Maryland Hospital Association

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THE GOVERNOR's FY 2013 MEDICAID BUDGET

The Impact on Hospitals

- While the percentage of hospital revenues subject to the budget assessment apparently remains unchanged, last year's $390 million assessment grows to $413 million due to hospital revenue growth. Maryland's total hospital provider tax as a result rises to 5.6 percent. This illustrates the need for a long-term solution to Medicaid funding; the President has proposed reducing the provider tax cap to 5.5 percent next year and, ultimately, to 3.5 percent.

- On top of the assessment is another $75 million in proposed cuts to hospitals and Medicaid services. Those additional cuts come from areas that support patient care:

    - The state would save $30 million by "tiering" outpatient and emergency department rates, in other words, allowing hospitals to increase rates for higher-cost services and lower them for lower-cost services. Because Medicaid patients tend to be healthier and lower cost, Medicaid would pay the lower rate, shifting costs to other payors.
    - The state would save $36 million by limiting the number of days the state will pay hospitals for taking care of "medically needy" patients ... those whose medical care becomes so complex and expensive that they qualify for Medicaid. These patients' costs would then fall under the state's uncompensated care system. Apparently there currently is no way for the program to identify these patients on their Medicaid card.
    - The state would save $9 million by changing the way the state allows hospitals to charge for services based on the percentage of low-income people they serve, known as "Disproportionate Share Hospitals."

The Impact on Other Hospital-related Services

- **Behavioral health services:**
    - A $10 million Medicaid inpatient utilization reduction would be achieved through "effective diversion strategies."
    - A $4.25 million inpatient reduction would be achieved through proposed cuts in payments for "purchase of care beds," used when the state pays a non-government acute care hospital to provide inpatient care for an uninsured psychiatric patient.
    - A $3.4 million reduction in psychiatric rehabilitation programming would be achieved through "further limitations in access for uninsured individuals."
    - A $1.5 million reduction in psychiatric rehabilitation programs would be achieved through services paid at the HSCRC rate.

    - A $3 million reduction would be achieved through proposed changes in the utilization of residential treatment centers.
    - A proposed 1 percent cost of living increase would cost the state $3 million.
    - 1.5 million is proposed to establish a medical home pilot for individuals with “significant behavioral health and medical conditions.”

- **Nursing home and long-term care services:**
    - The nursing home provider tax would be increased to 6 percent from 5.5 percent, yielding a $5.5 million increase in Medicaid taxes, a portion of which would fund a 1 percent increase in Medicaid provider payments.
    - A proposed cut in payments to nursing facilities for the additional costs of taking care of patients with communicable diseases would save the state $5.3 million.
    - The “bed hold” reimbursement, which essentially pays nursing homes to reserve a resident’s bed for the duration of that resident’s hospital visit, would be eliminated, redirecting $2.4 million to personal care services.
    - A 5.5 percent provider tax on medical adult day care centers would generate $3.4 million.
    - $18 million would be redirected from the alcohol tax to older adult/living at home waiver slots that allow needy patients to receive care at home or in an assisted living facility rather than a nursing home. This would increase each program’s slot by 300.

The Basic Problem Remains Unaddressed

- Maryland’s state budget deficit is $1 billion and growing. The response from the Governor and his Administration is, for health care, more of the same: big cuts.

- The only real solution to the Medicaid program’s soaring deficit is for the Legislature and the Administration to come up with a workable, long-term sustainability plan; not continuous cuts to hospitals and other providers trying to take care of more and more Medicaid patients with fewer and fewer resources.

- Medicaid’s budget deficit has been demonstrably caused not by hospital spending but by rapidly increasing enrollment, estimated to now be 1 million, almost double that of only a few years ago and a number that will grow under federal health care reform in 2014. A long-term, sustainable course is critical to the health of the program and to millions of Marylanders who depend on it.

- The potential impact of these cuts goes beyond health care. In most communities, Maryland’s hospitals are the largest employers, employing 95,000 people statewide. Cuts threaten not just health care services, but the jobs of the people who provide them.