Devastating cuts to state Medicaid programs

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With the start of the new fiscal year, the majority of US states are inflicting deep cuts to Medicaid, the health care program for the poor.

The cuts come as millions more working class families are compelled by the ongoing economic crisis to seek out public assistance such as Medicaid. Medicaid recipients are largely poor children, pregnant women, the elderly and disabled.

The program, jointly funded by state and federal governments, now serves nearly 60 million people—one in five Americans. While constituting an enormous segment of the population, Medicaid recipients are largely disenfranchised from the political process, and are considered an easy target by the Obama administration and its state counterparts, both Democratic and Republican, in the ongoing attack on living standards.

June 30 marked the expiration of the White House "stimulus" plan of 2009, which over the course of two years provided some $90 billion to state Medicaid programs. While the rolls have swelled considerably over the period, the Obama administration has ruled out any extension of additional aid to threadbare state budgets. As a result, the federal share of Medicaid spending will fall from 67 percent to 57 percent this year.

A prime focus of state cutbacks is the level of reimbursement paid to doctors who treat Medicaid recipients. While federal Medicaid statutes mandate that states maintain reimbursement rates "sufficient to enlist enough providers" so that care for enrollees is comparable to that accorded to those with private insurance, the law leaves the rate-setting to state governments. On average, Medicaid reimbursements are half that paid out by private insurers, and 30 percent lower than the federal reimbursements for Medicare. A legal challenge brought by providers against this situation has been opposed by the Obama administration.

At least 33 states have announced plans to slash reimbursement rates, according to the National Association of Budget Officers. Thirteen states are reducing payments to physicians and hospitals starting this month.

The reductions will have serious consequences on the health of millions of people. Spiraling health care costs and the low reimbursement rates over the past decade have already created a dire shortage of providers who accept Medicaid enrollees.

In an attempt to offset the reimbursement cuts, many Medicaid-participating providers will scale back services, cut staff and wages, push operating costs onto other patients, or leave the program altogether. As a result, Medicaid recipients will be forced to travel further and wait longer to be seen, resort to hospital emergency rooms, and go without needed care and prescription drugs.

In South Carolina, primary care doctors will have their Medicaid payments cut by 2 percent beginning July 8. Specialists will see a cut of 5 percent, payments to dentists will be cut 3 percent, and hospitals payments will be cut 4 percent.

These reductions come atop a 3 percent rate cut for hospitals and doctors that was instituted in April, an inadequate level of payment to begin with. Taken together, the cuts will amount to some $125 million in state funding over the fiscal year, a figure that will be more than doubled with the loss of federal matching funds.

Dr. Fran Kunda, a family doctor in Spartanburg, South Carolina (population 40,000) told *USA Today*, "It's going to get a whole lot tougher for people on Medicaid to find a doctor," noting that the city had no Medicaid-accepting orthopedic surgeons and was short on other specialists.

Kathy Maxwell, the owner of a pediatric therapy clinic in Greenville, told the paper she had lowered the salaries of 24 employees by 6 percent due to the cuts, and feared some physical and speech therapists would leave as a result. "It was some very sobering news for highly skilled therapists that … change the lives of children," she commented. Nearly three quarters of Maxwell's patients are Medicaid-enrolled children.

Hospitals are freezing hiring and are "re-evaluating offering some community services," the state's hospital association has said.

Similar measures are being put into effect in other states. Florida has capped reimbursements to providers and put management of the system into hands of for-profit HMOs (Health Maintenance Organizations). This month, Florida hospitals will see payments cuts by 12 percent. Kentucky has swiftly followed Florida's example; Democratic Governor Steve Beshear has proposed turning the Medicaid program over to for-profit managed care organizations.

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Washington state's Democratic Governor Christine Gregoire signed a bill in late May transforming Medicaid into a "block grant" program and giving the state "the ability to streamline eligibility determination, free from maintenance of eligibility requirements imposed by the federal patient protection and affordable care act or any future federal laws." The state's hospitals will have reimbursements cut by 10 percent this month.

Delaware has cut Medicaid coverage for eye exams and glasses, affecting over 12,000 people. Governor Jack Markell (a Democrat) has proposed requiring new co-pays on doctor visits and prescription drugs, and limiting Medicaid coverage to three emergency room visits per year.

In Democratic-controlled Illinois, $276 million in reimbursements to hospitals are being withheld for one year. A recent analysis by the Illinois Hospital Association found that as a result of payment cuts the number of hospitals operating at a loss would increase by 40 percent, encompassing half of all facilities in the state.

A study published in *The New England Journal of Medicine* in June suggested that as a direct result of low payment rates in Illinois, two out of three requests for appointments with pediatric specialists were denied. Patients on Medicaid waited on average 22 days longer to see providers than those with private insurance.

Illinois has also enrolled 40,000 elderly and disabled Medicaid recipients into private health plans.

Texas is imposing an 8 percent cut in payments to hospitals; North Carolina hospitals will see a cut of 7.3 percent; Oregon hospitals and doctors will have reimbursement rates reduced 11 percent; Colorado is instituting cuts to doctor and medical equipment services of up to 6.25 percent; Virginia, Pennsylvania, Connecticut, New Hampshire, and New York are also authorizing hospital payment cuts of up to 4 percent.

Arizona imposed a 5 percent cut to hospital and doctor reimbursement rates in April and is planning another 5 percent reduction in October.

The state received federal approval to impose a cap in enrollment beginning July 8, which will impact a substantial portion of recipients in the state's program, called the Arizona Health Care Cost Containment System (AHCCCS). The state intends to cut spending by an estimated $500 million, primarily by freezing enrollment for adults earning above 75 percent of the poverty line.

Approximately 135,000 people in Arizona will lose coverage in the coming year, according to state officials. As with the precedent-setting attacks carried out in Florida and Washington, federal officials have encouraged the extreme measures. Health and Human Services Secretary Kathleen Sebelius said Arizona could dump all 250,000 childless adults from AHCCCS rolls without losing matching funds.

Advocacy groups filed suit against the institution of the enrollment cap plan, asserting that it violated the state constitution. The Arizona Supreme Court dismissed the case without explanation on June 22.

Health care advocates in Arizona have warned that combined with other proposals, such as one requiring Medicaid recipients to re-enroll with AHCCCS every six months, the cap will strip the most vulnerable patients of coverage.

Homeless, mentally ill individuals, and others with unstable housing and employment situations are most likely to be dropped. "I expect a large number of patients will drop off," Maricopa County Health Care for the Homeless Director Jonathan Cartsonis told the *Arizona Republic*. "It could create more misery for the patients and chaos in the emergency rooms."

These attacks come on the heels of the ending of enrollment in another vital area of coverage known as the "spend-down" program. This program provided coverage for people earning too much to qualify for AHCCCS but who "spend down" far below the poverty line because of enormous medical bills.

With approval from the Obama administration, Arizona's Republican governor Jan Brewer froze enrollment in the program on May 1, and it is slated to be completely eliminated October 1. This cruel attack, which amounts to a death sentence for those with catastrophic health problems and which will produce further foreclosures and bankruptcies, is estimated to "save" the state a mere $70 million.

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