

Issue Brief – One-Time Funding Replacement

HEALTH – MEDICAL ASSISTANCE

DOH IB 08-15

SUMMARY

The 2006 Legislature transferred \$19,149,600 ongoing General Fund from the Department of Health – Medical Assistance (Medicaid) to the Department of Human Services to offset federal fund reductions. These funds were replaced with \$19,149,600 one-time General Fund for FY 2007. The loss of these funds will reduce the Medicaid budget in FY 2008 unless they are replaced.

OBJECTIVE

The Department's objective is to maintain current Medicaid policy and service levels. Ongoing funding is required to do this.

DISCUSSION AND ANALYSIS

During the 2006 General Session, the Legislature provided a one-time appropriation to the Department of Health of \$19,149,600 and an ongoing appropriation of \$20,815,800 to DHS (\$1,666,200 for DJJS) for FY 2007. DHS also received a supplemental appropriation of \$11,103,700 (\$833,100 for DJJS) for FY 2006. The DSAMH received a one-time appropriation \$1,000,000 in FY 2007 and the 2005 Legislature appropriated \$2 million of one-time funding in FY 2006.

Impact of Federal Legislation

Recent federal legislation affected the funding stream and services of DHS in three areas: 1) Title IV-E Administrative funding; 2) Targeted Case Management (TCM); and 3) Disallowance of incentive funding for state match. In addition, policy changes by CMS will affect Medicaid funding for DCFS and the DSAMH. (Note- the Issue Brief "Update on Federal Funding" (Issue Brief DHS 07-00) has been provided for a more detailed explanation of the funding reductions.)

2006 Legislative Action

The 2006 Legislature transferred the ongoing General Fund to DHS to address the program funding shortfall because the programs were required to be maintained and the ongoing funding assured the continuation. This was especially important in light of the David C. lawsuit that impacted many of these same programs. The Legislature wanted to send a message that the Legislature was committed to funding and maintaining these programs.

The Legislative Management Committee established a Medicaid Interim Committee to evaluate all health and human services programs in an effort to address the funding shortfall and develop a long-term cost-

containment strategy for Medicaid. No recommendations have been implemented to date. The Committee recommended that five additional meetings be authorized for the next interim period. Other strategies were considered but no specific plans or recommendations were made.

Program/Funding Options

The one-time funding of \$19,149,600 General Fund must be replaced to maintain programs as their current levels. Not replacing this funding for FY 2008 could result in:

- Reduced services;
- Caseload limitations;
- Eligibility restrictions;
- Reduced reimbursement rates;
- Reduced program access.

The Legislature should make a policy decision regarding the allocation of the funding. The Department relies on legislative policy and action to determine the program implementation plans. The loss of these funds is a 5.28 percent reduction in the Medicaid program.

LEGISLATIVE ACTION

The Legislature should consider replacing the \$19,149,600 General Fund with ongoing funding. The Legislature should continue to consider both short-term and long-term Medicaid cost containment measures, such as the Preferred Drug List (PDL) and the consolidation of the Medicaid eligibility systems between Health and Workforce Services.