States Juggle Medicaid Dollars

As Congress debates proposals to increase *Medicare spending for a prescription drug benefit, most states are considering how to* cut *Medicaid spending, often the biggest driver of state budget deficits. Why should public health practitioners and advocates care about Medicaid?*

State Medicaid programs affect public health efforts in at least three ways.

- Medicaid beneficiaries are more likely to have a "medical care home"—a physician or other care provider who is their primary source of health care and from whom they feel comfortable seeking care. With such established relationships, Medicaid patients are more likely to seek preventive and early curative care, thus improving their own well-being and, in the case of infectious diseases, minimizing the threat to the public's health.
- Some local public health agencies offer primary medical care as the provider of last resort; to the extent that Medicaid does not cover low-income individuals and families, the burden falls on these public health departments to provide care.
- Medicaid spending is crowding out other critical functions of state government, including public health. Medicaid's share of state budgets has almost doubled, rising from 8 percent of general fund spending in 1987 to 15 percent in 1997; including federal funds, the share has increased from 10 percent to 20 percent during that period (*State Health Watch*, July 2002, Vol. 9 No. 7, p. 2). But the rates of increase since FY 2000 are much more dramatic in our Northwest states, as indicated in the table on total Medicaid spending increases.

The increases during the 1990s were due in large part to expansions of eligibility, expansions that helped reduce the uninsured rates in many states as well as nationally. With the budget effects of the economic recession of 2001-2002 and tax cut and limitation measures enacted in the past 10 years, however, most states are no longer considering or implementing program expansions. Today, Medicaid budget increases are the result of general health care cost increases, increasing caseloads, and rising pharmaceutical costs.

Total Medicaid Spending Increase FY 2000-2001

State	Increase
Alaska	18.5%
Idaho	18.5%
Montana	8.3%
Oregon	24.7%
Washington	8.9%
Wyoming	11.5%

Source: U.S. Centers for Medicare and Medicaid Services.

Policy makers at the state and federal levels are considering various strategies to address this situation. Several bills in Congress would give states temporary increases in their federal Medicaid match rates; for example, U.S. Senate bill S. 2570 would increase the match rate for each state by one percentage point for the last half of FY 2002 and all of FY 2003. A pharmaceutical drug benefit for Medicare beneficiaries would also provide relief to states, since these costs are often borne by Medicaid programs. Finally, some have also called on the federal government to take over full responsibility for the so-called "dual eligibles," seniors who are also eligible for Medicaid.

Public health professionals need to pay attention to these proposals, as they may affect states' ability to support pubic health services and preparedness.

Northwest State Medicaid Strategies

States in the Northwest are focusing on the following high-priority strategies regarding Medicaid.

Strategy	Alaska	Idaho	Montana	Oregon	Washington	Wyoming
Cut Medicaid reimbursement rates	X	X				
Increase Medicaid reimbursement rates					X	
Maximize federal Medicaid payments			X		X	
Seek Medicaid waivers	X	X			X	
Consider cuts in Medicaid benefits	X	X	X	X	X	
Address Medicaid budget shortfall						X
Seek drug rebates		X	X	X		
Use generic or therapeutic drug substitution		X				
Develop purchasing pools for prescription drugs		X	X			
Seek supplemental rebates for inclusion on state Medicaid formulary				X	X	
Develop disease management and behavioral health management programs				X		

Source: National Conference of State Legislatures, 2002 *State Health Priorities Survey*.

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