

Governor's Budget Holdbacks: Idaho Medicaid Program Impacts

The Governor directed state agencies to hold back of their general fund budgets in the current fiscal year.

A reduction in Idaho's Medicaid program totals \$3.8 million in general funds and when combined with the corresponding reduction in federal funds totals over \$12 million.

Medicaid budget reductions require careful planning. Implementation is neither quick nor easy. Many budget reductions require approval from the federal government through State Plan amendments which typically take a minimum of 90 days. Sometimes state statute changes are required and can only be approved through the legislative process. Temporary rules can be promulgated but also must be formally approved through the legislature. Changes in pricing methodology and in benefits require legal notice and communications to the affected participants. Many changes require computer programming changes to the claims processing system.

There are four primary avenues to cut or control costs in state Medicaid programs:

1. *Provider Pricing*. Most provider payment methodology is established through a combination of state statutes and rules and can be changed by the state. However, there are five service categories that are established by federal law. These include: rural health clinics, federally qualified health centers, Indian health centers, and home health services. States can not make changes to these mandated federal rates.

The Idaho State Medicaid program will make pricing adjustments to certain hospital-based interim rates, to certain supplies in its fee schedule, and will pursue changes in bundled rate methodologies paid to certain community-based providers. Prior to implementing pricing changes, the affected providers will be notified.

2. *Benefits*. There are over thirty different types of service categories paid by the Idaho Medicaid program. A dozen of these services are federally mandated; over twenty benefits are established through state statute. The mandated benefits include rural health clinics, federally qualified health centers, Indian health services, hospital, nursing facility, physician, laboratory/radiology, early periodic screening, diagnostic & treatment services, medical transportation, family planning and the state's share of the Medicare pharmacy costs. No changes are currently anticipated in federally mandated benefits.

The Idaho State Medicaid program will make changes in the amount of certain benefits that participants are able to receive. Changes will be initiated to reduce the maximum amount of hours available under certain community-based programs. No changes are currently anticipated to eliminate any one benefit. Prior to implementing benefit changes, participants will be notified.

3. Eligibility. Individuals must be “categorically” as well as “financially” eligible in order to obtain Medicaid coverage. There are federally mandated eligibility groups as well as optional eligibility groups. Some examples of optional groups include individuals that qualify for home and community-based waivers, individuals who “buy-in” to coverage by paying premiums, and certain women who are diagnosed with breast and/or cervical cancer. Idaho’s CHIP program is also an optional eligibility program.

The Idaho State Medicaid program does not plan to make any changes in its eligibility policy. Idaho has been ranked the third most restrictive Medicaid programs in the country with respect to eligibility.

4. Administration/Management. Approximately 4% of total Medicaid spending in Idaho is to cover administrative and management expenses. Within this four percent, Idaho outsources a number of key management responsibilities to contractors. These include accounting services, medical management and third party recovery activities. Idaho will work closely with contractors to maintain performance while containing costs. Additionally, Idaho Medicaid will continue to improve its utilization management oversight responsibilities to ensure that medical, behavioral and pharmacy services are authorized appropriately.