



DEPARTMENT OF SOCIAL
AND REHABILITATION SERVICES

Don Jordan, Secretary

House Appropriations Committee
January 13, 2010

Medicaid Reimbursement Rate Reductions

Secretary Don Jordan

For Additional Information Contact:
Katy Belot, Director of Public Policy
Docking State Office Building, 6th Floor North
(785) 296-3271



Medicaid Reimbursement Rate Reductions

House Appropriations Committee January 13, 2010

Thank you for the opportunity to testify today regarding the impact of the 10% Medicaid rate reduction that was instituted as a part of the November allotment reductions. For SRS, the 10% reduction in FY 2010 results in a reduction of \$6.2 million SGF (\$19.3 million All Funds) across all Medicaid programs. Attachment A details the estimated reductions by provider group in FY 2010. These cuts will reduce access to services for clients and impact the financial viability of Medicaid providers. The extent of this impact will differ by provider type and is also dependent on how long these reductions are in place. The following paragraphs further describe some of the anticipated impacts by provider and service type.

Community Mental Health Centers

The Governor's November 2009 allotment reduced Medicaid reimbursement rates by 10%. The Prepaid Ambulatory Health Plan (PAHP) is Kansas' community based mental health managed care program. The rate cut will reduce expenditures in the PAHP by a total of \$4,904,656 and reduce the share paid to CMHCs by an estimated \$4,664,818. This will seriously affect the financial viability of many CMHCs. As many as one third of CMHCs experienced an operating loss in their last reported fiscal year. The Medicaid rate reduction will worsen this situation and could threaten the ability of some CMHCs to remain open. Some CMHCs have already begun laying off staff. Other effects will be better known in the weeks ahead once CMHCs have a chance to assess the full impact of these budget cuts.

Independent Mental Health Providers.

One of the goals of community based mental health managed care was to expand the choice of mental health providers in the state. On July 1, 2007, prior to the inception of the managed care program, there were 654 independent mental health practitioners who were not working for CMHCs. Kansas Health Solutions, the managed care organization, now has 1,410 independent mental health practitioners enrolled in Medicaid. The rate reduction will



reduce payments to these providers by about \$239,838. Since these providers are not statutorily required to provide public mental health services, they may simply choose to discontinue serving Medicaid recipients, thereby reducing choice of providers.

Psychiatric Residential Treatment Facilities (PRTF) and Nursing Facilities for Mental Health (NFs/MH).

PRTFs provide comprehensive mental health treatment to children and adolescents who, due to mental illness, substance abuse or severe emotional disturbance, require treatment in a residential treatment facility. In FY 2009 PRTFs served over 902 children and adolescents. NFs/MH provide supports and treatment for persons with a severe and persistent mental illness (SPMI) who are unable to live successfully in the community without intensive levels of assistance. NFs/MH served 757 residents in FY 2009.

Both NFs/MH and PRTFs must meet federal Medicaid requirements. Meeting these requirements at current reimbursement rates is difficult for some facilities. Funding cuts may result in serious deficiencies in meeting requirements, some that could put residents at risk of harm. Some facilities may choose to close or be forced out of business. Residents in these facilities will need a home with intensive supervision for them to live successfully in the community or they will be referred to state mental health hospitals, who are also experiencing budget cuts. The number of families in crisis will increase if children with a serious SED are returned home. There could also be an increase in homelessness for adults with an SPMI.

Community Supports and Services

The 10% rate reduction to the Medicaid Home and Community Based Services waiver programs will have several effects on providers. We will see larger group living arrangements as providers move individuals from 2-4 bed homes into 5-7 bed homes to decrease the number of necessary staff. Consumers may see an impact on the quality of care due to a higher staff to consumer ratio in day and residential settings. Providers that have not been fiscally sound will go out of business, and smaller providers may be forced out of business regardless of their financial position. Individuals who self-direct their services will not be able to find attendants due to the decrease in the hourly rate.

Addiction and Prevention Services

The network of providers who deliver substance abuse services in Kansas has relied on Medicaid funding to support their operations. As a result of the rate reductions, capacity for needed services will continue to shrink and waiting lists will become a reality. Reduced



medical services at treatment centers may result in more referrals to emergency rooms. Fewer dollars for client medications will ultimately affect client outcomes. Dollars for transportation of clients will be reduced. Some treatment employees will see their positions reduced from full-time to part time to eliminate employee benefit costs, and some treatment positions will remain open. Some providers are also considering layoffs and furloughs as an effort to reduce costs.

The Governor's FY 2011 budget recommendation restores Medicaid rates to their prior levels.

Thank you for the opportunity to testify. I would be happy to answer any questions.