



SEPTEMBER 22, 2011

ATTN: All Medicaid providers

Health Care Authority's list of possible budget cuts includes Disability Lifeline, Basic Health, children's coverage

The Health Care Authority has submitted proposed 5 percent and 10 percent budget cuts to the Office of Financial Management today, including termination of the Basic Health plan, an Apple Health for Kids program that covers immigrant children, and the Disability Lifeline program, which covers temporarily disabled people who can't qualify for Medicaid.

Because most of Medicaid's coverage is mandated by federal law, the Health Care Authority's list is not really an across-the-board cut. Instead, it is a combination of state-only-funded programs and optional Medicaid programs. The 10 percent target totals \$446 million; the 5 percent totals \$223 million.

The agency would still be short of the 10 percent target by an estimated \$127 million and would have to suspend its adult prescription drug benefit for up to 18 months to cover that shortfall. The pharmacy cut would impact about 500,000 adults – mostly seniors and people with disabilities – among Medicaid's 1.2 million clients.

The adult pharmacy cut and most of the others would have to be authorized by the Legislature before they could be implemented, and Medicaid would need about 60 days-plus notice in order to update regulations, get State Plan amendments approved by the feds and provide adequate notice to clients and providers.

Many of the items on the list of cuts are repeats from a year ago, when similar revenue shortfalls prompted a round of across-the-board budget cutting in state government. But legislators declined to go ahead on most of those proposed cuts, including a medical interpreter program, the Basic Health plan, Disability Lifeline, non-emergency dental coverage for adults, the Children's Health program, and the Maternity Support Program. Some of those programs were slimmed down by legislative mandate, but survived termination. Today's list would terminate them all.

Several of the cuts would adversely impact funding for small rural hospitals around the state. Among them are proposals to revise the payment methodology for Critical Access hospitals, and a parallel reduction to the Certified Public Expenditure program for hospitals.

The agency did not propose cutting four additional optional programs on the basis of direction from the Legislature and the Governor last year. They were adult hospice, a kidney dialysis program, durable

medical equipment areas (wheelchairs, nutrition, diabetic and incontinent supplies), and physical, occupational and speech therapies.

The list of cuts includes:

Programs listed as options for major cuts	G/F savings possible	Number of clients affected	FTEs affected
Adult pharmacy benefits	\$127.5 million	500,000	
Medical for Disability Lifeline and ADATSA	\$110.0 million	22,000	
Termination of Basic Health plan	\$70.4 million	35,000	64
Termination of Children’s Health Program (CHP)	\$34.0 million	25,000	
Termination of Maternity Support Services	\$21.0 million	54,000	
Hospital Funding: Change payment methodology for Critical Access Hospitals	\$19.1 million	--	
All non-emergency adult Dental services	\$11.7 million	123,000	
Hospital funding: Reduce CPE hold harmless	\$13.9 million	--	
School-based medical services	\$5.9 million	22,000	
Interpreter services	\$4.8 million	70,000	

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