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Economy forces states to reduce Medicaid spending

By Richard Wolf, USA TODAY

WASHINGTON — More than half the states are reducing Medicaid services and payments to health care providers this year as the recession propelled enrollments to record levels and sapped money from treasuries.



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Governors who will meet with President Obama this weekend have taken some actions to close budget deficits. Arizona froze enrollment in its Children's Health Insurance Program. California plans to close adult day health care centers next month. Nevada is cutting coverage for eyeglasses, dentures and hearing aids.



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Most states are threatening bigger cuts starting in July unless Congress extends a higher federal contribution included in last year's \$862 billion economic stimulus law. Some of those cuts would make it harder for low-income people to qualify.



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The moves are an about-face for a safety-net program that's grown for decades, now covering nearly one in six Americans.

"We're facing extremely difficult and painful budget decisions," says California Medicaid director Toby Douglas. "We're going to have to look at ways to contain costs and tailor our program to populations most in need."



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Medicaid enrollment rose by 3.3 million people, or 7.5%, from June 2008 and June 2009, new data from the non-partisan Kaiser Family Foundation shows. Enrollments rose in every state for the first time since the early 1990s. Medicaid is on average 21% of state budgets, equal to education.

Medicaid serves the nation's poorest children, some parents, pregnant women, people with disabilities and seniors in nursing homes. States must provide basic benefits for people who earn up to the federal poverty level of \$22,050 for a family of four. They aren't threatened by the cuts. States have added people at higher incomes and optional benefits, which are now at risk.

"During the boom times, legislatures expanded Medicaid pretty significantly," says Robert Laszewski, a health policy consultant. "It's the boom-bust problem."

The federal government pays 50% to 76% of the cost, based on state poverty rates. The stimulus law raised that to 61% to 85%, at a two-year cost of \$87 billion. Medicaid is projected to cost Washington nearly \$300 billion next year.


Now states are lobbying hard to keep the higher federal share in 2011. President Obama included it in his proposed budget, and the House included it in a jobs bill passed in December. The Senate has not acted.

The threatened reductions in governors' 2011 budgets come in three categories:

- California, Arizona and Virginia propose reducing who's eligible. In Arizona, 310,000 people would lose coverage. California also wants to increase premiums.
- Michigan, Tennessee, Massachusetts and others propose eliminating benefits. Massachusetts' elimination of restorative dental services would save \$56 million, says Medicaid director Terry Dougherty.
- Texas, Pennsylvania, Louisiana and others propose cutting payments to hospitals, doctors or nursing homes. Several states are considering new taxes on hospitals as a way to avoid cutting these payments.

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http://www.usatoday.com/news/washington/2010-02-18-medicaid-states-spending-cuts_N.htm

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