STATE OF MISSISSIPPI

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DIVISION OF MEDICAID
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GOVERNOR BARBOUR'S PLAN MAINTAINS $360 MILLION IN MEDICAID FUNDING AND HELPS COUNTY HOSPITALS

By: Bob Robinson, Executive Director of the Division of Medicaid

There have been recent headlines about changes in Mississippi's Medicaid program which affect our state budget and the finances of hospitals around the state. These changes must be made because the federal government, through the Centers for Medicare and Medicaid Services (CMS), has forced us to stop using certain funds as state Medicaid match money. Because of the federal government's ruling, we must replace the $90 million that was previously provided solely through an assessment on public hospitals to match $270 million of federal funds. The changes proposed by Governor Haley Barbour and the leadership of the state Medicaid program will significantly help the financial situation of many hospitals in our state and unlike the previous system, will do so in a way that complies with state and federal law.

Almost 15 years ago, the Legislature approved a plan proposed by the Mississippi Hospital Association to use funds provided by public hospitals to match both federal Disproportionate Share Hospital (DSH) payments and other standard Medicaid claims payments. As far back as President Clinton's time in office, the federal government has warned Mississippi and almost every other state that the feds were closely examining these types of financing schemes. The Legislature was briefed many times**,** and after the federal government disallowed Mississippi's system in the summer of 2005, the Legislature provided Medicaid with an additional $90 million for Fiscal Year 2006 with the understanding that Medicaid would implement a new financing program.

To comply with the federal government's decision, Governor Barbour and the leadership of Medicaid have proposed reducing the assessment on hospitals from $90 million to approximately $45 million and spreading the burden beyond just public hospitals to include private hospitals. The other $45 million would be made up with an appropriation by the Legislature. Let me emphasize—hospitals will no longer be responsible for the entire $90 million. Although private hospitals will pay approximately $27.5 million a year for the redistribution of gross revenue

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assessments and public hospitals will pay approximately $17.5 million a year, both private and public hospitals will receive Disproportionate Share Hospital payments.

Compared to the financing system that was in place since the early 1990's, the majority of public hospitals and many private hospitals will receive a net increase in Medicaid revenue as a result of this new financing system. Most importantly, these changes will allow us to continue to draw $270 million of federal Medicaid funds.

To accomplish this, the plan adjusts the existing 0.35% gross revenue assessment on hospitals. The first reaction of some has been to question the Executive Branch's authority to modify this existing assessment**,** but the Governor and the Division of Medicaid clearly have the authority to make these changes under MS Code 43-13-117, which provides the Governor with the authority to implement the gross revenue assessment.

After numerous appeals of the federal government's decision, Governor Barbour is proposing a clear and legal plan which reduces the total burden on hospitals while providing more financial support to these hospitals which provide the most charity care for our poorest patients. All this is done while keeping $360 million in our Medicaid program which otherwise would be lost.

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