THE POLICY PAGE
An Update on State and Federal Action

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HOW DOES NEW $167 MILLION CHANGE IMPACT OF MEDICAID AND CHIP BUDGET CUTS?

New county impact estimates posted to CPPP web page;
Remaining funds are available to further reduce cuts

CPPP has had a high volume of questions about the impact of the $167 million in GR funds (state dollars) made available by federal fiscal relief to Texas which state leaders announced would be added to the HB 1 appropriations for 2004-2005. In particular, folks are asking,

- how does the $167 million GR reduce the impact of budget cuts? and
- how much money is still available to further reduce the cuts?

This brief update recaps the uses of the added funds, and the enormous cuts that remain. To supplement this brief update, CPPP is posting a revised spreads heet modeling the County -level impact of Medicaid and CHIP cuts for 2004 and 2005, reflecting the impact of the additional $167 million GR.

HHS BUDGET CUTS REMAINING

With regard to health and human service budget cuts, the $167 million GR addition to the budget yields only a modest reduction in total Medicaid and CHIP cuts. Total Medicaid and CHIP cuts in HB 1 as passed were about $2.6 billion ($950 million GR). Other, non-Medicaid HHS cuts at agencies like MHMR, PRS, and TDH take the total impact even higher. Using a simple approach, the policy decisions announced by the state leadership for spending the $167 million GR could reduce total statewide losses from Medicaid and CHIP cuts from $2.6 billion to $2.1 billion for 2004 and 2005.

The $167 million GR will be used to reduce the size of 2 cuts:

- Provider Rates Still Cut by Over $789 million. The additional funding makes possible Medicaid and CHIP provider rate cuts that are HALF the size of what was originally "built into" HB 1. However, the lower cuts are funded for the year 2004 only — no guarantee is made for the second year of the biennium, and state officials reserve the right to impose the deeper cuts in 2005. With the additional funding, most Medicaid providers will still have their rates cut for 2004, but hospitals and doctors will see a rate cut of 2.5% instead of 5%; nursing homes 1.75% instead of 3.5 %, and community care providers by 1.1% instead of 2.2%.

  In total dollars, the provider rate cuts were projected to cut payments to providers by $1.05 billion over the 2004-2005 biennium; restoring half of that cut for just one year of the biennium therefore reduces the total cut by roughly one-quarter, for a total rate cut of more than $789 million.

- Medicaid Community Care Service Hours will Not be cut by 15% in 2004. State leaders announced that $36 million of the $167 million GR would be used to avoid reducing hours of community care which enable aged and disabled Medicaid clients to remain at home, rather than in a nursing home. Under HB 1, almost all clients (i.e. all but about 1,800 of the fiscal 2003 enrollment of 101,500) would have had hours of service cut by 15%. Like the provider rates, this policy change is made for 2004 only, and no promises are made for service levels in 2005.

  This particular budget item was significantly under-funded for 2005 in HB 1 (funding was not evenly allocated across the two years), which means state officials will face a major challenge avoiding cuts in that year. This unusual funding arrangement also makes it difficult to credibly describe how much the loss to providers is reduced by the addition of $36 million GR. The estimated GR cost to avoid the 15% reduction in service hours was $159.9 million GR

(total impact $393.6 million). However, if we optimistically assume that the spending cuts for community care services are reduced by half because service hours will not be cut at all in 2004, then the spending impact resulting from loss of care would drop to $196.8 million.

- All Other Medicaid and CHIP Cuts are Still Scheduled to Take Effect September 2003. The changes described in the 2 bullets above are the ONLY changes from the cuts outlined in Policy Pages #193, #195, and #197. All other cuts described will still occur, without additional action by state leaders. These include intake freezes in some Medicaid community care waiver programs; reductions in state-funded community care programs; elimination of mental health services, eyeglasses, hearing aids and podiatry for all adults on Medicaid; reduced Medicaid maternity overage; elimination of the Medically Needy spend-down program for poor parents with big medical bills; elimination of CHIP benefits (dental, hearing aids, hospice, mental health, substance abuse services, vision care and eyeglasses, and chiropractic); CHIP eligibility policy changes estimated to reduce enrollment by one-third; and major cuts at multiple levels of the public mental health and mental retardation systems.

- $205 million GR remains available for Reducing Cuts Right Now; Legislative actions could make another $428 million available. Read Policy Pages #197 and #200 for a detailed explanation.

  Some have argued that we should "save" the money for a crisis or for caseload growth. The Medicaid/CHIP cuts are a crisis! The aged, disabled, and children, as well as our economy will all suffer from these cuts. As for caseloads, at the beginning of the regular session, the CPPP expressed concern that the HHSC caseload projections were too high. Then, to balance the budget, the legislature arbitrarily lowered the projections by $524 million in state funds. Actual caseloads will probably end up somewhere between the original projections that were too high, and the arbitrarily lowered projections that are too low, in which case, saving some of the money makes sense. Out of $800 million, however, we can spend more than $167 million. Before any restoration, planned Medicaid and CHIP cuts alone total more than $950 million GR, and the addition of other (non-Medicaid) HHS cuts take that total much higher. Spending a total of $400 million on restorations will only reduce a small portion (a third or less) of the overall cuts to HHS systems in Texas — the impact will still be severe. The center believes that at least half of the $800 million can be spent and still allow for appropriate reserves for any caseload-driven shortfall.