

Lawmakers have lost patience for Medicaid costs

By Mary Sell Montgomery Bureau | Posted: Sunday, April 17, 2016 12:15 am

MONTGOMERY — Medicaid funding and potential cuts are annual discussions in the Legislature, but lawmakers this year seem to have lost patience with the agency's growing demands on the General Fund budget.

In the fiscal 2017 budget, lawmakers allocated \$715 million for the agency, slightly more than the current year but \$85 million less than what officials said is needed for the agency that provides health care to nearly 1 million Alabamians, mostly low-income children, the elderly and disabled.

"I don't know where (more) money would come from," Speaker of the House Mike Hubbard, R-Auburn, said last week. "All we could do is cannibalize from other agencies, and I think we've done that to the point where we've put some agencies in a position where they have a difficult time doing their jobs."

He said agencies such as mental health, human resources and law enforcement have suffered as Medicaid has required more General Fund money. And state employees have gone without raises.

"You get to the point where you can't do anymore," Hubbard said.

Lawmakers will meet this week to get a better understanding of how Medicaid works and its costs. He said it's a huge agency that few people understand.

Spending increase

Medicaid's spending has increased in recent years, but not to the extent the General Fund's contribution has risen.

According to data from the agency, in fiscal 2010, total funding, including state and federal dollars and fees, was \$5.3 billion. About \$315 million of that came from the General Fund. By fiscal 2015, total spending was \$6 billion, and \$685 million of that came from the General Fund. Total federal funding in that period went from \$3.9 billion to \$4.1 billion.

Medicaid Commissioner Stephanie Azar said last month the increased demand on the General Fund in recent years isn't necessarily because of growth in Medicaid, but because more federal dollars, including stimulus money related to the recession, were in play several years ago.

"When those stimulus dollars went away, the General Fund had to continue paying what it should have been paying had it not been for those stimulus dollars," Azar said.

Meanwhile, some of the fiscal 2017 cost increases are because money used in 2016 is no longer available, including \$37 million that was carried forward from fiscal 2015 and \$36 million in one-time funds, according to the agency. The remaining cost increases are primarily because of medical inflation.

Public interest

Gov. Robert Bentley had advocated for transferring money from the education budget to the General Fund to support Medicaid. He'd hinted at calling a special session of the Legislature to address Medicaid funding, if lawmakers didn't find more revenue for the agency. But he said last week Medicaid may have to live within its means.

Some lawmakers have said they haven't heard an outcry from the public about Medicaid. That prompted a "Can You Hear Us Now AL" hashtag on Twitter, with pictures of hospital staffs and others asking for more funding.

Bentley has said his administration and Medicaid are considering what can be cut from Medicaid to make up for the \$85 million shortfall. One option is prescription drugs for adults.

Danne Howard, executive vice president of the Alabama Hospital Association, said that would mean taking away medicine from the elderly and disabled, including those with life-threatening conditions.

"Harm will be caused immediately with these cuts," she said last week. "Lives will be placed at risk."

The potential cuts also likely would mean fewer primary care providers accepting Medicaid, which means more people using hospital emergency rooms for routine care. Some people won't seek care until they are in an emergency situation.

Since 2011, eight hospitals in Alabama have closed, five of them in rural areas, according to the association. Meanwhile, the operational revenues of about half the state's remaining hospitals are in the red, Howard said.

That's due to a variety of factors, including more uninsured patients and uncompensated care. Meanwhile, Alabama has low provider reimbursement rates for Medicaid and Medicare, which provides coverage for people 65 and older.

"The average reimbursement for Medicaid is 68 cents on the dollar," Howard said.

She said it's a hospital's mission to provide care.

"But you have to keep the lights on. You have to pay your doctors," Howard said.

She also said there's still time for lawmakers to find more money for Medicaid. The association last year was in favor of a higher increase on the state's cigarette tax and also supports a soda tax.

Reimbursement rate

Another potential cut to Medicaid is the reimbursement rate for primary care providers.

Susan Alexander is a nurse practitioner at Riverside Family Health in Decatur, where about 75 percent of the children seen are on Medicaid, as are 30 percent to 40 percent of adults.

Alexander picked up a new patient a few weeks ago who had been discharged from his previous provider because he is on Medicaid. She said more providers likely will drop Medicaid patients if their reimbursements are cut.

“This scenario is becoming more and more common,” she said.

If you’re a primary care provider in a small practice, every penny counts, Alexander said. Overhead doesn’t decrease just because Medicaid reimbursement rates do.

“It is a business decision, unfortunately,” she said.

Alexander also is a member of the Alabama Health Care Improvement Task Force created by Bentley to study ways to improve care in the state. One of its largest recommendations was to expand Medicaid under the Affordable Care Act, something Bentley has said the state can’t afford to do.

Alexander said part of the state’s current struggle is because it turned down the federal funding that would have come with Medicaid expansion.

She said she worries about what Medicaid cuts will mean to the state’s health care infrastructure, which is just as important as any other infrastructure when it comes to recruiting jobs to the state. And it’s crucial to all who need health care, even if they’re privately insured.

“It’s going to be hospitals who are going to bear the brunt of this — that is where people who can’t get care elsewhere are going to turn,” Alexander said. “The rural hospitals are really going to suffer.”

Dr. Grant Allen, a pediatrician in Florence and former president of the Alabama chapter of the American Academy of Pediatrics, said Medicaid has been rescued in recent years by one-time funding. He doesn’t see that happening this year.

He said provider rate cuts would mean physicians near retirement age may stop seeing Medicaid patients altogether. Other practices may cut back on the number of Medicaid patients they see.

“We will be unable to hire new physicians to Alabama in such an uncertain Medicaid market,” Allen said. “Mid-career physicians who have too great a Medicaid exposure will be forced to leave the state in order to maintain current income ...

“It will take a while for the Legislature to feel the consequences of their actions, but by then it will be too late.”

Allen has practiced in Alabama for 14 years. But he’s unsure about continuing here, though he and his family love the area.

“... If I were further in my career and my kids were finished with school, I could assure you we would be staying,” he said. “But I have three children to send to college, and that really doesn’t work with the largest insurer of children in Alabama falling apart. I either work harder for less income or I move to a more child-friendly state.”