



HALEY BARBOUR
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**GOVERNOR BARBOUR ANNOUNCES SOLUTION
FOR MEDICAID FUNDING**

No new legislative action required

Jackson, Mississippi – Governor Haley Barbour today announced a federal agency has given the green light to an administrative solution for funding the Mississippi Medicaid program that is consistent with current state and federal law and can be implemented without legislative action.

The new solution means funds cut from reimbursement payments to hospitals will be replaced in like amount by distributions from a different Medicaid program, resulting in approximately \$370 million being paid to hospitals to make up for cuts required by state law.

The solution will protect the program by generating \$88 million of the \$90 million shortfall in the state Medicaid share through increasing the current gross revenue assessment (GRA) on hospitals. The other \$2 million will be generated through cuts of less than 1 percent on other provider services.

The new plan does not eliminate the requirement for cuts in Medicaid expenditures. However, the federal government will replace virtually all of the cuts through an existing Medicaid program called UPL, or upper payment limit. Current state law allows the state share of the funding for UPL to be collected through the existing gross revenue assessment on hospitals.

As preliminarily approved by the federal Center for Medicare and Medicaid Services (CMS) the solution will not cost the state or federal governments any extra money, and can be implemented September 1, 2008.

“Medicaid requires a fair, permanent, sustainable funding solution, but the legislature hasn’t enacted one. The Senate passed a fair, permanent, sustainable solution in May but the House has failed to do so. The solution I am announcing today is a fair, permanent, sustainable way to fully fund Medicaid,” Governor Barbour said.



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“We have been working with CMS throughout this process but it was not until a detailed analysis could be made in light of Judge Singletary’s July 10 ruling that we could seek approval of this solution,” Governor Barbour said. He was referring to a recent ruling by Hinds County Chancellor William Singletary confirming Medicaid’s statutory authority to adjust the gross revenue assessment to draw down the maximum UPL payment available from the federal government.

“For more than 15 years hospital and nursing home provider fees have played a significant role in Medicaid’s overall funding methodology, and today such fees account for about 30 percent of Mississippi Medicaid’s funding. The plan I am announcing today uses the benefits of those fees to attract the maximum federal match to state Medicaid dollars,” Governor Barbour said.

“I’m very proud of the leaders and staff of the Mississippi Division of Medicaid for the outstanding work they did in developing this solution,” Governor Barbour said. “I’m grateful to the staff at CMS for recognizing this is the right remedy to resolve this issue in a way that meets all federal requirements and does not cost federal taxpayers any extra money.”

While details of the solution are highly technical in nature, the basic concept and underlying facts include the following:

- In 2001, Mississippi’s Legislature passed a law (Miss. Code Ann. §43-13-117 (18) (b)) establishing a gross revenue assessment (GRA) to fund the state share for UPL.
- That law allows the Division of Medicaid (DOM) to adjust the amount/percentage of the GRA as necessary to draw down the federal share of UPL to which Mississippi hospitals are entitled. Recently, a state court confirmed DOM’s right to adjust the GRA percentage up or down as necessary to draw down the federal share of UPL available to Mississippi hospitals, without further legislative action.
- State law requires the Governor to make cuts in planned Medicaid spending to prevent a deficit, and this year’s Medicaid budget faced a \$375 million deficit.
- Governor Barbour’s new plan will lower inpatient hospital reimbursement rates by \$370 million, an amount nearly equal to the mandated cuts, and then replace the reimbursements with \$370 million of UPL distributions.
- Hospitals will pay \$88 million of the state share shortfall through the gross revenue assessment and will receive \$370 million through UPL payments.



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- Hospitals will be paying the same amount in provider fees that they have historically contributed as part of the state's share of the Medicaid program.
- This solution prevents the catastrophe that would have resulted from severe cuts that could not be replaced with other funds, and does so at no extra cost to federal or state budgets, or Mississippi taxpayers.

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