

Senate Finance Health & Human Resources Subcommittee

January 21, 2013

Virginia Hospital & Healthcare Association

- **Medicaid reform is an imperative, one we fully support**
- **Medicaid reform with coverage extension provides the policy leverage and financial resources to address the long term fiscal sustainability of this program**
- **Not authorizing a plan for Medicaid reform and coverage extension poses the greatest risk**
- **Virginia is well positioned to lead on Medicaid reform, and our chances are better now**

Why is Medicaid reform essential?

- The current one-size-fits-all benefit design and federal constraints inhibit innovation in serving the diverse groups of people covered by Medicaid today and make it difficult to rein in unsustainable growth in Medicaid expenditures.
- We agree that simple expansion of the existing program is not in the best long term interests of the Commonwealth.
- We have to fix this.

Why authorize pursuit of Medicaid reform and coverage extension?

- Federal financing of the optional coverage extension brings with it significant near-term savings to the state budget - \$317 million in net GF savings from SFY2014 – SFY 2018.
- These savings provide the resources needed to invest in the reforms that will make Medicaid sustainable over the longer term.
- The reform plan will include a circuit breaker or sunset opt-out for the optional coverage extension should the federal financial commitment change. (Arizona voted on an 80% match figure as a circuit breaker.)

Where do the near term GF savings come from?

The savings come from applying the federally financed coverage extension funds to replace state general funds only for:

- Inpatient care for prisoners;
- Community mental health services provided to low-income adults; and
- Lowering indigent care support to the state teaching hospitals (note: DMAS assumes that 50% of indigent care costs will remain because even with coverage extension there will still be many uninsured)

What do we risk by moving forward with an application for reform this year? Frankly, not much...

- Please remember, if CMS doesn't approve our plan, we don't have to move forward
- We're better off if we get our money back because we can show better stewardship
- Who is better able to direct our tax dollars? Federal bureaucrats in DC or our own state leaders?

What do we risk by **not** authorizing both Medicaid reform and coverage extension this year?

- Forfeiture of at least one year of 100% funds for newly eligible population
- The early years are when we have a greater chance of getting funding
- Virginia taxpayer dollars going to support other states like NY
- Lost GF savings from the coverage extension of \$150-200 million (SFY2014-15)
- Virginia still gets hit with \$4.5 billion in ACA payment cuts over 10 years
- Federal Medicaid DSH funds at risk, with major consequences for safety net hospitals, including the state's own hospitals

(over)

Virginia is well positioned to do Medicaid reform right

- Strong state leadership
- Stable and strong managed care systems statewide, currently serving the acute care population effectively, to build on, improve and extend to other populations, such as the waiver populations
- Health systems and health plans partnering and poised to accept risk, coordinate care and, most importantly, be held accountable for cost and quality results

Please support moving forward with Medicaid reform and coverage extension (Item 307 #38s)