

**President's Budget Proposals for FFY 2009
Impact on Kansas Medicaid**

The President's total budget of \$3.1 trillion includes reductions to the federal budget of \$208 B over five years -- with cuts to state health programs as well. The proposed budget projects reductions of \$178 B in Medicare and \$17 B in Medicaid. In the private market, it proposes replacing the existing tax exclusion for employer-sponsored insurance with a standard deduction for people who purchase health care individually rather than through their employers. The budget "targets improved access to health care by increasing the power of small employers, civic groups, and community organizations to band together to negotiate lower-priced health premiums, allowing competition among health plans across State lines, and promoting the use of health savings accounts". In reference to public health insurance programs, the proposal includes "opportunities for state to remove barriers and ease transition into employer sponsored insurance from Medicaid and SCHIP recipients", however there are a number of budget cuts that will negatively impact states. This table summarizes some components of the proposed budget. Please note in the column furthest to the right the estimated impact on Kansas Medicaid.

PROGRAM	Federal	Budget Impact	PROPOSAL	Estimated Impact on Kansas Medicaid
	FFY 2009	FFY 2009-2013	Budget Elements	Impact for One Year
Medicaid		\$18.2B over 5 years	The 2009 Budget proposes to: <ul style="list-style-type: none"> • Reimburse all administrative activities in Medicaid at 50%, including case management and Information Technology projects • Qualified Individuals(QI) would be matched at the statutorily-determined Federal Medical Assistance Percentage (FMAP) • Condition receiving FMAP for Medicaid claims and eligibility systems on participation in Public Assistance Reporting Information System (PARIS) 	

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			<ul style="list-style-type: none"> • Maintain home equity at \$500,000 for Long-Term Care (LTC) recipients • Implement other reforms outlined below 	
Medicare		\$178B	Implements reimbursement cuts to physicians, hospitals, and other health care providers, along with reductions in payment for services. Reduces spending <u>growth</u> from 7.2% to 5%. The Budget proposes to adjust Disproportionate Share Hospital (DSH) payments to better align them with the estimated cost of care to low-income patients.	Amount Unknown Unknown Impact if Medicare rates reduce lower than KS Medicaid. If Medicare pays less, Medicaid will have to pay more for coordination of benefits for Dual Eligibles. i.e. co pay/deductibles
SCHIP	<u>Expenditure</u> SCHIP outlays increase by \$2.1B Funds allocated projected to cover current enrollees through 3/30/09	<u>Expenditure</u> Assumes \$5B per year in the baseline, projected increase of outlays of \$19.7B	Coverage restricted to children with family income at or below 200% Federal Poverty Level (FPL), hard cap upper limit at 250%. Does not allow for expansions to new children above 200%. States are required to cover 95% of children at 200% FPL before children with higher incomes are allowed to enroll. Adults enrolled in SCHIP move to Medicaid. Proposal to create new allotment formula targeting children under 200% FPL, clearly defines allowable income.	Unknown Impact
Outreach Grants	<u>Expenditure</u> \$50M	<u>Expenditure</u> \$100M	Outreach grants are outlays, not budget reductions. Increases to \$100 M in 2010 – 2013.	Possible new revenue of \$500,000-\$1,000,000

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Acute Care for Optional Long Term Care (LTC)	\$20M	\$650M	Establish a State Plan Amendment option to allow states to offer a modified benefit package of acute care services for selected LTC beneficiaries.	Department on Aging
Repeal Sec.1932(a)(2)	\$10M	\$2.1B	Allows states to require currently exempted populations to enroll in Medicaid managed care plans covered under Medicaid state plans.	\$0
Extend 1915(b) Waiver Period	Cost Neutral	Cost Neutral	Extends 1915(b) waiver renewal from two years to three years.	\$0
“Rationalize” Pharmacy Reimbursement	\$195M	\$1.1B	Seeks legislation that builds on Deficit Reduction Act changes to achieve additional savings. Reduce the federal upper limit (FUL) on multiple source drugs from 250% of the Average Manufacturer Price (AMP) to 150% of AMP of the lowest price drug in the group. This represents savings to the state at the expense of local pharmacies. We have been neutral on similar proposals: Reimbursement to pharmacies may need some adjustment.	\$691,400
Enhance Third Party Liability	\$35M	\$470M	President seeks legislation that allows states to avoid costs for prenatal and preventive pediatric claims where a third party is responsible; collect medical child support where health insurance is derived from non-custodial parent obligation, and recover Medicaid expenditures from beneficiary liability settlements.	N/A

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Mandate National Correct Coding Initiative	\$5M	\$105M	Mandate Medicaid participation in National Correct Coding Initiative (CCI), similar to Medicare's CCI. Contractor's software scans claims to detect duplicate services.	Unknown Impact
Align Administrative Match Rates	\$950M	\$5.5B	This provision would set reimbursement rate at 50% for all Medicaid administrative activities.	\$8,384,787
Align Case Management Match Rate	\$200M	\$1.1B	Establishes the federal reimbursement rate for all case management activities at 50%.	\$2,231,548
Align Qualified Individuals (QI) Program Match Rate	\$200M	\$200M	Provide federal reimbursement to state Medicaid programs for the Medicare Part B premium costs of QI, based on Federal Medical Assistance Percentage (FMAP) requiring a state share. Funding to align the QI match rate is for one year only. See Extend QI below.	Currently, the FMAP is 100%. The total expected needs for FY08 are \$2.3 million. Dropping the FMAP to 60% would leave the state with a budgetary impact of \$1.058 million.
Modify HIPAA	\$0	\$0	Determination of Title 19 (Medicaid) or Title 21 (HealthWave) a qualifying event allowing for enrollment period into employer based health plan. Requires Title 21 to issue certificates of creditable coverage.	This would facilitate our implementation of Kansas Healthy Choices and specifically our ability to use employer sponsored insurance as a first choice.
Increase Flexibility for Premium Assistance	\$0	\$140M	Seeks legislation and administrative action to provide states flexibility to determine cost effectiveness and information sharing with employers to enroll persons eligible for Employer Sponsored Insurance (ESI). Seeks to align Title 19 ESI options with open	This would facilitate our implementation of Kansas Healthy Choices and specifically our ability to use employer sponsored insurance as a first choice.

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			enrollment periods for group health coverage to streamline implementation.	
Medicaid Pay for Performance (P4P)	\$0	\$310M	Require states to monitor and report on Medicaid performance measures that target quality of care, program integrity, and efficiency.	N/A
Public Assistance Reporting Information System (PARIS)	\$5M	\$135M	Conditions receipt of Federal Medical Assistance Percentage (FMAP) for claims and eligibility on states participation. PARIS is a program that allows states to share eligibility information for a number of public programs including Title 19, Temporary Assistance to Needy Families (TANF), and food stamps. Using Social Security numbers, states can match lists of beneficiaries to determine if they are receiving benefits in multiple states at the same time.	Unknown Impact
Implement Cost Allocation	\$280M	\$1.8B	Provision seeks to recoup Medicaid administrative costs included in states Temporary Assistance to Needy Families (TANF) block grants.	SRS