2005 State Budgets Threaten Medicaid and SCHIP Safety Nets

During the economic downturn of the past three years, Medicaid and the State Children's Health Insurance Program (SCHIP) have kept many low-income families and children from losing access to health care and joining the growing number of uninsured Americans, according to two surveys conducted for the Kaiser Commission on Medicaid and the Uninsured.

However, even after years of aggressive reductions in Medicaid spending in every state, all 50 states are planning at least one new cost-containment action for their Medicaid programs in fiscal year 2005 that will restrict access to care, one survey found. The second survey found that after nationwide efforts since 1997 to expand the SCHIP program, 23 states have recently taken steps that will make it more difficult for eligible children and families to secure and retain coverage.

The Continuing Medicaid Budget Challenge: State Medicaid Spending Growth and Cost Containment in Fiscal Years 2004 and 2005 is based on a survey of state officials that was conducted in July and August 2004, at the end of most states' 2004 fiscal year and the start of fiscal year 2005. The survey indicated that Medicaid enrollment grew at a rate of 5.2 percent in 2004. Enrollment is expected to grow at a somewhat slower rate—4.7 percent—in 2005. Since the beginning of 2001, enrollment has grown by one-third, and the Medicaid program now provides coverage for 52 million low-income children, families, seniors, and people with disabilities.

The 85-page report notes that Medicaid spending by the states grew at an average rate of 9.5 percent in fiscal year 2004, basically unchanged from 2003, when the growth in spending slowed for the first time since 1996. Despite states' efforts to contain costs, Medicaid spending growth far outpaced growth in state tax revenues—9.5 percent compared with 3.4 percent in fiscal year 2004. Growth in enrollment, driven by a large increase in poverty, was most frequently cited by the states as the primary reason for Medicaid spending increases in 2004.

Every state in the nation as well as the District of Columbia implemented at least one new Medicaid cost-containment strategy in fiscal year 2004 and included at least one such strategy in its 2005 budget, according to the survey. Thirty-nine states reported facing increased pressure to control Medicaid costs, and another 12 states were facing constant but intense pressure. Forty-seven states adopted plans to freeze or reduce provider payments in 2005, and 43 states planned pharmacy cost controls. In addition, 14 states reported plans to restrict eligibility in 2005, nine states planned to reduce or restrict benefits, and nine states planned increased copayments.

The Kaiser survey identified some emerging trends for fiscal year 2005. First, fewer states than in past years took new actions to control prescription drug costs, cut or freeze provider rates, reduce or restrict eligibility or benefits, or increase beneficiary copayments. One reason is that some states are now realizing the cost savings of actions taken over the past three years. However, many state officials reported that they could not cut any deeper after years of cost containment in these areas. Another trend noted for 2005 is an increase in the number of states that plan to implement cost-containment actions directed at elderly persons and disabled persons through disease management programs and long-term-care initiatives. Many states may be turning to these strategies because these are high-cost populations and because the states have exhausted other options, the report notes.

State officials reported that special federal fiscal relief in 2004 helped them meet Medicaid budget shortfalls. Legislation passed by Congress in 2003 temporarily enhanced the federal Medicaid matching rate by 2.95 percent. The enhanced rate, which was in place for 15 months, expired on June 30, 2004. Thus states are expecting increases in their share of Medicaid costs in 2005 as they replace the loss of the enhanced support. The state share of Medicaid costs increased by 4.8 percent in fiscal year 2004 and is expected to increase by 11.7 percent in 2005. To be eligible for the federal fiscal relief, states were prohibited from reducing Medicaid eligibility standards. In 2005 those protections will not apply

The survey also found that states have a number of concerns related to the impacts on Medicaid of the Medicare Modernization Act. The most significant concern, raised by more that three-fourths of states, relates to the "clawback," a provision in the Medicare law that requires states to make payments to the federal government to help finance the Medicare drug benefit for so called dual-eligibles—low-income elderly beneficiaries and persons with disabilities who are enrolled in both Medicare and Medicaid. In January 2006, the more than six million persons in this population, who now receive drug coverage under Medicaid, must enroll in Medicare Part D to obtain drug coverage. States expressed concern that the clawback will more than offset any potential savings and that they will face a net increase in costs in 2006. However, only three states reported that they have allocated resources in fiscal year 2005 to meet these challenges.

Beneath the Surface: Barriers Threaten to Slow Progress on Expanding Health Coverage of Children and Families is a 62-page report based on a survey of state officials about state actions in regard to the SCHIP program from April 2003 until July 2004. The survey found that some states continue to make progress in enrolling children and families in SCHIP. For example, Illinois increased coverage for children from 185 to 200 percent of the federal poverty line ($29,360 for a family of three). Iowa eliminated the requirement that a child be uninsured for a specified period before applying for SCHIP.

However, 23 states took steps during the survey period that have made it more difficult for eligible children and families to secure and retain coverage.

The most common step, taken by 16 states, was to implement or increase premiums or to target them to families at lower income levels. Some states began imposing premiums on families with incomes just above the federal poverty line ($15,670 for a family of three in 2004). The report cites research showing that higher premiums reduce participation rates in public programs for individuals with low incomes, even when the premiums charged are relatively small. In addition to the higher premiums, 22 states reported having imposed a copayment for nonpreventive physician visits, care in an emergency department, inpatient hospital care, or prescription drugs for children.

The Kaiser survey also found that eight states have reversed previously adopted simplifications that facilitated SCHIP enrollment and have resurrected much stricter requirements for reporting and verification. One of the barriers most frequently cited by parents hoping to enroll their children in public programs is difficulty in obtaining all required documentation, the report notes.

To provide health care to the 45 million Americans who are uninsured, many policy makers have proposed expanding public coverage programs and spending more money on outreach efforts to help enroll individuals who are eligible for Medicaid and SCHIP but who do not participate in these programs, the report points out. However, state actions to reverse simplified enrollment procedures and increase cost burdens on low-income families will make any gains in coverage more difficult to achieve.

The two reports are available on the Kaiser Commission's Web site at www.kff.org/medicaid/kcmu100404pkg.cfm.

NEWS BRIEFS

Promising practices and programs for youths in the juvenile justice system: More than 100,000 youths are detained each day in correctional facilities. Studies suggest that as many as 60 to 75 percent of these youths have a mental disorder and 50 percent have substance use problems. The National Mental Health Association (NMHA) has developed a guide to help community leaders, advocates, and family members develop interventions to address the complex mental health problems of these youths. *Mental Health Treatment for Youth in the Juvenile Justice System: A Compendium of Promising Practices* describes evidence-based and promising practices that are effective in reducing recidivism rates. The 20-page document reviews basic values and principles that are the foundation of effective practices and describes core elements of effective programs as well as approaches that do not work. Interventions for special populations, such as youths with co-occurring disorders, adolescent girls, and youths of color, are also described. Eleven promising programs in communities across the United States are highlighted, and contact information for program leaders is provided. The guide is available along with two other recently released guides—*Advocacy Guide to Rights Protection for Youths in the Juvenile Justice System and Privatization and Managed Care in the Juvenile Justice System*—on the NMHA Web site at www.nmha.org.

Voice DISC for mental health assessments of youths in the juvenile justice system: The Office of Juvenile Justice and Delinquency Prevention (OJJDP) has issued an eight-page bulletin describing results of a study in which a new assessment instrument was used with a sample of 300 youths. The Voice DISC-IV is a version of the Diagnostic Interview Schedule for Children (DISC) that is self-administered with use of a computer and headphones. The Voice DISC has been shown to offer several advantages for use in this population, including minimal staff support requirements, immediate scoring that generates provisional *DSM-IV* diagnoses, and the assurance of privacy that can enhance the willingness of youths to disclose sensitive personal information. The bulletin summarizes best practices for assessing the mental health of juvenile offenders. It is available on the OJJDP Web site at www.ojjdp.ncjrs.org/publications.

Video on FASD for women in substance abuse treatment: The Substance Abuse and Mental Health Services Administration (SAMHSA) has created a video package for women in substance abuse treatment programs to raise awareness about alcohol-affected pregnancies. The hour-long video, "Recovering Hope: Mothers Speak Out About Fetal Alcohol Spectrum Disorders [FASD]," features women who tell stories about alcohol use during pregnancy and its effect on their children. Clinicians and researchers discuss disabilities associated with the syndrome and evaluation and intervention services. The video package includes a brochure to help counselors and facilitators lead discussions as well as an educational brochure for women. The materials were developed by SAMHSA's FASD Center for Excellence in response to a congressional mandate. The need for educational materials for providers and their clients was identified by a series of 17 regional town hall meetings on FASD. The video package can be obtained from SAMHSA's National Clearinghouse for Alcohol and Drug Information at www.ncadi.samhsa.gov.