

State Budget Attempts to Leverage Federal Dollars for Medicaid

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Michigan doctors just missed being hit by a fiscal bullet. In fiscal year 2004 terms, no increase was better than the significant cuts others face in the state's budget.

"It's hard to feel fortunate when the whole (Medicaid) program is so underfunded and physicians are having such difficulty with Medicaid, but it could have been worse," says MSMS Immediate Past President Dorothy Kahkonen, MD. "We do feel fortunate that the governor seems to have recognized the importance of trying to maintain the Medicaid program and even do some things to improve it. That's the kind of an optimistic note on which to begin her term."

ALTERNATIVE ACTIONS

At a time when governors across the country are proposing substantial reductions in Medicaid eligibility and provider payments, Governor Jennifer Granholm is recommending that Michigan temporarily constrain medical benefits to healthy adult Medicaid recipients, but not cut provider rates nor terminate eligibility for any group currently receiving benefits.

"Governor Granholm has a proposal to try to obtain waivers for adult care from the federal Medicaid program to try to increase the number of people being served and maybe modify the services with regard to chiropractic and podiatric services," says Doctor Kahkonen. "The upshot to that is more federal funds would be available. Anything she can do in that regard is certainly on the plus side. If we can provide vital or basic services to more patients and maybe postpone some of the less basic things for a while it will be beneficial to the population in Michigan."

The Medicaid Adult Benefits Waiver would allow the state to leverage additional federal funding and provide a limited Medicaid benefit to approximately 135,000 uninsured adults.

NEW IDEAS FOR DOCTORS

While a financial lift for physicians is apparently off the table, Doctor Kahkonen says the state government can help doctors work with the Medicaid program in other ways.

The double-digit administrative costs incurred by Medicaid managed care can be reduced by consolidating administrative functions that are currently repeated among the program's many participating plans, says Doctor Kahkonen. She says that physicians could also use some relief from the burdens of pre-authorization requirements that were installed with Medicaid's prescription drug formulary.

While the changes would not result in a pay increase for physicians, they would help doctors treat Medicaid patients more efficiently, allow more of existing funding to be used for patient care, and ease the staffing burden on physician offices.

Another important change in Medicaid policy is the creation of multi-state purchasing collaborations to help Medicaid contain pharmaceutical costs. The governor has recruited Vermont, Wisconsin, and South Carolina to join Michigan in a group purchasing program expected to save Michigan \$40 million in 2004 by buying drugs in bulk from pharmaceutical manufacturers.

Governor Granholm also supports restructuring tobacco settlement revenues to increase the amount for health care related expenditures from 25 percent to 66 percent of the total annual award. This increased dedication of tobacco revenues would be used to support the Medicaid program, bringing the total of tobacco settlement dollars used by Medicaid to \$157.5 million.

Health Care Comparatively Spared

In the end, the governor's budget spared health care providers and the Medicaid program the deep cuts that affected other budget areas. Higher education, which rivals health care expenditures, faces recommended cuts of 6.5 percent and local units of government face 3 percent cuts from budgets that in part provide police and fire protection for communities.

Michigan must close a \$158 million fiscal hole for the remainder of this year and a much larger \$1.7 billion shortfall for 2004. The state is not alone in its budget crisis. States across the country face a cumulative deficit in excess of \$100 billion, with California staring across a \$35 billion gap. Unlike the federal government, most state's constitutions require that they balance their budgets each year.