

# Medicaid in the SECA States: Cost Saving Measures Threaten Access to Health Care for the South's Children

In the 2005 report, *The Fiscal Survey of the States*, by the National Governor's Association and the National Association of State Budget Officers, the states were asked to respond to a question concerning the most significant health care issues currently facing the states. In the SECA states, the responses almost uniformly referred to the escalating costs of Medicaid as one of the major issues facing them over the next budget cycle. (See Appendix I for the responses from each of the states.)

## What is Medicaid?

Medicaid is the health care program in the states that provides health care access and payment for services for low-income children, families and adults. Medicaid:

- ✓ Provides health insurance for **3 out of 10 American children** (21 years of age or younger.) **Fifty percent (50%)** of its enrollees are children. More than **seventy-five percent (75%)** of those children live in households where at least one parent works.
- ✓ Is the **primary source of health care** for low-income families and elderly and disabled persons.
- ✓ Insures **one in seven Americans** under age 65.
- ✓ Covers a **broad range of services** with few costs paid by the family.
- ✓ Is the nation's **largest provider of health insurance for low-income children** and is a critical health safety net for low-income children.
- ✓ Covers **all services that are deemed "medically necessary"**, including doctor and hospital visits, well-child care, health screenings, vision care and dental services.

*Data Source: National Association of Children's Hospitals and Related Institutions & American Academy of Pediatrics, August 2003, [www.aap.org](http://www.aap.org).*

Southern Early Childhood Association



Summary Prepared by the  
Southern Early Childhood Association  
PO Box 55930  
Little Rock AR 72215-5930  
800-305-SECA □ [www.southernearlychildhood.org](http://www.southernearlychildhood.org)

## How is Medicaid different from Medicare?

### Medicaid:

- Is a program **shared jointly** by the states and federal government that provides health care services to a broad range of age groups.
- **Eligibility** is based on income or disability.
- Provides **preventive and routine care** to children and adults through age 65 and covers the **cost of long-term care** (nursing homes) for the elderly.
- **Allows states to establish** their own criteria for eligibility, benefit packages and provider reimbursement rates under broad federal guidelines.
- Is an **individual entitlement program**, which means that you qualify for the program if you meet certain criteria.
- Enrolled **44 million people** in 2000.

In 2003, federal government contributions ranged from 50% to 70% of expenditures, with matching funds required by the state. The amount of money that a state must contribute to the program is based on a federal formula that includes the poverty rate in the state. States with higher rates of poverty receive more federal funds and are required to provide less matching money in order to receive those funds. (See Appendix II for state matching rates.)

### Medicare :

- Is a **health care program for elderly and disabled persons** who receive Social Security. Medicare does not cover long-term care.
- **Covers anyone who receives Social Security**, regardless of their socio-economic status. Medicaid covers only low-income persons.
- Is an **individual entitlement program**, which means that you qualify for the program if you meet certain criteria.
- Enrolled **40 million people** in 2001.
- Is **managed by the federal government**. The states do not participate in Medicare enrollment or funding.

*Data Source: American Academy of Pediatrics and the National Association of Children's Hospitals and Related Institutions & American Academy of Pediatrics, August 2003, [www.aap.org](http://www.aap.org).*

Southern Early Childhood Association



Summary Prepared by the  
Southern Early Childhood Association  
PO Box 55930  
Little Rock AR 72215-5930  
800-305-SECA □ [www.southernearlychildhood.org](http://www.southernearlychildhood.org)

## What changes are being proposed in Medicaid?

The National Governor's Association released in June 2005 a bipartisan report, *Medicaid Reform*, to address the escalating costs of the Medicaid program. The report included these specific objectives:

- ❑ Reforming Medicaid.
- ❑ Enhancing quality and reducing costs in overall health care.
- ❑ Strengthening employer-based and other forms of private health care.
- ❑ Slowing the growth of Medicaid Long-Term Care.

The paper was developed by a working group of 11 Governors, led by Governors Warner of Virginia and Huckabee of Arkansas. The group also included Governor Haley Barbour of Mississippi. All of these Governors represent SECA states.

Several **key areas of reform** were outlined in the report.

- **Prescription drug improvements** that include increased rebates from manufacturers, policies that increase the use of affordable generic drugs and tiered, enforceable co-pays for beneficiaries.
- **Asset Policy Reforms** that encourage families to self-finance long-term care rather than rely on Medicaid.
- **Cost sharing provisions** that would bring Medicaid in-line with SCHIP (State Children's Health Insurance Program). This would give states the discretion to establish enforceable premiums for beneficiaries with limits on the cost sharing of no more than 5% of the family's total income.
- **Benefit package flexibility** that would allow states to modify the benefit package to assist in curbing costs.
- **Comprehensive waiver reforms** to reduce costs and make it easier for states to obtain waivers or changes to the federal regulations.
- **Removal of legal barriers at the federal level** that impede the state management of the optional Medicaid service categories.
- **Development of a more balanced relationship** for the Commonwealths and Territories and Medicaid to address current imbalances in funding.

Source: *Medicaid Reform, A Preliminary Report.. National Governors Association, June 15, 2005.*

Southern Early Childhood Association



Summary Prepared by the  
Southern Early Childhood Association  
PO Box 55930  
Little Rock AR 72215-5930  
800-305-SECA □ [www.southernearlychildhood.org](http://www.southernearlychildhood.org)

## Why are states asking for Medicaid reform?

Although Medicaid has played such an important part in enhancing the health status of persons in the South, costs are escalating at a rate that is beginning to negatively impact state budgets. Medicaid spending has increased over the past 5 years, driven by a 40% increase in beneficiaries, and a 4.5% increase per year in health care costs.

One of the issues driving the escalating costs is the increased beneficiary population for long-term care benefits. Although children enrolled in Medicaid make up over 50% of the Medicaid population, they account for only 22.9% of total Medicaid payments. (*American Academy of Pediatrics*) The aging “baby boomer” generation is beginning to influence the utilization of the long-term care options available through the Medicaid program, and over 6 million Medicaid beneficiaries are eligible for both Medicaid and Medicare.

Prescription drug costs are another area of escalating costs, and states are asking for the ability to negotiate lower prices and contracts with drug companies to assist them in managing Medicaid costs.

The NGA paper includes these important points:

1. “Comprehensive Medicaid reform must focus both on reforming Medicaid and slowing both the number of low-income individuals and the elderly becoming eligible for Medicaid.”
2. “Medicaid will always have an important role as the health care safety net, but other forms of health care coverage must be strengthened to ensure Medicaid’s financial sustainability.”
3. “Medicaid reform must be driven by good public policy and not by the federal budget process.”

Southern Early Childhood Association



*Summary Prepared by the*  
Southern Early Childhood Association  
PO Box 55930  
Little Rock AR 72215-5930  
800-305-SECA □ [www.southernearlychildhood.org](http://www.southernearlychildhood.org)

## Why is this important to the children and families of the South?

The South is a region that will be particularly impacted by any cut in Medicaid funding at the federal level and by changes in the implementation of the program at the state level. This is due to several factors:

1. The South as a region has a **poverty level**, particularly for young children, that is consistently above that of the nation. (*Kids Count 2005*) This means that more of our children qualify for Medicaid.
2. **Access to health care** is limited in much of the South because of the rural nature of many areas of the states. Medicaid has helped to drive an increase in accessibility throughout many of these rural areas.
3. **Co-pays** for many of the South's very low-income families may be difficult. The establishment of co-pays may decrease the low-income family's access to health care.
4. According to Kids Count 2005, the South has a higher percentage of births to teenagers, ages 15-17; children living in families where no parent is working full-time; and children in single parent households than the nation. These are all **risk factors for young children**. Medicaid is a major provider of pre-natal care to low-income mothers and preventive health care for poor children.
5. Because of the South's poverty levels, **more Medicaid money** from the federal level generally flows to the states in our region, and the matching rate is lower. (Most SECA states receive 1 ½ to 3 times the amount of federal money that they commit in state funds. See Appendix II.) Reductions at the federal level may have more of an impact on the Southern region than other regions of the country.

## For More Information on Your State

Appendix I: *Most Significant Health Care Issues Currently Facing the SECA States*  
Appendix II: *Medicaid in the SECA States*

For more information, go to the SECA website at [www.SouthernEarlyChildhood.org](http://www.SouthernEarlyChildhood.org). Click on the "Public Policy" page. The following documents are available on this site:

*Kids Count 2005*  
*A Report on the Fiscal Health of the SECA States*  
*Uninsured Children*

Southern Early Childhood Association



Summary Prepared by the  
Southern Early Childhood Association  
PO Box 55930  
Little Rock AR 72215-5930  
800-305-SECA □ [www.southernearlychildhood.org](http://www.southernearlychildhood.org)

## Appendix I

### Most Significant Health Care Issues Facing the SECA States in FY 2006

State	Response
<b>Alabama</b>	No response listed.
<b>Arkansas</b>	As are almost all states, Arkansas is faced with increasing costs based on both demand (increasing eligibles) and inflation by increased costs. Federal rules and court decisions regarding access place increasing pressures on our state that is virtually barred from any competitive managed care by a federal court decree in which the state medical society, dental association and various other provider groups must consent to any changes in the fee structure that apply to them. For institutional care, 75% of the nursing home beds are financed by our Medicaid program. Though there are non-institutional options, those facilities' costs continue to increase for the recipients they serve. In essence, there is no shelter from the rising cost of publicly funded health care as there is none for privately insured. The exception is that for the vast majority covered under Medicaid, both by regulation and lack of the recipients own resources, there is no way to "share" the increase in these costs.
<b>Florida</b>	Rapidly escalating Medicaid and state employee health insurance costs.
<b>Georgia</b>	Expenditure and enrollment control and utilization.
<b>Kentucky</b>	The increasing cost of health care/insurance as it relates to employer sponsored health care for public employees and retirees. Medicaid, as well as private business-sponsored health insurance (particularly small businesses) and the chilling effect those increasing costs have on efforts to reduce the level of uninsured and/or maintain coverage for persons currently insured. The high incidence of chronic diseases (diabetes, cardiovascular disease, pulmonary disease) that are the direct result of conditions stemming from lifestyle choices: obesity, smoking and lack of exercise.
<b>Louisiana</b>	Funding shortage—A goal of the Louisiana Medicaid program is to "improve health outcomes by emphasizing primary and preventative care." Accomplishing this goal in the face of the potential reduction of Medicaid expenditure authority is one of the greatest challenges to the program. Continuing to provide health care at the same level of service in FY2006 will be difficult in light of the shortage of state funds, the increase in required state match due to the change in the FMAP rate, and the President's proposed budget for FY2006.
<b>Mississippi</b>	No response listed.
<b>North Carolina</b>	Controlling the rising cost of the Medicaid program.
<b>Oklahoma</b>	No response listed.
<b>South Carolina</b>	Health care market forces, such as rising pharmacy costs, technology costs, and staff shortages in the medical fields are the most significant issues facing the state.
<b>Tennessee</b>	Growth in the pharmacy program & potential loss of federal funds.
<b>Texas</b>	No response listed.
<b>Virginia</b>	The growth in expenditures for individuals in need of long term care services.
<b>West Virginia</b>	Funding to match caseload growth and medical inflation; decrease of federal funds (FMAP); increased subsidies for Medicare-Medicaid population; alternatives to long-term care.

Source: *The Fiscal Survey of the States*, National Governors Association and National Association of State Budget Officers, Table A-11, June 2005.

Southern Early Childhood Association



Summary Prepared by the  
 Southern Early Childhood Association  
 PO Box 55930  
 Little Rock AR 72215-5930  
 800-305-SECA □ [www.southernearlychildhood.org](http://www.southernearlychildhood.org)

Appendix II

Medicaid in the SECA States (2003)				
State	Percentage of Children Enrolled in Medicaid	Annual Average Medicaid Cost Per Recipient	Number of Uninsured Children	Medicaid Match Rate
Alabama	31%	\$931/child \$5,126/adult	1 in 11 (110,022 children)	2 to 1 \$24.01 federal to \$10 state
Arkansas	40%	\$1,755/child \$4,595/adult	1 in 9 91,974 children	3 to 1 \$28.88 federal to \$10 state
Florida	32%	\$1,449/child \$5,245/adult	1 in 7 673,934 children	1.5 to 1 \$14.29 federal to \$10 state
Georgia	34%	\$1,301/child \$5,390/adult	1 in 7 369,193 children	1.5 to 1 \$14.75 federal to \$10 state
Kentucky	37%	\$2,056/child \$6,405/adult	1 in 10 106,781 children	2 to 1 \$23.21 federal to \$10 state
Louisiana	38%	\$1,202/child \$6,082/adult	1 in 8 174,478 children	2.5 to 1 \$24.82 federal to \$10 state
Mississippi	41%	\$1,273/child \$5,466/adult	1 in 9 94,760 children	3 to 1 \$32.77 federal to \$10 state
North Carolina	32%	\$1,692/child \$6,701/adult	1 in 9 255,285 children	1.5 to 1 \$16.71 federal to \$10 state
Oklahoma	40%	\$1,169/child \$5,178/adult	1 in 8 124,835 children	2 to 1 \$23.97 federal to \$10 state
South Carolina	42%	\$1,454/child \$4,900/adult	1 in 10 111,298 children	2 to 1 \$23.12 federal to \$10 state
Tennessee	46%	\$1,543/child \$2,884/adult	1 in 17 92,841 children	2 to 1 \$18.24 federal to \$10 state
Texas	27%	\$1,534/child \$6,254/adult	1 in 5 1,410,750 children	1.5 to 1 \$14.99 federal to \$10 state
Virginia	21%	\$1,424/child \$6,699/adult	1 in 13 157,320 children	1 to 1 \$10.21 federal to \$10 state
West Virginia	43%	\$1,441/child \$6,177/adult	1 in 12 36,189 children	3 to 1 \$30.06 federal to \$10 state

Source: American Academy of Pediatrics and the National Association of Children's Hospitals and Related Institutions, [www.aap.org](http://www.aap.org) and [www.childrenshospitals.net](http://www.childrenshospitals.net). August 2003.

Southern Early Childhood Association



Summary Prepared by the  
 Southern Early Childhood Association  
 PO Box 55930  
 Little Rock AR 72215-5930  
 800-305-SECA □ [www.southernearlychildhood.org](http://www.southernearlychildhood.org)