

Proposed Federal Medicaid Regulations: Impact on Missouri

Nationally, the Medicaid program provides health coverage and long-term care to almost 60 million low-income families, elderly, and disabled individuals. Missouri’s Medicaid program, known as MO HealthNet, currently serves approximately 830,000 Missourians. The Centers for Medicare & Medicaid Services (CMS), the federal agency responsible for monitoring and regulating state Medicaid programs, have proposed seven regulatory changes that would reduce federal funding for the Medicaid program. In Missouri, these regulations would reduce federal funding by approximately \$1.4 billion over the next 5 years.

Proposed Regulatory Changes

In 2007, the Administration advanced changes to the Medicaid program through the rule making process that would significantly impact states, providers, beneficiaries, and federal spending. CMS officials believe that these regulations are needed to “protect the fiscal integrity of the Medicaid program.” The Office of Management and Budget estimates that the proposed rules would reduce federal Medicaid spending by approximately \$15 billion over 5 years. The impact of the regulations includes a reduction in federal payments for public and teaching hospitals as well as a restriction in payments for services predominately used by the disabled and children.

How Changes Are Made to the Medicaid Program

The Medicaid program was enacted in 1965 through Title XIX of the Social Security Act, which contains the federal statutory and regulatory requirements of the program. For a state to participate in the Medicaid program and receive federal matching funds, it must have a state Medicaid plan that complies with the parameters of existing federal law. Changes to the Medicaid program can be made in several ways and at different levels of government.

Congress can make statutory changes to the Medicaid program by amending portions of Title XIX. CMS then issues regulations and provides administrative guidance to states to clarify these changes. Each state must then comply with the federal changes by amending their state Medicaid plan. A state may reform its Medicaid program by submitting either a waiver or a state plan amendment to CMS. State plan amendments must be ruled on within 90 days, while waivers have no official time limit and often take 9 to 12 months.

The proposed regulations discussed in this fact sheet stem neither from Congressional changes nor from a request by the states but directly from the Administration. The Secretary of the Department of Health and Human Services, under which CMS operates, has the general authority to issue regulations, also known as rules, “as may be necessary to the efficient administration of” the Medicaid program.¹

The U.S. House Committee on Oversight and Government Reform held hearings on these regulations in November 2007 and concluded that the rules at issue signify “action by CMS that was neither directed nor authorized by Congress.”² The Committee’s staff recently completed a report that surveyed state Medicaid directors on the fiscal impact of these regulatory changes. According to the states that responded (i.e., 43 states and D.C., accounting for 95 percent of Medicaid spending), the rule changes would reduce federal payments by \$49.7 billion over 5 years.³ Unless the Administration chooses to withdraw the proposed regulations, Congress would have to act to keep these rules from being enacted.

Impact on Missouri

Missouri would lose more than \$240 million in 2008 and \$1.4 billion over the next five years (see Figure 1) according to Missouri’s Department of Social Services (DSS).⁴ The state’s Medicaid Director stated in the Congressional report that “such a loss of funding would cause significant cash flow shortages, causing a

financial strain on Missouri hospitals which service almost 850,000 MO HealthNet participants plus the uninsured. This financial strain, in turn, will result in an adverse impact on the health and welfare of MO HealthNet participants and uninsured individuals in need of medical treatment.”

As seen in Figure 1, Missouri would be especially impacted by two of the regulations: 1) the elimination of payment for graduate medical education, which subsidizes the costs of training medical residents in public and teaching hospitals; and 2) the restriction on provider taxes as a state source of federal matching funds.

Combined, these two regulations would cost Missouri more than \$180 million in 2008 and \$1.1 billion over 5 years.

Fig. 1. Funding Impact of Proposed Medicaid Regulations on Missouri

CMS Medicaid Regulation	Federal Funds Lost (in millions of dollars)	
	In 2008	Over 5 years
Cost limits for public providers	22.1	110.7
Payment for graduate medical education	91.0	532.3
Payment for outpatient hospital services	5.9	36.6
Provider taxes	92.9	573.2
Coverage of rehabilitative services	None	None
Payments for costs of school administrative and transportation services	28.5	142.5
Targeted case management	Not Specified*	Not Specified*

*While DSS did not include an estimate of the impact of the rule change regarding targeted case management (TCM) services, Missouri did spend \$58.2 million on TCM services in state fiscal year 2007.⁵ Consequently, this regulation can be expected to have some impact on Missouri’s federal funding for these services. Using the federal estimate of how this rule change would reduce national spending, a reasonable estimate of Missouri’s loss of federal funding for TCM services would be approximately \$3 million for 2008 and \$17.4 million over the next five years.

If implemented as proposed, these seven rules would potentially shift billions of dollars in Medicaid costs from the federal government to the states. States would be compelled to choose between covering the costs with state revenue and/or cutting Medicaid services. In Missouri, the loss of \$1.4 billion over the next 5 years would make it difficult for the state to maintain current Medicaid services and unlikely that any new initiatives to reduce the increasing number of uninsured Missourians could even be considered.

Notes

¹ Section 1102 of the Social Security Act, 42 USC 1302

² US House of Representatives, Committee on Oversight and Government Reform, “The Administration’s Medicaid Regulations: State-by-State Impact,” March 2008, <http://oversight.house.gov/documents/20080303111450.pdf>.

³ Ibid.

⁴ The DSS full response to the House Committee may be accessed at <http://oversight.house.gov/features/medicaid08/mo.pdf>.

⁵ Calculated using the DSS Family Support Division/MO HealthNet Division Monthly Management Reports for fiscal year 2007, available at http://www.dss.mo.gov/re/fsd_mhdmr.htm.

“Medicaid: Overview and Impact of New Regulations” by the Kaiser Commission on Medicaid and the Uninsured available at www.kff.org/medicaid/upload/7739.pdf gives a description of the proposed regulations and a detailed explanation of their national impact.