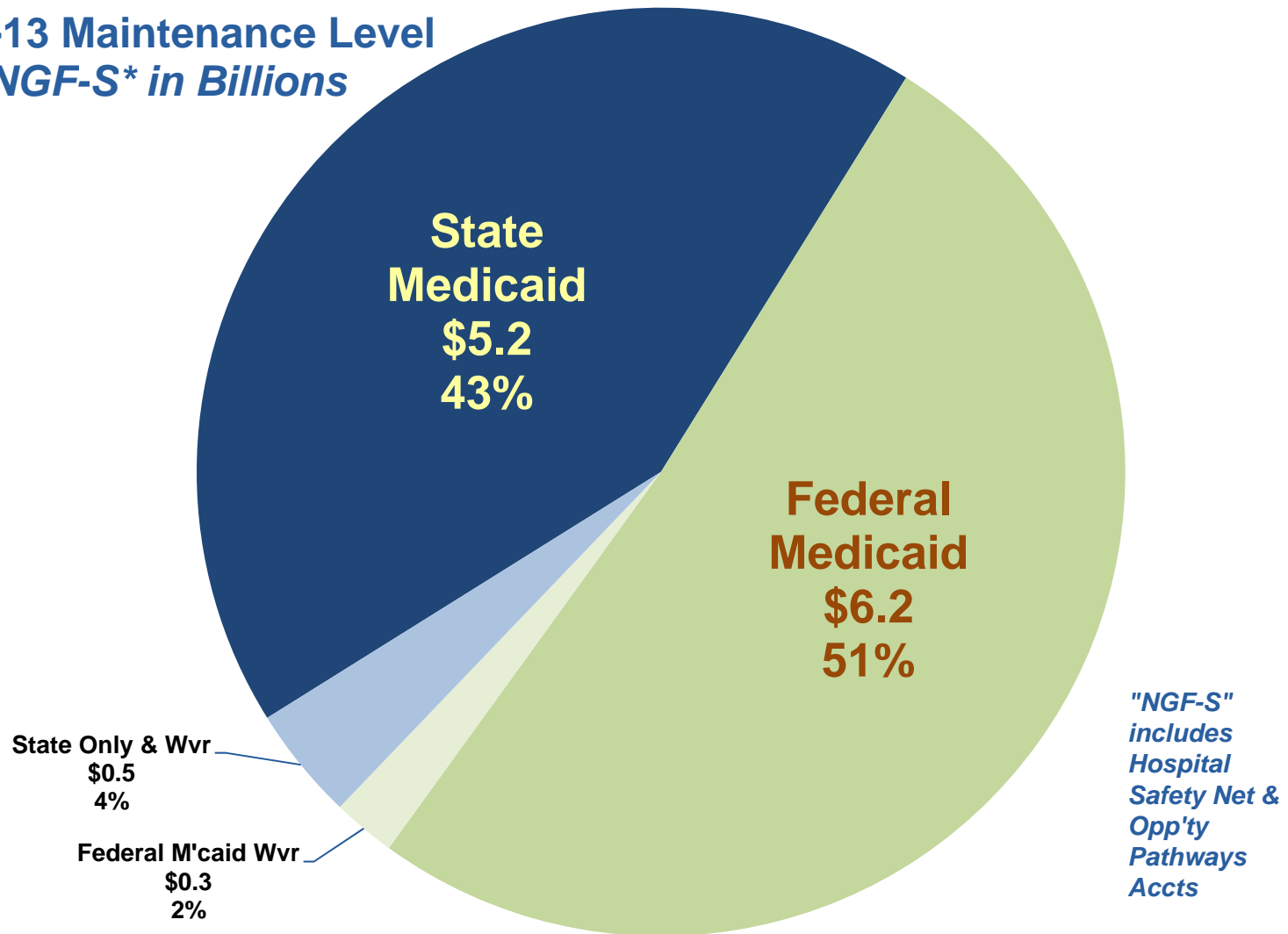
- Basic Health Plan (BHP)
- Disability Lifeline (DL and ADATSA)
- Immigrant Children's Health (CHP)
- Immigrant Kidney Dialysis & Cancer Treatment
- not public employee medical benefits

Washington will pay all or part of the cost of medical & dental care for an average of 1.2 million low-income people/month this year.



Continuing current low-income medical programs & policies is projected to cost \$12 billion next biennium.

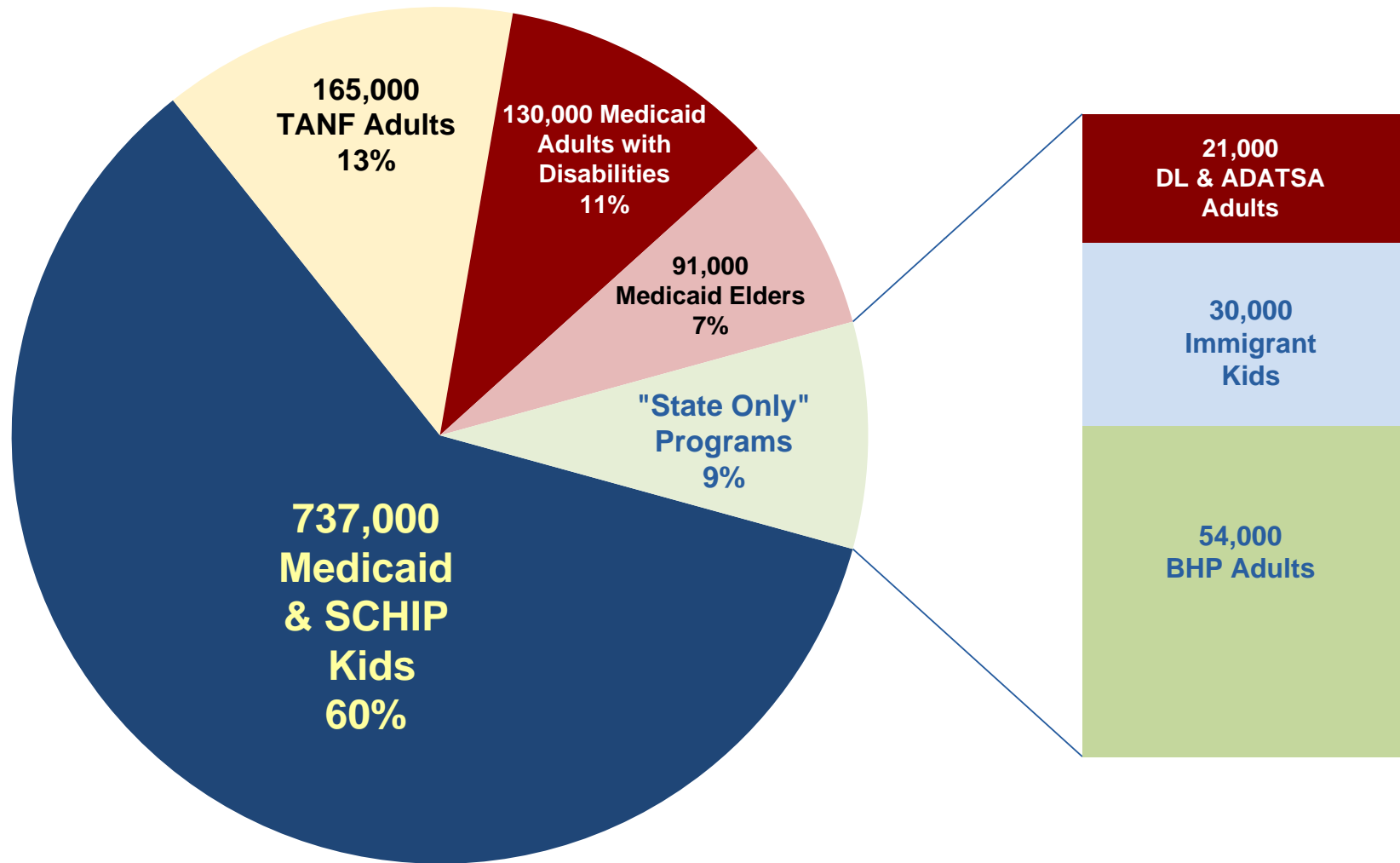
2011-13 Maintenance Level
NGF-S in Billions*



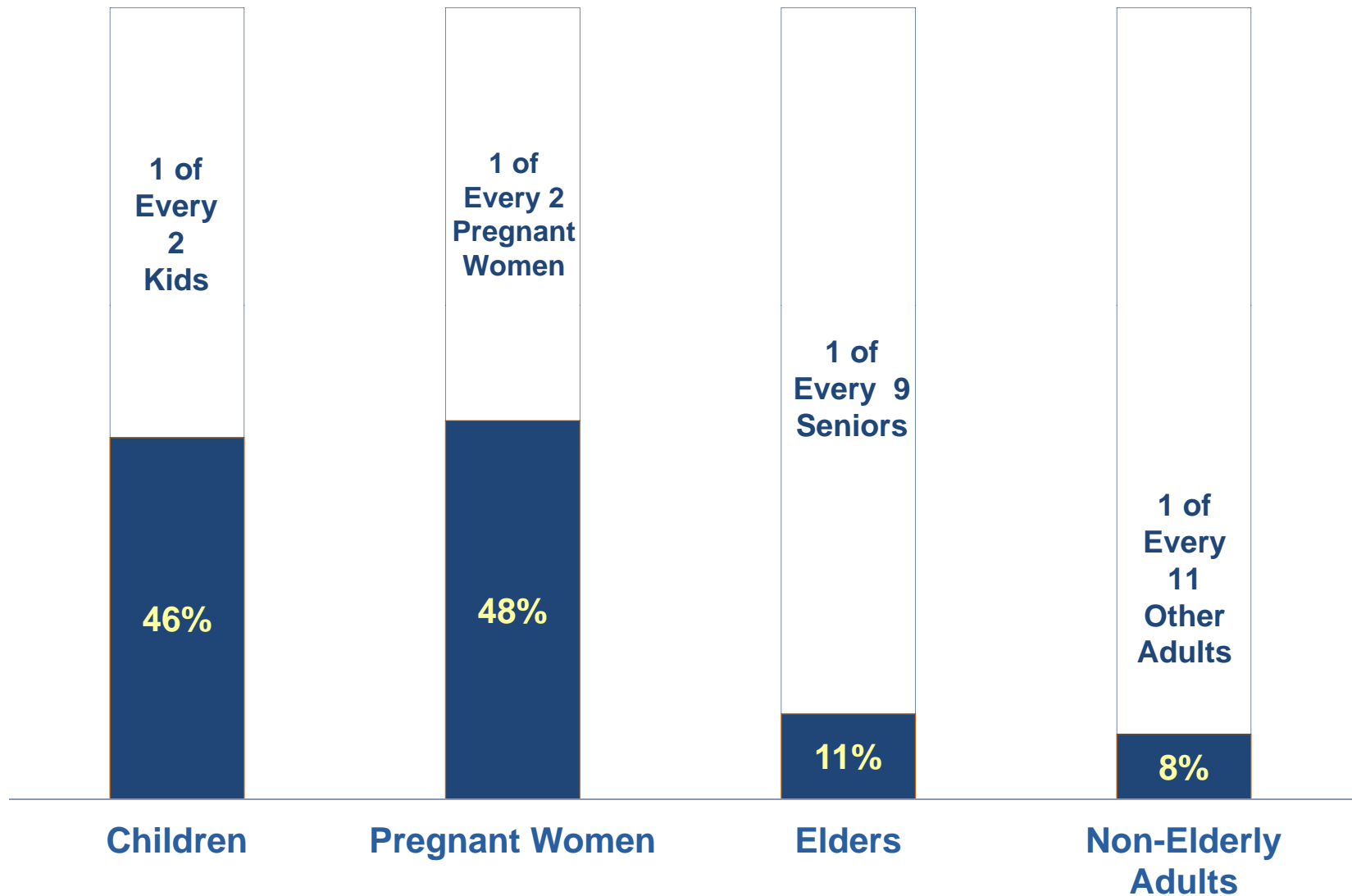
Briefing to provide context in 3 areas

- **Who's covered by programs**
 - share of state population
 - who must be covered under federal rules
 - participant income levels
 - growth over past decade
- **Program costs**
 - share of state budget
 - expenditure growth
 - 11-13 ML growth
 - trends relative to other key state functions
- **Typology of ways to reduce expenditures**
 - Governor's proposals

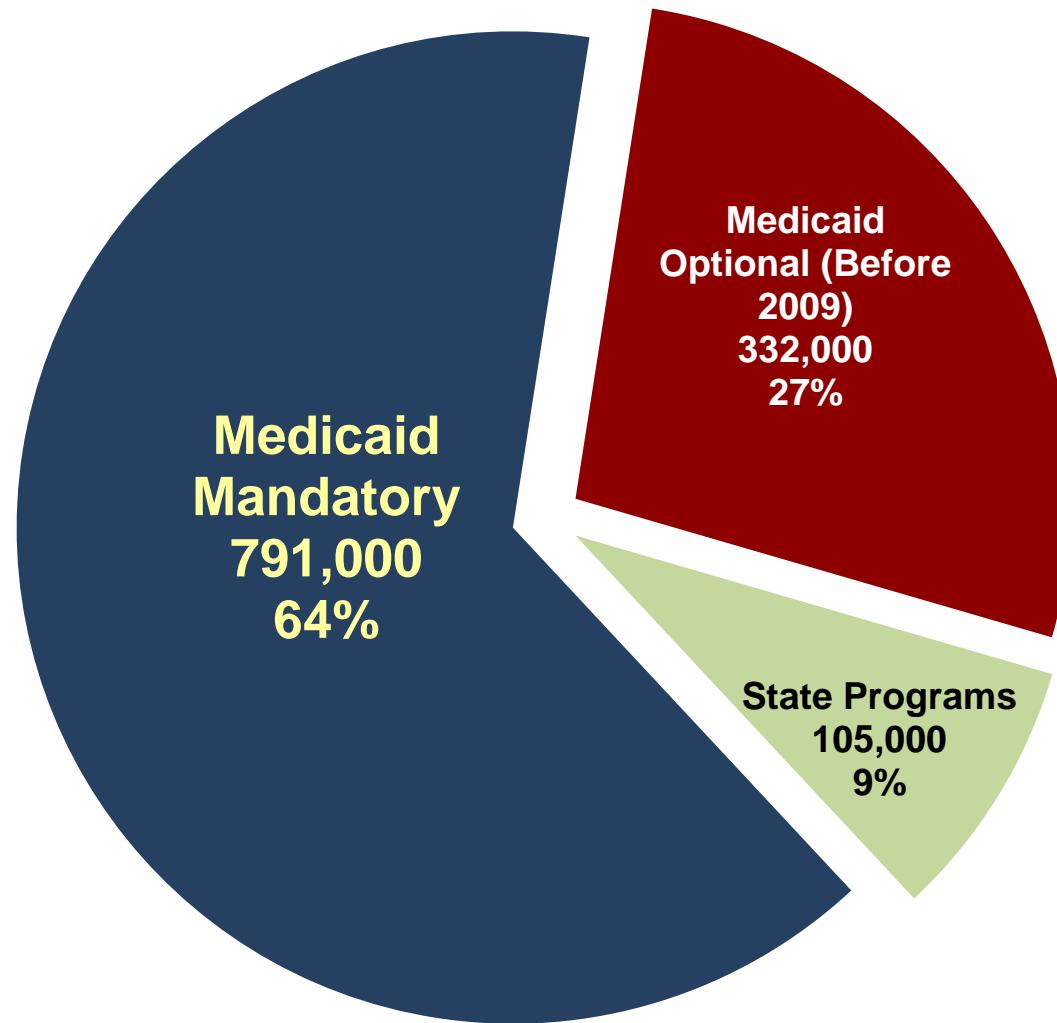
Washington's low-income medical programs will cover 1.2 million people/month this year



This is 1 of every 5½ state residents



Over 90% of the 1.2 million people must be covered for the state to participate in Medicaid



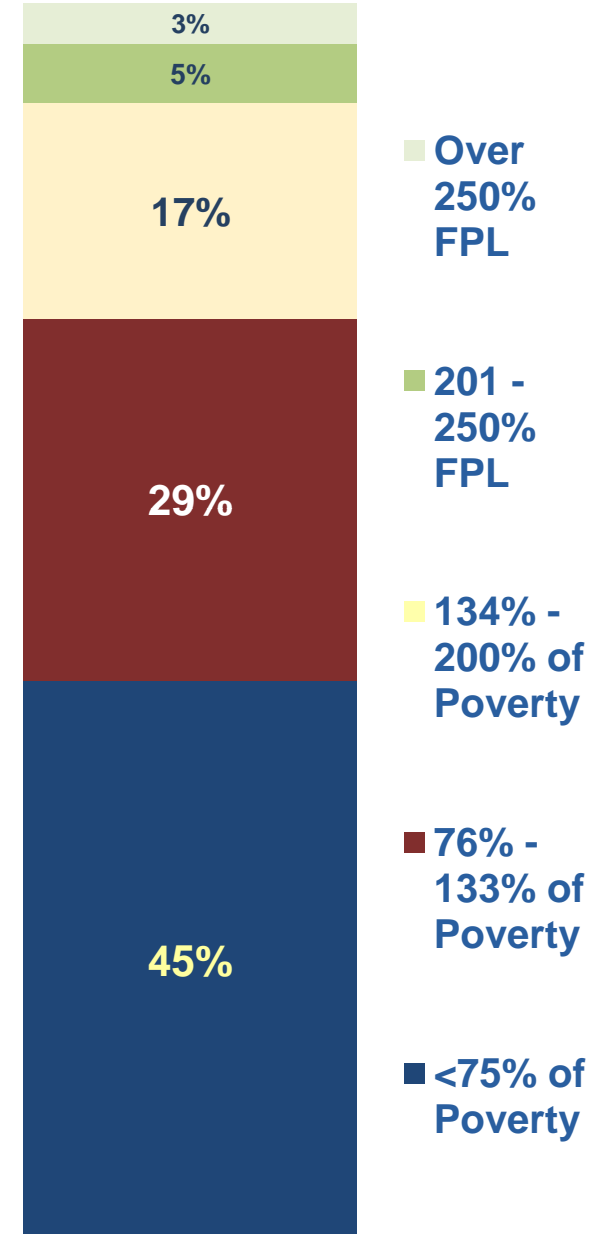


Federal health reform legislation prohibits states from dropping or restricting Medicaid coverage for groups covered in April 2010

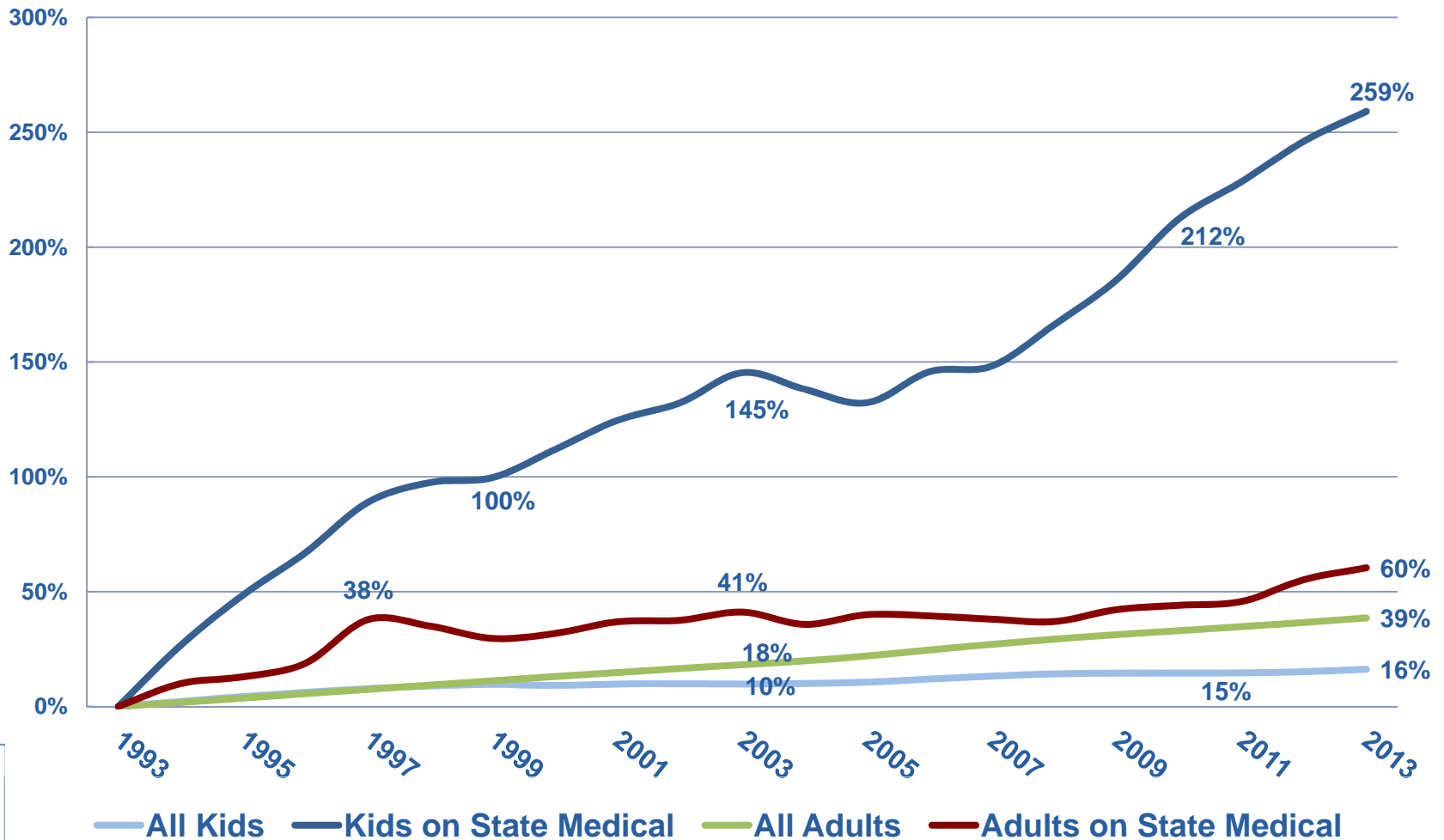
. . . a State shall not have in effect eligibility standards, methodologies, or procedures . . . that are more restrictive than the eligibility standards, methodologies, or procedures . . . that are in effect on the date of enactment of the Patient Protection and Affordable Care Act.

¾'s of the people covered have gross incomes below 133% of poverty

	2011 Annual Income	
	Family of 2	Family of 4
75% of Poverty	\$10,900	\$16,500
100% of Poverty	\$14,600	\$22,100
133% of Poverty	\$19,400	\$29,300
200% of Poverty	\$29,100	\$44,100
250% of Poverty	\$36,400	\$55,100
300% of Poverty	\$43,700	\$66,200

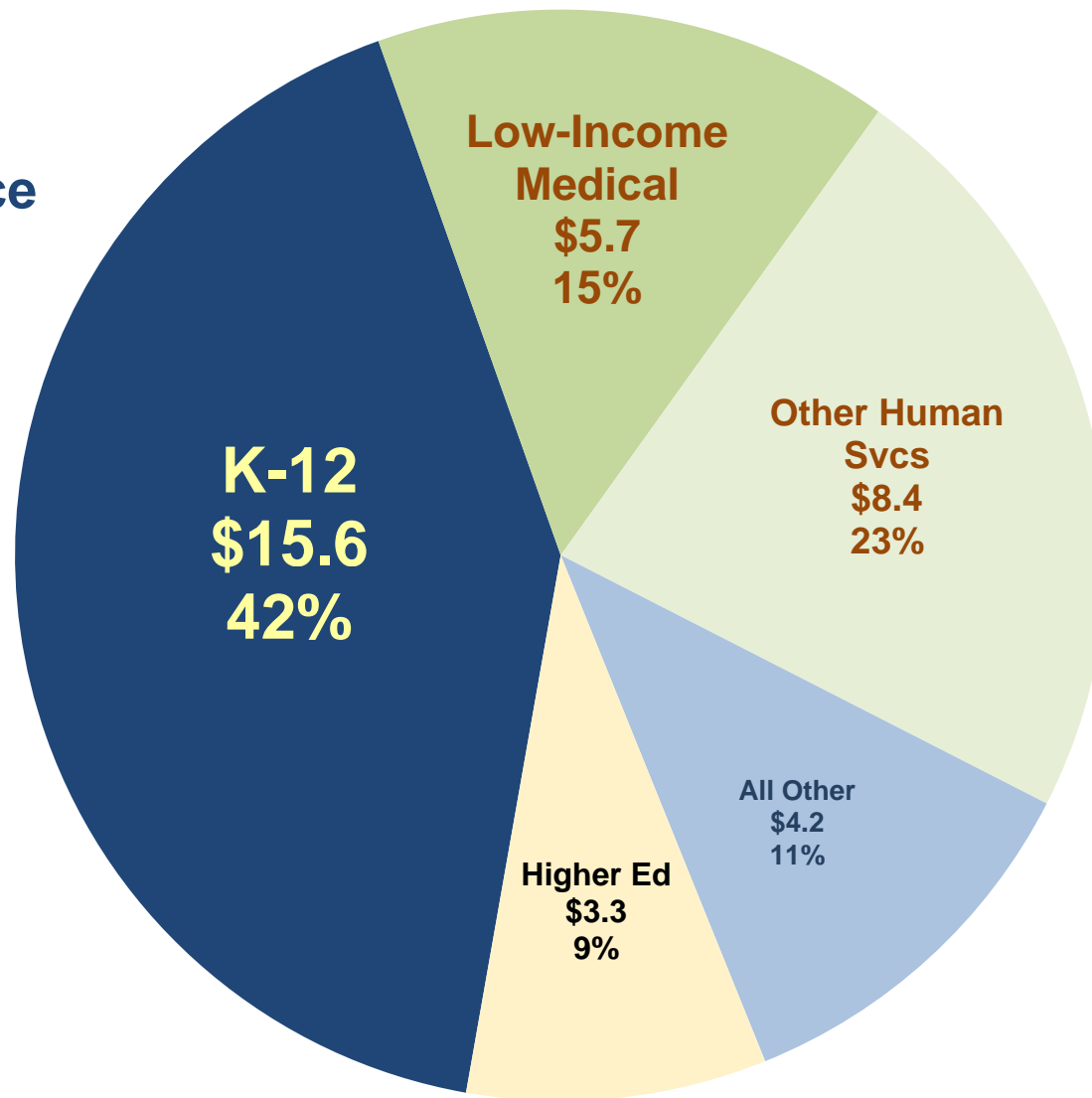


The number of people covered by state medical programs has grown much faster than state population over the past decade



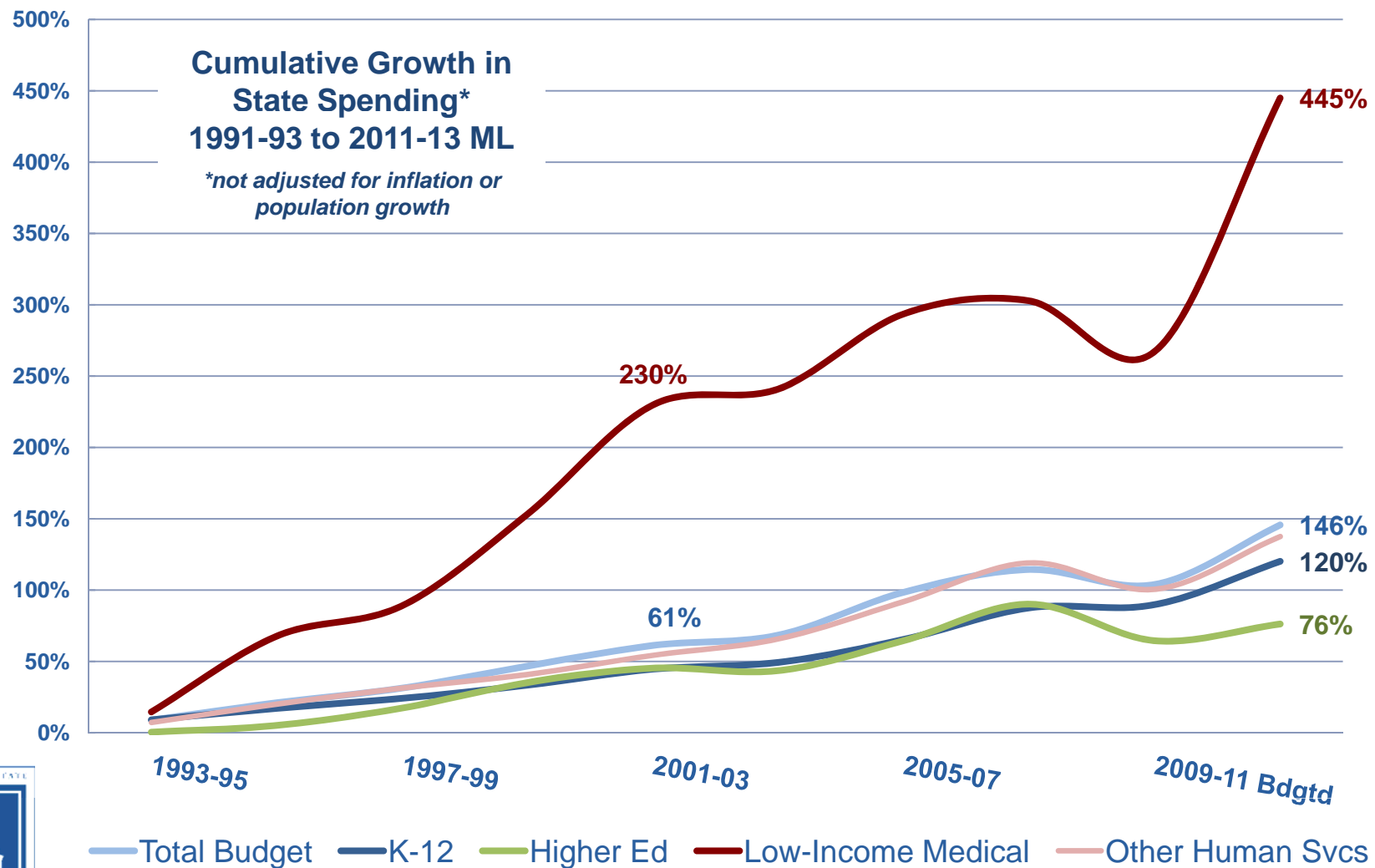
Low-income medical programs comprise 15% of the total NGF-S* budget

2011-13
NGF-S*
Maintenance
Level



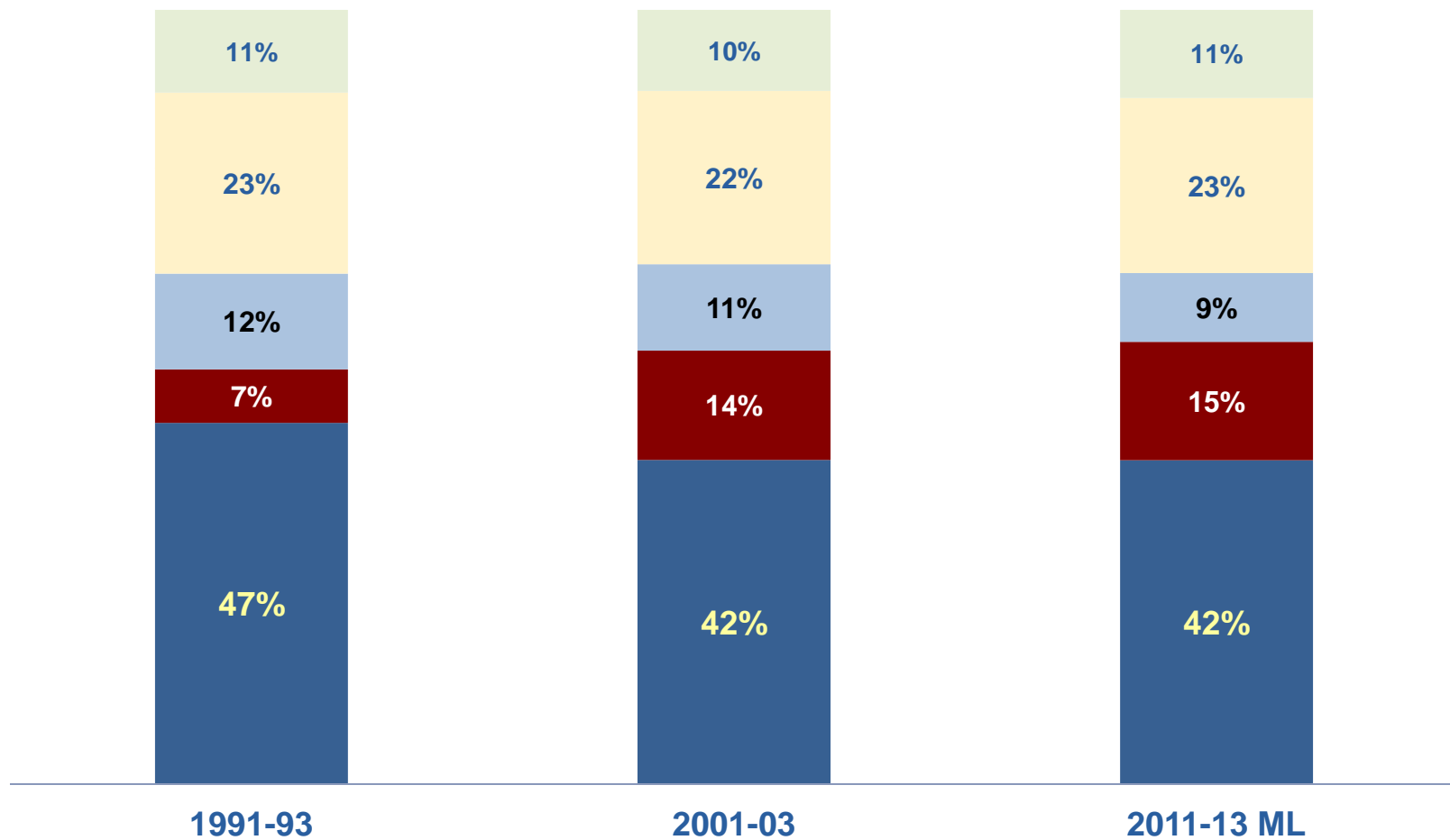
"NGF-S" includes Hospital Safety Net & Opportunity Pathways Accounts

State spending on low-income medical has grown 3-4 times faster than the total state budget over the past 20 years . . .



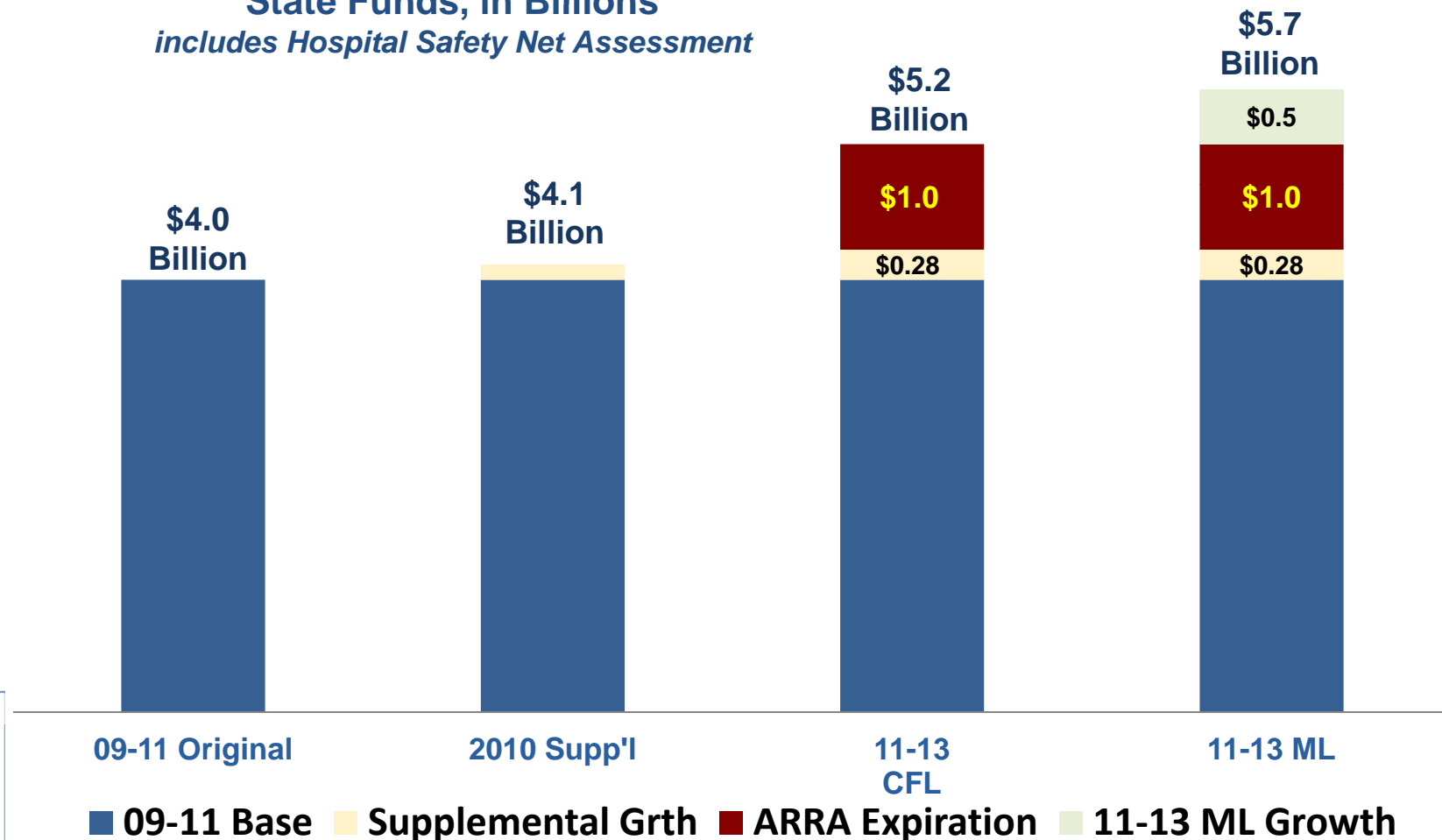
...with the result that it's share of total state spending has more than doubled

■ K-12 ■ Low-Income Medical ■ Higher Ed ■ Other Human Svcs ■ All Other

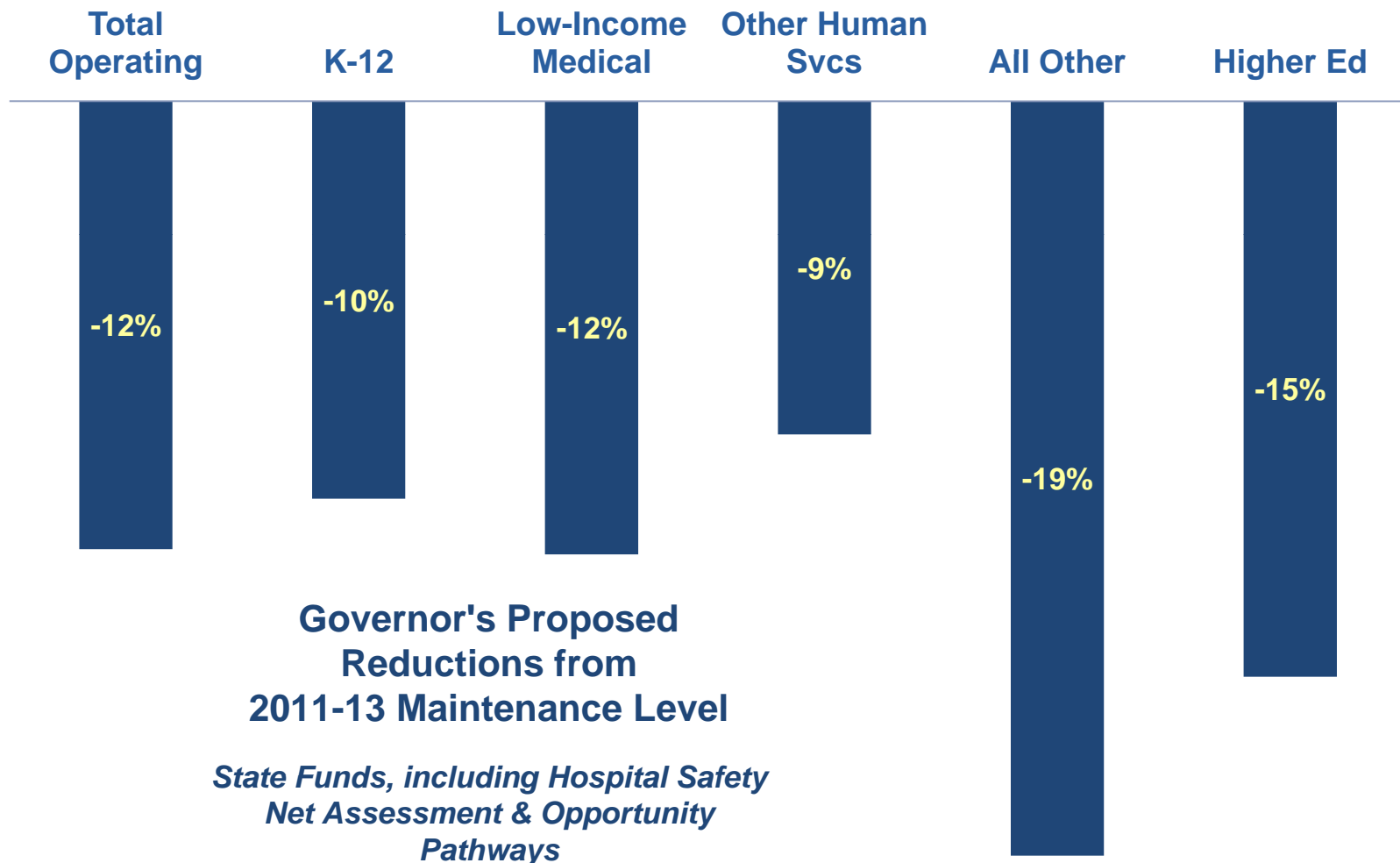


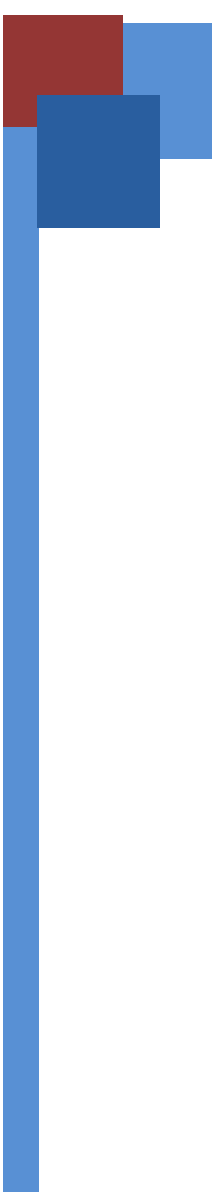
The Legislature would need to appropriate an additional \$1.6B NGF-S (39% more) to continue current state low-income medical programs next biennium

State Funds, in Billions
includes Hospital Safety Net Assessment



To balance the 11-13 budget, the Governor recommends reducing baseline low-income medical expenditures by \$675 million (12%)





Governor's Proposals for Reducing State Spending on Low-Income Medical Program

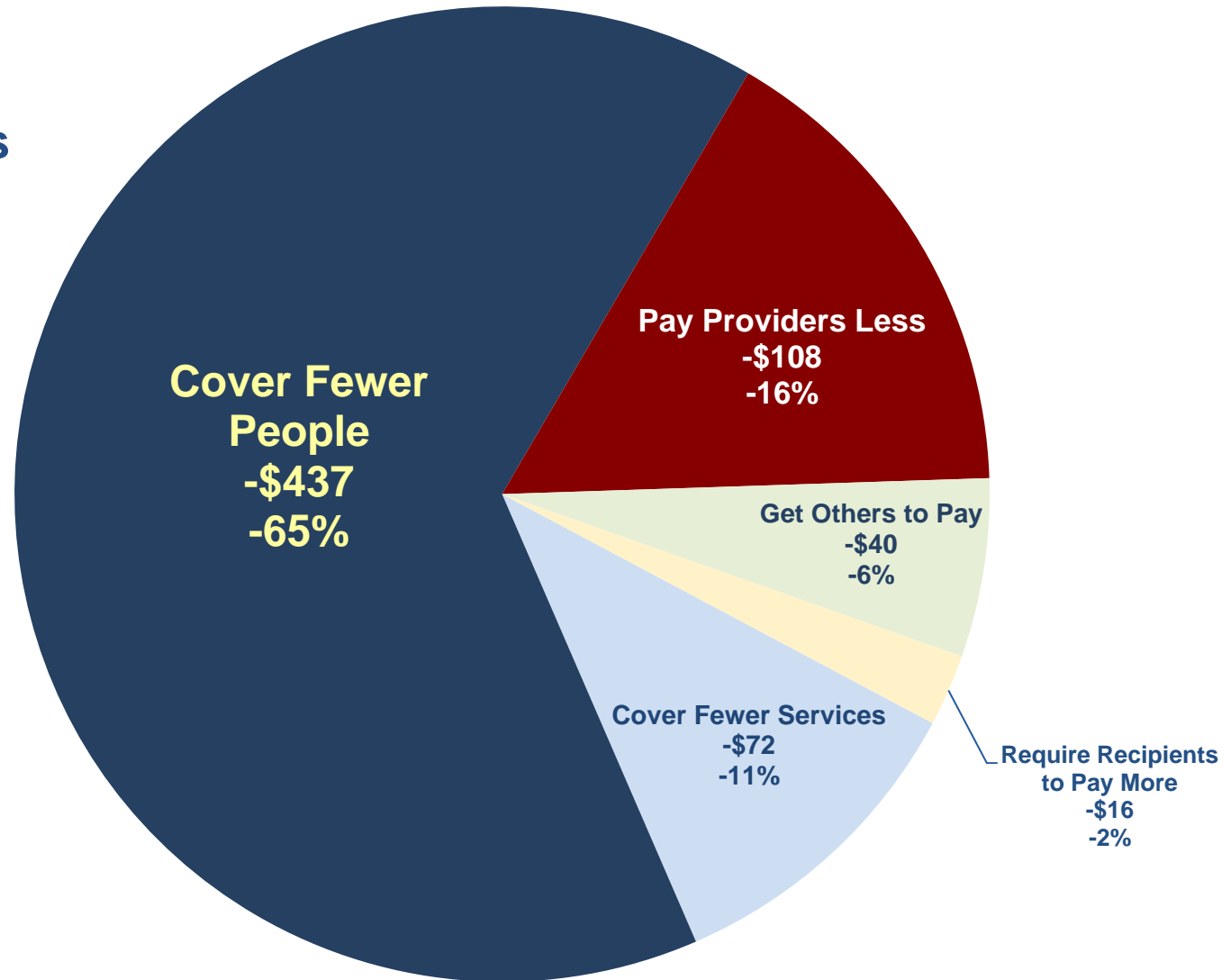


There are 6 main ways to reduce spending on low-income medical programs

- **Get others to pay more**
- **Get recipients to pay more**
- **Cover fewer services**
- **Pay less for covered services**
- **Cover fewer people**
- **Purchase & deliver services more cost-effectively**

The Governor's Budget uses 5 of the 6 strategies to achieve the 12% savings

**Proposed
GF-S
Reductions**
In Millions





The Governor's budget anticipates \$90M of state/federal Medicaid savings by “getting others to pay more”

- **\$93 million increased cost avoidance & recovery from identifying more clients with private insurance coverage (~10% increase)**
- **\$4 million from increased scrutiny of provider payments (~50% increase)**
- **Requires \$6M of new expenditures on contracts and staffing**

Covering their own Medicare drug co-pays is the one way in which recipients pay more for their services under the Governor's budget proposal

- **Estimated average drug co-pay will be ~\$115 per year for elderly & disabled adults “dually eligible” for Medicare & Medicaid**
- **Federal Medicaid rules significantly limit other types of recipient cost-sharing:**
 - Premiums allowed only for incomes > 150% of poverty, & can't exceed 5% of family income
 - Federal maintenance-of-eligibility requirements prohibit premium increases or imposition of new ones
 - Co-pays must be “nominal” (generally <\$5), and aren't enforceable for persons <100% of poverty

The Governor proposes reducing or eliminating about \$72 million of state spending on “optional” Medicaid services

	Cut Effective	Resume Date	State Savings	
			FY 11	11-13
Adult Non-Emergent Dental*	Jan-11	Don't	-\$5.7	-\$26.3
Adult Hearing	Jan-11	Jul-11	-\$0.3	\$0
Adult Podiatry	Jan-11	Don't	-\$0.4	-\$2.0
Adult Vision	Jan-11	Jul-11	-\$0.6	\$0
School-Based Medical	Jan-11	Don't	-\$2.1	-\$11.0
Interpreter Services	Mar-11	Don't	-\$1.7	-\$11
Reduce Maternity Support	Feb-11	Don't	-\$3.2	-\$21.9
Total Service Reductions			-\$14.0	-\$72.0

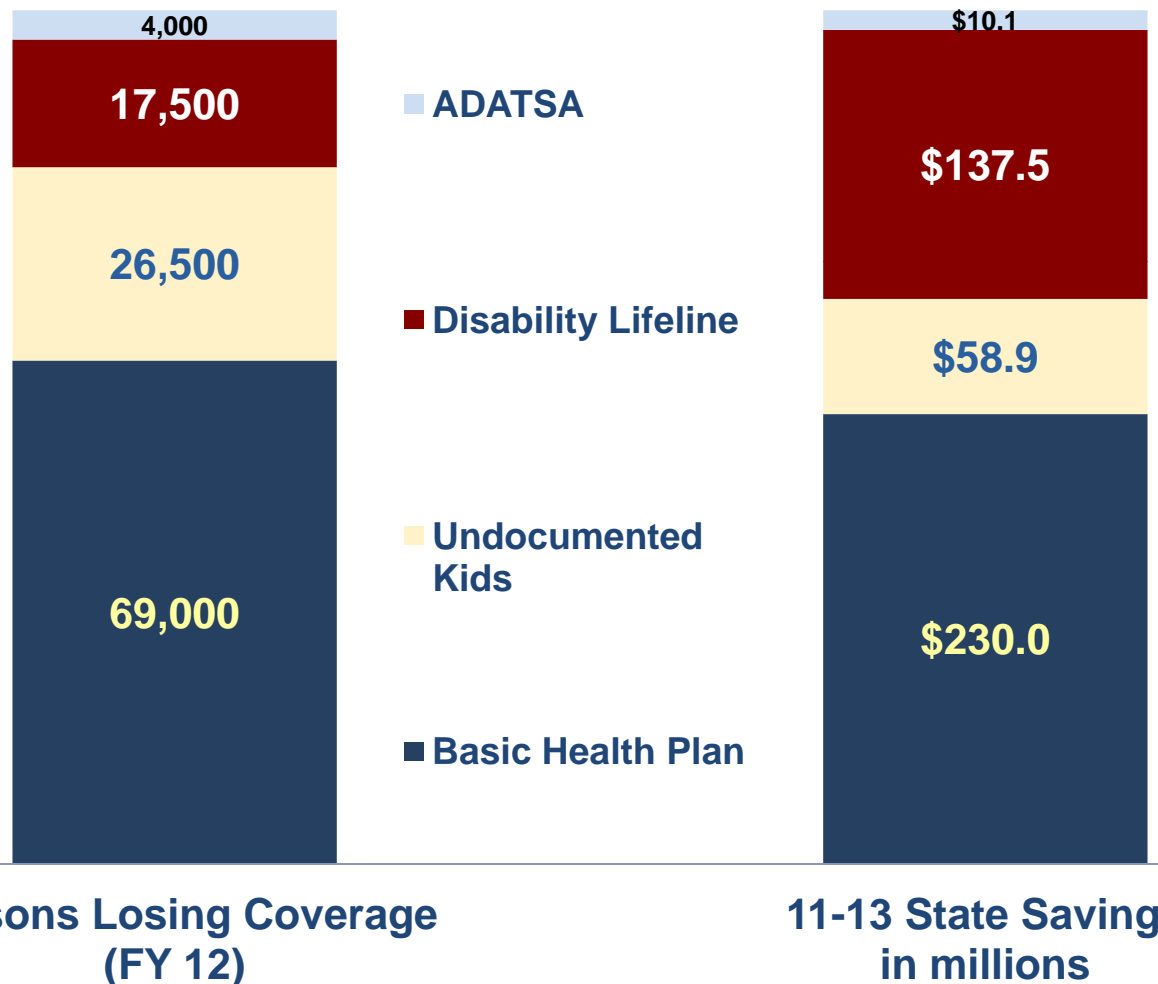
**During Jan-June 2011, non-emergent dental services are being discontinued for all adults except those with DD. The Governor has proposed restoring services for all elderly, disabled, and pregnant adults effective July 2011. The agency has recently reported that such a restoration is unlikely to be eligible for federal Medicaid matching funds.*



The Governor's budget includes \$204M (\$108M GF-S) of reductions in provider payments

- **Managed Care Plans**
 - \$20M (\$10M GF-S) from a 5.0% reduction in administrative payments to Medicaid Healthy Options insurers
- **Community Clinics (FQHC's & RHC's)**
 - \$13M (50%) reduction in grants
 - \$172M (\$85M GF-S) from reducing total Medicaid rates ~15%
 - ~30% reduction in cost-based enhancement component
- **No reductions proposed in any other payment rates (e.g. hospitals, pharmacies, physicians)**

2/3's of the medical savings in the Governor's 2011-13 budget plan would be from eliminating 4 of the 5 groups Medicaid rules don't require be covered.





The Executive is continuing to investigate options for more cost-effective service delivery and purchasing

- **Increased prior authorization for:**
 - Drugs
 - Advanced Imaging
 - Selected surgeries
- **Selective contracting**
 - nutritional supplements & incontinence supplies
- **Managed care contracting**
- **Increased care coordination and management**
 - Managed care for some or all elderly & disabled populations
 - Pilot “Medical Homes” for some or all persons with chronic conditions