



## **New Federal Medicaid Rules Potentially Harm Beneficiaries, the Health Care System and States**

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While the attention of many Missouri health advocates has been focused on the implementation of MO HealthNet and the drama of the proposed Insure Missouri program, a series of federal regulations have been issued that will significantly reduce health care services provided through the Medicaid program.<sup>1</sup> This paper is intended as a brief overview of the proposed regulations and the status of each. More detailed information will be available in a series of fact sheets about specific regulations.

The proposed regulations do not require congressional approval. The Centers for Medicare and Medicaid Services claim that the proposed rules are necessary to implement the Federal Deficit Reduction Act of 2005.<sup>2</sup> It is concerning that the new rules go beyond the intent of Congress in the Deficit Reduction Act of 2006, and in some cases enact changes that were rejected by Congress when they passed the Deficit Reduction Act.<sup>3</sup>

### **Harming Beneficiaries**

In Missouri, the primary populations insured by Medicaid are children, individuals with a disability and the elderly.<sup>4</sup> (See Graph 1 below) These vulnerable populations clearly are put most at risk by the federal regulation changes that will likely result in fewer available services. The services that will be affected are outlined in the summary of the regulations that follows.

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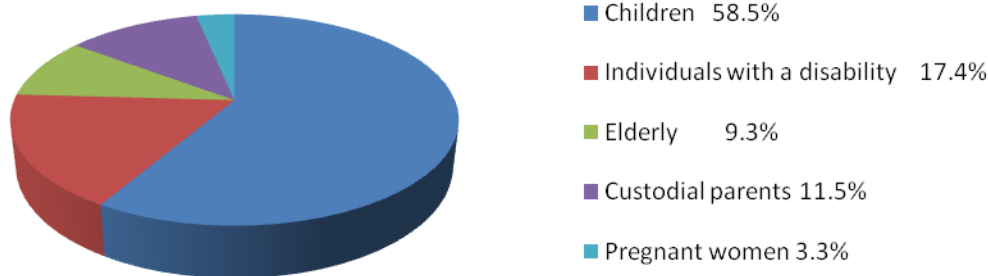
<sup>1</sup> See "Medicaid: Overview and Impact of New Regulations," Kaiser Commission on Medicaid and the Uninsured, January 2008, [www.kff.org](http://www.kff.org)

<sup>2</sup> New Medicaid Rules Would Limit Care for Children in Foster Care and People with Disabilities in Ways Congress Did Not Intend, Solomon, j. Center on Budget and Policy Priorities, 2/08/08 at [www.cbpp.org](http://www.cbpp.org).

<sup>3</sup>

<sup>4</sup> [www.dss.mo.gov/mis/clcounter/history.htm](http://www.dss.mo.gov/mis/clcounter/history.htm) December 2007

## Who is insured by Medicaid in Missouri?



The bottom line is that it is unlikely that Missouri will be able to continue to provide the same level of services. Therefore, children, particularly those in foster care, and individuals with chronic health conditions or a disability, will likely have access to fewer services.

### Straining Local Communities and the State

Several of the regulations directly affect public hospitals, and are likely to impair their ability to provide community services (such as burn treatment units or neo-natal care units) and to result in their serving a higher number of uninsured through uncompensated care. A portion of the costs of uncompensated care are passed on to those who are insured through increased premium costs.<sup>5</sup> This feeds the negative spiral of increasing health insurance costs, making it less likely that employers and/or employees can afford private insurance, and thus creating larger numbers of uninsured, who are then candidates to use uncompensated care in hospitals.

Teaching hospitals will also be affected because one of the regulations eliminates Medicaid funding for the costs of graduate education of doctors-in-training. In the long term, this could result in fewer doctors at a time when the growing numbers of elderly will have increased health needs.<sup>6</sup> In the short term, it could be a challenge for hospitals to sustain sufficient staff for their current services.

**By limiting federal support for services, states or local governments will have to pick up a larger share of the costs. This is especially problematic for Missouri, since it faces a serious budget shortfall in FY2010 due to increased spending obligations, the implementation of State tax cuts and tax credits, federal tax policy changes that will result in lower state revenue, and a sluggish economy.<sup>7</sup> There could not be a worse time for the federal government to make changes that will require Missouri and the other States to shoulder increased costs for health care.**

<sup>5</sup> "Administration's Medicaid Regulations Will Weaken Coverage, Harm States and Strain Health Care Systems, Orrison, A. and Solomon, J., Center on Budget and Policy Priorities, 2/22/08 at [www.cbpp.org](http://www.cbpp.org).

<sup>6</sup> *ibid*

<sup>7</sup> "Moving From Surplus to Shortfall: The Critical State of Missouri's Revenue and Policy Options", Kruckemeyer, t. and Blouin, A., Missouri Budget Project, 2/24/08 at [www.mobudget.org](http://www.mobudget.org).

## Summary of the content and status of the regulations<sup>89</sup>

**Targeted Case Management** This will significantly limit federal Medicaid matching funds for case management services. It will also have a disproportionate impact on children in foster care and individuals with chronic physical conditions or physical/mental disabilities. **Status:** Interim Final Rule goes into effect on 3/3/08. Proposed legislation to delay implementation until 4/1/09 was introduced in H.R.5173 and S.2578. **Cost to States: \$230mil in FY2009; \$1.3 bil from FY2009 through 2013.**

**School-Based Services** This eliminates federal funds for outreach, enrollment, assistance and coordination of health care services and related activities by school personnel to enroll children in Medicaid. It will no longer allow federal funds to be used to transport children to school if the child has special health needs and receives health care at school. **Status:** Final Rule has been issued; implementation has been delayed by Congressional action until 6/30/08. Proposed legislation will delay implementation for one year from enactment in H.R.4355. **Cost to States in decreased match: \$635 mil in FY2009; \$3.6 bil from FY2009 to FY2013.**

**Rehabilitation Services** This limits the types of services that states can cover with federal funds, including special instruction and therapy for children and adults with mental illness or developmental disabilities, and therapeutic foster care. It severely limits states' ability to provide rehabilitative services designed to enable individuals to improve their mental and physical capacities and remain out of an institution. **Status:** Delayed by Congressional action until 6/30/08. Proposed legislation to delay implementation for one year from enactment is in H.R.4355. **Cost to States: \$360 mil in FY2009; \$2.5 bil from FY2009 to FY2013.**

**Cost Limits on Hospitals** This limits on hospitals and other institutions operated by state or local government for the cost of providing services to those insured by Medicaid. **Status:** Final Rule issued; implementation delayed by Congressional action until 5/25/08. H.R.3533 and S.2460 have been filed to extend the moratorium by one year. **Cost to States: \$790 mil in FY2009; \$5.7 bil from FY2009 to FY2013.**

**Graduate Medical Education** This eliminates federal funding for the costs of graduate medical education by teaching hospitals. **Status:** Delayed by Congressional action until 5/25/08. H.R.3533 and S.2460 have been filed to extend the moratorium by one year. **Cost to States: \$150 mil in FY2009; \$1.8 bil from FY2009 to FY2013.**

**Outpatient Clinic and Hospital Facility Services** This changes the definition of outpatient hospital services to significantly narrow the types of services that states can cover under this benefit category. Also, it severely restricts reimbursement rates for such services as hospital-based physician services, routine vision services, annual check-ups and vaccinations. **Status:** Proposed rule was issued 12/07. It is expected to be finalized in early 2008. S.2460 includes a moratorium on the finalization of the rule. **CMS declined to estimate the financial impact of the proposed rule due to lack of available data.**

**Changes in allowable Provider Taxes** This rule makes technical changes to provider tax rules that will limit the states' ability to raise state matching funds for federal Medicaid. **Status:** Final rule was issued, to be effective 4/22/08. **Cost to States: \$115 mil in each of FYs 2010 and 2011.**

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<sup>8</sup> "Administration's Medicaid Regulations Will Weaken Coverage, Harm States and Strain Health Care Systems, Orrison, A. and Solomon, J., Center on Budget and Policy Priorities, 2/22/08 at [www.cbpp.org](http://www.cbpp.org).

<sup>9</sup> Summary provided by the Center on Budget and Policy Priorities, 2/21/08

