

# Modern Healthcare

## Breaking the system: State budget battles gut healthcare for the most vulnerable

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April 23, 2016

Even as the White House touts the Affordable Care Act's successful coverage of nearly 20 million people, residents across the country are struggling to access and afford healthcare and social service programs.

State legislatures are seeing shrinking revenue because of tax cuts and low energy prices. North Dakota and Texas, which rely on oil tax revenue, are facing huge budget shortfalls.

Jesse Cross-Call, a policy analyst for the nonpartisan Center on Budget and Policy Priorities, said Medicaid, a large part of most state budgets, is one of the first places to make cuts. But Medicaid is a blunt instrument, he said.

Now, after years of threatening to do so, health and social service programs are cutting services or folding outright. Medicaid programs are seeing monthslong delays in approving beneficiaries.

Doctors in Oklahoma will see cuts to Medicaid provider rates in June. Kansas residents must wait months for Medicaid approval. Connecticut has suspended about \$140 million in payments to acute-care hospitals. The state hospital association said the move is “breaking the healthcare system.”

Some of the states affected already rank in the bottom half for overall health, with Oklahoma and Louisiana among the worst five states, according to America's Health Rankings. So how is this playing out, where and why?

### **Illinois' nearly yearlong budget impasse means providers aren't paid**

Cynthia Cunningham knows many Illinois seniors are struggling, but resources are so lacking that it's difficult to even keep track of the danger.

“These people aren't getting services at all. And because there isn't a provider, we really don't know how they're doing,” said Cunningham, president of the Illinois Adult Day Services Association.

Hospitals have eliminated staff and cut behavioral health services while smaller organizations are closing or are being sold. More older people are being forced into nursing homes. A senior can be cared for while remaining in the community for about \$800 a month, whereas a nursing home usually costs \$3,000 to \$5,000 a month.

Although Illinois' former governor, Democrat Pat Quinn, did expand Medicaid, his successor, Republican Bruce Rauner, is at a stalemate with the Illinois House speaker and has not passed a budget for the fiscal year that began in July 2015.

Speaker Michael Madigan is intent on a tax increase that Rauner will not support without Democratic concessions. As both sides refuse to budge, unpaid bills have stacked up, leaving some providers without payment since June.

Waitlists continue to increase as those who were receiving services see them cut or eliminated. About 3,200 seniors have lost home-delivered meals. Nearly 47,000 people have been denied substance abuse treatment and prevention services or seen those services pulled back. About 25,000 seniors could lose home health services.

A program that helps HIV-positive women deliver HIV-negative babies is set to close in October. The nearly 30 programs for victims of sexual assault have all made staff cutbacks.

Court intervention has gotten Medicaid payments to a few providers. But many closed programs depended on other state funds.

Trish Riley, executive director of the nonpartisan National Academy for State Health Policy, said the most vulnerable, low-income residents are the ones hardest hit.

“And I think that's a big part of the debate: How do you protect the vulnerable while balancing a budget?”

### **Louisiana can afford only two of nine contracts to run state hospitals**

In February, new Louisiana Gov. John Bel Edwards delivered an unprecedented 12-minute speech on prime-time TV and said the state's budget crisis meant the healthcare system was “on the verge of imploding” and faced “catastrophic cuts.”

“The healthcare services that are in jeopardy literally mean the difference between life and death,” the Democrat said. “Funding for vital services like hospice care and end-stage kidney dialysis would be impacted.”

Lois Simpson, executive director of the Advocacy Center of Louisiana, said she has had clients call and say their 50 hours a week of home healthcare has been cut to 20. She can help appeal some decisions, but she said there are many more who don't ask for help.

“They'll have no recourse but to get services at an institution, which a lot of people don't want and which is more expensive for the system,” she said.

Mental health services in the state, which were “already abysmal,” will also see cuts. That is likely to lead to more people out on the streets or serving time behind bars when they should be getting treatment, she said.

“Policywise, it just doesn't make any sense,” she said.

In 2012, Louisiana Gov. Bobby Jindal, a Republican, privatized the state's public charity-care hospitals.

Recently, the state Department of Health and Hospitals said it would be able to afford only two of the nine contracts this year, said Jan Moller, director of the Louisiana Budget Project, a not-for-profit that monitors state policy.

Louisiana has been in a budget crisis since about 2008. Jindal, like Kansas Gov. Sam Brownback, cut taxes relentlessly and saw state revenue plummet. With the addition of extremely low oil prices dragging the economy down further, the state faces a \$750 million shortfall for the fiscal year that begins in July, Moller said.

Edwards reversed Jindal's stance and accepted the expansion of Medicaid in Louisiana immediately after taking office in January. That is expected to allow coverage for an additional 400,000 residents, but whether there will be enough providers remains to be seen, Moller said.

“We just don't know yet because it's early in the game,” he said.

Michael Cannon, director of health policy studies at the libertarian Cato Institute, said the states' struggles show the inherent flaws in government-provided healthcare more than budget missteps.

Politicians “love to promise benefits, but they hate to deliver them,” he said.

And he doesn't see Medicaid expansion as a solution. He says the federal dollars just allow states to leave a budget unbalanced and prompt more unfulfilled promises.

To fix problems with access, he suggested loosening state licensing requirements and allowing caps on malpractice damages as some alternative ways to reduce costs and extend coverage.

Jesse Cross-Call of the Center on Budget and Policy Priorities says taxes on Medicaid managed care and increasing enrollment in those plans boosts revenue.

“If you get people coverage, the pressure on state budgets decreases because the state has to spend less money,” he said.

### **Kansas rural hospitals are closing their doors**

Kansas' Medicaid program is described by one advocate as "coming apart at the seams." It has such a long backlog for approval that some pregnant women have already given birth before they are approved for benefits. This means they are not receiving prenatal services, and the hospital where they deliver is writing it off as charity care.

With beneficiary approval taking four to six months and providers not getting paid in anything close to a timely manner, hospitals are cutting staff and services, said Sheldon Weisgrau, director of the Health Reform Resource Project, which helps the state secure grants under the Affordable Care Act.

“This is an administration and a Legislature that doesn't believe in government administration of services,” he said.

Republican Gov. Sam Brownback instituted massive income tax cuts in 2012. The decline in revenue forced lawmakers to blow through the state's reserves and shift money away from healthcare, education and infrastructure.

In March, the GOP-led Legislature passed a budget for fiscal 2016, but gave the governor authority to cut any of the appropriations because it is unlikely the state will receive enough revenue to equal even the scaled-back expenses.

The southeast Kansas town of Independence, population 9,500, lost its only hospital in October. Mercy Hospital was more than a century old, and the emergency room saw about 8,000 visits a year.

More than 70 rural hospitals in the country have closed since January 2010, according to a North Carolina rural health research center.

Research by iVantage Health Analytics released this year found that nearly 12 million patients are at risk of losing care because of the more than 650 rural hospitals across the nation facing closure.

### **Oklahoma could become first state to scrap Medicaid entirely**

An Oklahoma man recently drove more than an hour to reach Community Health Connection, a federally qualified health center in Tulsa, because he is uninsured, and it was the closest place he could go for diabetes care.

The man, in his early 60s, had been a firefighter.

Dr. Sarah-Anne Schumann, medical director of the clinic, told him he should get a routine screening for colon cancer, but he declined.

He told Schumann, “I don't want you to screen me for colon cancer, because if you find it I don't have a way to treat it without health insurance.”

She knew he had a point.

Around that time, the clinic CEO received an e-mail informing him that all state funding to federally qualified health centers was being eliminated, effective immediately. Days later, the state Medicaid program proposed a 25% cut in provider payments.

If approved, that will send even more patients to places like Community Health Connection, which is now fighting to keep its doors open and its employees paid.

Nico Gomez, CEO of the Oklahoma Health Care Authority, said the state could become the first to scrap Medicaid entirely in the next few years, leaving about 800,000 low-income Oklahomans without coverage.

But there is good news, Schumann said. A state Senate committee rejected a bill that would have cut Medicaid eligibility to any nonpregnant, able-bodied adult younger than 65, eliminating more than 100,000 beneficiaries. It would have mostly affected single mothers making less than \$9,000 a year.

“It's sad what we have to call good news,” she said.

Oklahoma's general revenue fund has been depleted by reduced oil and gas production revenue. The state also lost more than \$1 billion by shaving the top income tax rate to 5% from 6.65%. Oklahoma is already among the worst states for healthcare access because of high poverty, low insurance coverage rates, and not enough doctors and nurse practitioners. Its health outcomes consistently rank in the bottom five among states in national studies.

While some have suggested an infusion of federal funds through Medicaid expansion, the GOP-led Statehouse is not likely to approve the idea.