

MEDICAID FUNDING – LET’S FIX THE REAL PROBLEM

THE ISSUE

As Maryland’s General Assembly gathers in 2012 to grapple with a projected state budget deficit of more than \$1 billion, Maryland’s Medicaid program is projected to be as much as \$300 million in the red. This marks the fifth consecutive year that Maryland’s Medicaid program has run a deficit, a gap that has been filled by costly assessments on hospitals, those who pay for hospital services like insurance companies and individuals, and other health care providers. Hospitals alone have experienced \$236 million in cuts between 2009 and 2012, including their share of the Medicaid assessments. Hospitals and payors anticipate that they will shoulder another \$390 million in assessments in fiscal year 2013, which begins July 1, 2012.

However, the key driver of Medicaid’s deficit is not hospital costs, but enrollment, driven in large part by the historic downturn in the economy that forced hundreds of thousands of Marylanders onto Medicaid’s rolls. In 2007, more than 520,000 Marylanders were in the program; that number is now 900,000 and is anticipated to top one million next year.

Unless a long-term, sustainable funding plan for Medicaid is developed, hospital and other health care provider cuts will grow exponentially as Medicaid enrollment expands even further under health care reform. This is partly because the state cannot reduce Medicaid eligibility to save money without losing the enhanced but temporary federal match provided by the reform law.

WHAT WE’RE FOR

- **A long-term funding solution** – Any short-term plan to eliminate Medicaid’s short-term deficit must be tied to a commitment to developing a long-term plan to fund Medicaid, including new revenue sources, before a crisis occurs.
- **Budget clarity** – Maryland’s Medicaid program must provide the public and the Legislature with clear, timely data about its budget, including how deficits are calculated.
- **Add assessments to hospital rates** – If further hospital cuts, via another assessment, are part of the Legislature’s deficit-reduction efforts, all of the assessment should be added to hospital rates and, therefore, shared fairly among the thousands of people who use hospital care, the insurers who charge their premiums, and the employers who self-insure their employees.
- **Keep hospitals financially sound** – Hospitals are one of the largest employers in Maryland, employing 95,000 people and creating a \$25 billion contribution to the state’s economy in jobs and purchases. In addition to hospitals’ previous contributions to the Medicaid deficit, legislators must keep in mind that hospitals are already receiving below-inflation rate updates, and will be required to invest millions in upfront funding to develop the health information technology infrastructure and other improvements demanded by health care reform. Integrated clinical care initiatives and new bundled payment programs to reduce readmissions will also require significant hospital spending.