

MEMORANDUM

TO: JBC Members

FROM: Melodie Beck

SUBJECT: Medical Services Premiums Rate Reductions

DATE: June 22, 2009

This memo is to provide the Committee with an updated regarding the Medicaid provider rate reductions for FY 2009-10.

On April 21, 2009, the Joint Budget Committee voted to reduce the Department's FY 2009-10 appropriation by \$30.8 million total funds. This reduction was calculated based on a 2.0 percent provider rate reduction for most acute care and home- and community-based providers. While staff provided the Committee with information on the estimated reductions that would result from this action for each provider type, the General Assembly did not adopt any footnotes requiring specific rate reductions or dollar amounts from any provider type. Based on the information presented in the Governor's original rate reduction request, the Committee approved providing the Department with some flexibility in implementing the rate reductions. This allowed the Department to implement utilization controls as well as rate reductions in order to achieve the targeted savings of \$30.8 million.

After the Legislative Session ended, the Department began soliciting and receiving input from different providers groups regarding how the targeted savings could be achieved. Based on the outcome of these sessions, the Department plans to achieve the targeted savings through both utilization controls and provider rate reductions. Approximately \$10.0 million is anticipated to be saved through utilization controls and \$20.8 million through 2.0 percent rate cuts to provider groups. By employing both strategies, the Department was able to avoid across the board provider rate cuts on all procedure codes. Currently, the Department does not plan to reduce provider rates for primary and preventative care, oral health, and daily direct care for people with disabilities. The Department also does not anticipate that rate reductions for any provider group will be greater than 2.0 percent.

Attached are the talking points that the Department submitted to staff regarding this issue.

Provider Rate Reductions Overview

The FY 2009-10 Long Bill included a \$30.8 million reduction to physical health providers in the form of a 2% rate reduction. The Joint Budget Committee gave the Department the authority to implement innovative ideas which reduce costs and maintain access to health care while supporting providers.

The Department strongly believes that an “across-the-board” rate cut will do more harm than good to Medicaid clients. The Department will maintain rates for primary and preventive care; oral health; and daily direct care for people with disabilities.

Reductions will be effective July 1, 2009.

Outreach

- The Department reached out to providers, stakeholders, and advocates for recommendations to avoid rate reductions by finding ways to reduce unnecessary, duplicative, or inefficient utilization.
- Based on the feedback the Department received, a series of targeted initiatives to encourage reduction of avoidable utilization will be implemented. Approximately one-third of the total reduction will be achieved through these targeted initiatives.
- The remaining reduction will be achieved by reducing provider rates by 2%. No provider group will receive a higher rate reduction than 2%.
- The Department will publish a comprehensive list of all proposals received from providers and stakeholders on its Web site this summer. While not all proposals were able to be implemented immediately, the Department will continue to research these proposals and will implement ideas which reduce duplicative or inefficient care and utilization.

Evaluation

- The Department will monitor the expenditure and utilization throughout the fiscal year to ensure that the implemented volume and utilization reductions are being met. If the implemented reductions do not produce the needed result, the Department will implement additional provider rate reductions to ensure that it meets the total reduction in the Long Bill.

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