

DETAILED SUMMARY OF MEDICAID REFORM BILL

The current Medicaid program is not sustainable -- the total FY 04 state appropriation for Medicaid (General Fund, Health Care Expendable Fund, Budget Contingency Fund) was \$304.6 million. Even after one-time federal assistance in the form of \$98 million helped cover a portion of the estimated \$158 million FY 04 deficit, \$60 million is still needed for this Fiscal Year. Without any changes to the program, projected spending in FY 05 is \$534.6 million. Since the one-time federal money will not be there in the future, that means the state would have to provide \$170 million more in FY 05 to keep the program the way it is now. The taxpayers of Mississippi can not afford to keep funding that kind of growth rate. The time to reform Medicaid is now.

The Medicaid reform bill focuses on four key areas:

• **Pharmaceutical Costs**

The fastest growing cost area in Medicaid is in prescription drugs, and much of the money spent by Mississippi taxpayers to provide this service goes to out-of-state pharmaceutical companies, rather than staying with Mississippi's health care providers. By establishing a mandatory preferred drug list coupled with a prior authorization program, and by seeking a partnership with another state, the Division of Medicaid can use our bulk purchasing power to negotiate lower acquisition costs. By providing the best drugs at the lowest possible cost, both Medicaid beneficiaries and Mississippi taxpayers are protected, with no adverse effect on Mississippi health care providers.

The legislation also requires the use of counterfeit-proof prescription pads to help avoid problems with fraud and abuse.

• **Eligibility Determination, Establishing a Health Care Home, Disease Management**

This legislation authorizes Medicaid, within one year, to actively re-determine the eligibility of each beneficiary, provide a physical examination, and to establish a health care home for each patient.

By providing a physical examination to every Medicaid beneficiary, the Division of Medicaid can establish a baseline health status for each individual. This will allow health care providers to better target disease management practices, focusing on prevention.

Patients who go to the emergency room for primary care are not receiving the best care, because they are receiving care in an environment that is not designed to meet their needs. But they are receiving the most expensive care. To help address this problem, this legislation allows for beneficiaries to establish a "health care home" – a physician, health clinic, nurse practitioner, or any place where routine care is provided.

Federal law requires each state to determine the eligibility of Medicaid beneficiaries once a year, but currently, Mississippi does not actively meet this requirement. Currently, the Department of Human Services checks the eligibility of approximately 10,000 beneficiaries a month, or approximately 120,000 a year, which is far less than the more than 700,000 people on the Medicaid rolls. Furthermore, the current method of re-determining eligibility relies on a one-page mail out which merely asks the beneficiaries if their eligibility status has changed.

Mississippians are the most compassionate people in the world. We are committed to providing quality health care to those who can not afford it – to those who really need it. But Mississippi taxpayers should not be asked, much less required, to provide free health care to those who can work but choose not to. Parents who work two or three jobs to take care of their families should not pay taxes to provide free health care to people who are able to take care of themselves.

But perhaps even more importantly, the process of re-determination would facilitate programs such as establishing a health care home and promoting disease management.

- **Shifting the cost of care to the most appropriate place**

With the advent of prescription drug benefits under Medicare, there is a greater reason for beneficiaries eligible for both Medicaid and Medicare to be covered by the federal government under Medicare. This is the case for approximately 59,000 Mississippians currently covered by Medicaid under the Poverty Level Aged and Disabled program. By shifting their health care coverage to Medicare, they will still have health insurance, but the federal government will pay for it. The same is true for the reimbursements for services provided to other Medicaid beneficiaries who are also eligible for Medicare – the “dual eligible” population.

- **Maximizing Federal Matching Funds**

The prevailing thinking in previous years was that Medicaid was maximizing the use of the nursing home bed tax, a mechanism in which nursing home taxes are used to generate additional federal matching funds. However, due to a misinterpretation of the law, there is room under federal law to increase our nursing home bed tax by \$2, resulting in additional \$61.5 million for Medicaid services. Nursing homes would recoup the tax in the form of higher reimbursements. Therefore, this is not a “tax” as defined in the traditional sense, but rather a way to generate additional federal money which will be available for other parts of the Medicaid program.