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States Streamline Medicaid Using U.S. Funds to Cut Costs

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By Molly Peterson

Jan. 18 (Bloomberg) -- A stipulation in the 2010 health-care law that bans U.S. states from dropping Medicaid patients has forced them to be more efficient in managing the program, according to a report published today.

While Medicaid, the joint U.S.-State health plan for low income people, is among the biggest expenses for states in a flagging economy, the 2010 health-care law prevents them from dropping members or tightening eligibility. A survey by the Kaiser Family Foundation found that more than half of states have streamlined their programs to save money, with most taking advantage of federal incentives to add new technology.

States and the federal government were projected to spend about \$442 billion combined on Medicaid in 2011, with about 61 percent of the total covered by the U.S. Twenty-six states challenging the constitutionality of the 2010 law at the U.S. Supreme Court contend the overhaul will saddle them with higher medical spending by broadening eligibility for Medicaid when the law expands coverage to 32 million uninsured Americans

"It is likely that in the absence of the requirement," keeping states from dropping Medicaid members, "more states would have limited eligibility for tightened enrollment procedures given ongoing budget pressures," the report found.

Instead, the report found that enrollment in Medicaid and the children's health program, called CHIP, grew or held steady in 48 of 50 states. About half of states now provide Medicaid to uninsured children whose family income is as much as 250 percent over the poverty line, according to the report.

Parents Denied

At the same time, 33 states limit the eligibility of parents of children in the CHIP program to those whose incomes fall below the poverty level, and 43 continue to deny Medicaid benefits to low-income adults who don't have children, regardless of their income, the researchers said.

Twenty-nine states improved their management of Medicaid cases on one way or another, the report found. Some created online applications and improved verification systems to streamline access to Medicaid and CHIP, or used electronic databases rather than paperwork submissions from families to verify incomes.

Georgia and South Carolina used information from their nutrition assistance programs to speed eligibility.

"Medicaid and CHIP remain key sources of coverage for low- and moderate-income children," the report said. "Coverage for parents, while remaining constant in 2011, continues to lag far behind that of their children."

While the law allows states to control program costs by increasing premiums and copayments for Medicaid and CHIP beneficiaries, most states didn't, according to the report.

Arizona, Nevada Exemptions

Arizona and Nevada, which received federal exemptions to the ban, were the lone exemptions, according to the report. Policies Arizona implemented in the last two years, including freezing enrollment for single childless adults, have saved the state about \$500 million a year, said Matthew Benson, a spokesman for Republican Governor Jan Brewer.

"The governor recognizes the impact these decisions have on real people but also believes that the state has been successful in preserving its underlying Medicaid program for more than 1 million Arizonans who depend upon it," Benson said.

Nevada's program reductions affected about 200 recipients of a total Medicaid population of more than 300,000, said Charles Duarte, administrator of the state Division of Health Care Financing and Policy.

Duarte couldn't provide dollar savings. The cuts mostly affected services for pregnant women who can seek care in state and federally subsidized health centers, he said.

--With assistance from Chris Christoff in Lansing, Michigan, Amanda Crawford in Phoenix, Chris Palmeri in Los Angeles and Alex Wayne in Washington.

Editors: Adriel Bettelheim, Andrew Pollack

To contact the reporter on this story: Molly Peterson in Washington at mpeterson9@bloomberg.net