



Medicaid Cuts at the Federal Level would hurt Colorado

Facts about Colorado’s Medicaid Program

The Colorado Medicaid Program serves 1 out of every 12 people; for children it is 1 out of every 6. As of October 2004, the average monthly enrollment for the Colorado Medicaid Program was 389,042 clients, according to the Department of Health Care Policy and Financing. The Department is estimating a monthly enrollment of 406,616 in FY 05-06 due to such factors as Colorado’s slower than average economic recovery, problems with CBMS, and the probable increased enrollment in Medicaid due to the Medicare Modernization Act.¹ Both Medicaid and CHP+ are considered “counter cyclical” programs, because they are intended to be largest during economically challenging times.

Three factors affect growth in the Medicaid budget: caseload growth, utilization, and cost of services. In Colorado, low-income children and adults made up 87% of the caseload growth in the last year. Low-income children and adults have the lowest “cost-per-client” rate, while people with disabilities and long-term care clients, mostly in nursing homes, have the highest “cost-per-client” rate. Nursing home care accounts for more than 60% of the Medicaid budget. After employer-based coverage, it is the second largest source of health insurance coverage in the nation. Medicaid is anticipated to cover 8.3 percent of Colorado’s population in 2005, at a cost of nearly \$3 billion.

Proposed Medicaid Cuts - House, Senate, and President comparison, 2006-2010²

	President	House	Senate
Revenue cut in Colorado	\$35,068,000 million	\$ 118 – 159 million	0/ Smith/Bingaman Amendment
Children losing health care as a result	10,200	9,200 – 12,200	0
Elderly losing health care as a result	2,300	1,800 - 2,400	0

Colorado’s Uninsured Population

Colorado has 746,330 full-time uninsured people, with an additional 562,670 people who were uninsured for a portion of the year. Children account for 176,740 of the full-time uninsured. Even more troubling is that 84% of the uninsured are members of working families.³ The more uninsured consumers we have, the more cost shifting for uncompensated care occurs, resulting in more costly premiums for the insured population.

¹ Department of Health Care Policy and Financing presentation to Colorado Assembly JBC, 1/05

² Families USA, Estimate range assuming \$15B - \$20B Federal Medicaid cut applied in equally annual increments.

³ Kaiser Family Foundation, State Health Facts, 2004

Impact on Colorado

Medicaid is a shared program between the state and federal governments. For every \$1 the state puts in, the federal government matches \$1; so in essence, every cut the federal government makes to Medicaid is doubled. It's less opportunity for Colorado to expand the Medicaid program or to even keep up with demand during poor economic times. The need does not disappear because funding is decreased, so it will be up to the states to figure out how to treat the people who are cut from the program due to budget cuts.

This enormous cost shift to the state level is very concerning. Colorado is in no position to make up the difference in funding levels as we are wrestling with our own budget problems and are further impaired by our TABOR limitations. Again, the people on Medicaid are primarily children, the disabled, and elderly; they will not find an alternative health care plan. They will become uninsured, but the need will not disappear. Increasing the number of uninsured leads to more uncompensated care for hospitals and providers, which leads to higher premium cost for the insured.

Cutting Colorado Medicaid hurts healthcare providers and the broader healthcare system. A substantial portion of Colorado's healthcare industry relies on Medicaid funding. Hospitals, nursing homes, and community health centers all depend on Medicaid funds to keep their doors open. In 2002, Medicaid payments infused Colorado hospitals with nearly \$494 million. In addition, Medicaid is a primary payer of 60% of Colorado's certified nursing facility residents. Bottom line—any cuts to Medicaid profoundly affect the economic viability of Colorado's healthcare system.

Colorado Medicaid also helps to strengthen the state's economy by creating jobs, supporting wages and generating business activity. Because Medicaid spending has an economic multiplier effect, each \$1 million that Colorado invests in Medicaid results in more than \$2.2 million in new business activity and more than 21 newly created jobs. When state revenues are declining and budget shortfalls are mounting, it does not make sense to cut funding that actually generates income for the state.

There are ways to improve Medicaid without the proposed cuts

The US Senate recognizes the importance of Medicaid and voted for the Smith/Bingaman Amendment. The Amendment struck Medicaid cuts from the Senate Budget Resolution and will establish a bipartisan commission to study Medicaid and make recommendations for the program.

Considerations:

- Address over **7 million “dual eligible” beneficiaries**, people who are both Medicare and Medicaid. Most of these people are in long-term care and/or have a chronic illness. This group accounts for 65% of all Medicaid expenses.
- **Encouragement and better utilizations of Federal 340B** for Medicaid saving 20% of Drug cost compared to Medicaid pricing. Avoids retail mark-up. Can negotiate sub-ceiling prices.
- **Maximum Allowable Cost** - State auditor report CO could have saved \$12 million by developing a MAC list.