

MEDICAID RE-BALANCING PLAN

- Medicaid – What is it? How is it funded? How many eligible recipients?
 - A program to provide health care benefits to the poor, disabled and aged, administered by the state in cooperation with the federal government.
 - Funded with state funds, which are matched with federal funds. For Fiscal Year 2012, the Medicaid budget is **\$1.8 billion in state funds**, plus another **\$4.3 billion in federal funds**. The total Medicaid budget, all funds included, for FY 12 is **\$6.1 billion**.
 - Under normal matching rates, there is a 71/29 match rate, meaning that for every 29 cents in state funding provided to Medicaid, the federal government contributes 71 cents.
 - Until June 30th, 2011, the match rate is approximately 78/22. For the past year it has been as high as 81/19.
 - There are over **817,000** Medicaid recipients in Kentucky. Nearly **446,000 recipients are children under age 18**. Another **84,000 are aged 65 or older**. At the height of the recession, Kentucky was adding as many as 3,000 people to the Medicaid rolls each month. That rate has gradually slowed to around 1,800 per month.
- Re-Balancing – Why necessary? How does it work?
 - 2010 Budget, House Bill 1, anticipated \$100 million in federal funding that Congress did not provide, creating a budget deficit only in the Medicaid program.
 - Re-Balancing requires an additional \$40 million, plus \$26.5 million requested to draw down federal funds at the highest possible match rate before July 1st, **which will actually save Kentucky \$12 million in state funds**.
 - The Governor's re-balancing plan (HB 305, 2011 RS) requests authority to move \$166.5 million from the second year of the budget to the first year. The second year would be balanced by the institution of managed care principles into the Medicaid program, which is projected to save the program at least \$166.5 million. "Managed care" is a model for delivery of health services that emphasizes wellness, prevention and appropriate utilization of services. It has been proven to reduce costs in other states that have tried it.
- What happens if we do nothing?
 - If we do not balance the Medicaid budget, provider rates must be reduced by 30% or more. This means that hospitals, doctors and other providers of health services will see their reimbursement rates severely reduced. This could lead to hospital closures in rural areas and job layoffs, plus reduced access to services.