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Needs of Medicaid, other human services are outpacing General Fund support

Alabama's health and human services likely can find enough budget cuts and one-time money to hobble through next year, but 2015 could be bleak without substantial funding increases, state officials said Wednesday during General Fund (GF) budget hearings in Montgomery. Representatives of Medicaid, the Department of Human Resources (DHR), mental health and public health all painted similar pictures of vital agencies operating on a shoestring after years of flat or declining state support.

Medicaid: Living on 'a lot of prayer'

Medicaid would receive \$615 million in GF money next year under Gov. Robert Bentley's \$1.7 billion budget proposal, the same amount as this year. The agency needs \$743 million but can survive level funding with "a lot of prayer, your help and some luck," State Health Officer Don Williamson told lawmakers Wednesday.

The program, which covered 936,000 Alabamians last year, will offset some of the shortfall by slashing reimbursements for non-primary care doctors, dental services, dialysis, lab work and X-rays by 5 percent, Williamson said. The agency also will cut back on adult eyeglasses and limit adults to an eye exam every three years. "Cutting the fat out of Alabama Medicaid is an oxymoron, because there is none," Williamson said.

Higher assessments for providers like pharmacies and nursing homes could fill more of the Medicaid funding gap, Williamson said, as could reduced enrollment from an improving economy. The program could increase co-pays to the maximum allowed by federal law, but that would raise only \$700,000 for an agency that receives \$5.7 billion in total state and federal funding, Williamson said.

A state advisory commission recently recommended that Medicaid create a series of regional community-based care networks to help control costs. The agency also needs to develop payment strategies based more on promoting patients' overall health, Williamson said. "We want to change from paying doctors and hospitals for doing things. Instead, we want to pay for outcomes," he said. "We ought to pay based on what we get back."

Bentley is leaning toward accepting the commission's recommendations, Williamson said, but those changes could not come soon enough to patch an expected hole in Medicaid's fiscal year (FY) 2015 budget. About \$41 million in one-time money will help the agency stay afloat next year, but it likely will need an additional \$100 million from the GF in fiscal year (FY) 2015 to maintain its relatively barebones operations, Williamson said. Sen. Billy Beasley, D-Clayton, suggested increasing Alabama's cigarette tax

to avert a massive Medicaid shortfall, one of the only mentions of the possibility of significant new revenues during Wednesday's hearings.

DHR: State funding tight as possible major federal cuts loom

Federal budget cuts in the name of deficit reduction could have a dramatic impact on DHR next year, Commissioner Nancy Buckner said Wednesday. Tens of millions of dollars could be at risk if certain child care and child welfare grants are cut as part of sequestration, Buckner said. DHR could lose another \$135.2 million in federal funds if Congress allows other child care funding and the Temporary Assistance for Needy Families (TANF) program to expire. Both decisions are due in March.

If those federal funds do not disappear, Buckner said, DHR can make it through next year with the \$72 million in GF money that Bentley recommended. That amount would be a small portion of DHR's overall budget of more than \$2 billion. Most of that money is from federal and local sources, and more than 70 percent of program spending is for food stamp benefits, which go to more than 900,000 Alabamians and are fully federally funded. The GF appropriation likely would not be enough to help restore the nearly 500 jobs that DHR has eliminated since 2008, Buckner said.

Mental health, public health: 'Very hard to get it back'

Alabama's mental health services would get no new GF money next year under Bentley's budget proposals, though they would gain about \$16 million from the Education Trust Fund (ETF). Even with that increase, the Department of Mental Health would remain far below its 2008 state funding level, Commissioner Jim Reddoch said Wednesday. Mental health received \$143.9 million from the GF in FY 2008, Reddoch said, but it is set to get just \$104.7 million next year.

Mental health has endured a steady stream of cutbacks, Reddoch said, falling from 7,000 employees and 16 state facilities in the late 1980s to about 1,300 employees and four facilities today. The additional ETF money would help the agency fund community-based services and reverse cuts to provider payments, Reddoch said.

The Department of Public Health could eliminate a nursing home waiver program for about 4,800 elderly and disabled Alabamians to help wipe out an \$11 million shortfall next year, Williamson said Wednesday. The program, which provides services to help people remain in their own homes instead of entering a nursing home, needs a \$6 million state funding increase to meet federal match requirements, he said. A \$1.5 million ALL Kids shortfall also could force a 3 percent cut to payments for doctors and other providers, Williamson said. ALL Kids is the state's health insurance program for low- and middle-income children whose parents do not qualify for Medicaid.

Public health has lost about 500 employees in the last two years, and flat state funding could force more job cuts next year, Williamson said. The department also could have to close some county health offices, he said, hampering the agency's ability to fight the spread of contagious diseases and leaving it without

offices in every county for the first time in 50 years. "Once you lose a statewide health system, it becomes very hard to get it back," Williamson said.

Lawmakers will hold another round of GF budget hearings next Wednesday, when they will hear from leaders of Alabama's courts, prisons and state troopers. The Legislature will return Thursday for its seventh of 30 allowable meeting days during the 2013 regular session.

Chris Sanders, policy analyst