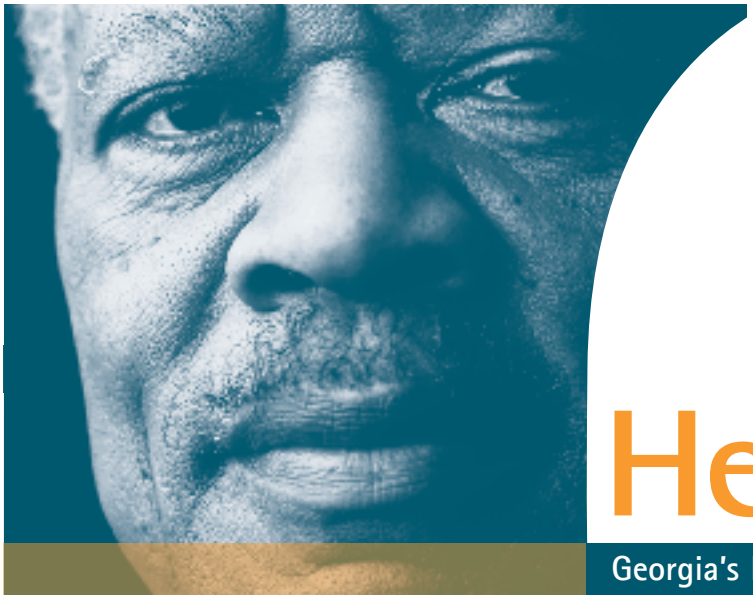

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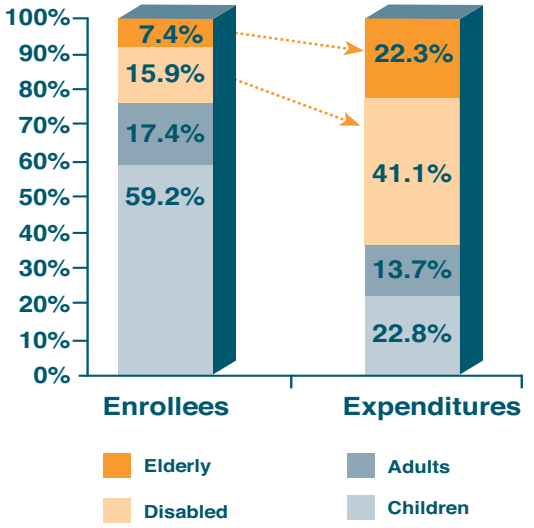
## Georgia's Medicaid Program: A Briefing for Community Leaders

*Winter 2005*

### Elderly and People With Disabilities Account for Almost Two-Thirds of Georgia's Medicaid Costs




Note: "Disabled" includes children and adults with a disability.
Source: Medicaid Enrollment and Expenditures FFY2002 MSIS data. Expenditures exclude administrative costs, DSH payments, Medicare payments and certain payment adjustments.

> "Georgia's Medicaid program provides health care coverage for 1.3 million low income people."

## Georgia is considering changes to the state's Medicaid program that may have significant effects on the availability of affordable, quality health care for low income Georgians. The state is planning to seek a broad waiver of current federal Medicaid regulations, known as a Section 1115 waiver. Section 1115 waivers grant states broad flexibility in implementing Medicaid in exchange for an agreement that federal Medicaid spending in the state will not be greater than it would have otherwise been during the five-year waiver period.

This policy brief is designed to serve as a primer for policymakers, community leaders, and health care providers who will be assessing the benefits and costs of changes to Georgia's Medicaid program. It provides basic facts on the Medicaid program, explores key features of Section 1115 waivers and poses questions for policymakers to consider when evaluating proposals to change Georgia's Medicaid program.

### *Who is Eligible*

Medicaid covered over 1.3 million Georgians in 2005, including 802,000 low income children, 184,000 adults, and 142,000 elderly, and 210,000 people with disabilities.[1] In Georgia, the definition of low income is based on the federal minimum requirements; however, Georgia's program also includes some optional eligibility categories such as pregnant women and infants up to 200% of poverty, women with breast or cervical cancer, and the medically needy.[2] Though most Medicaid beneficiaries are children and their parents, the majority of Medicaid spending, about 63%, is for services to the elderly and people with disabilities.

### *What health services do Medicaid beneficiaries receive?*

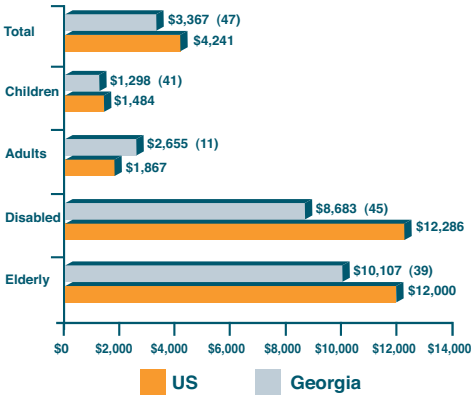
States are required to cover a minimum set of services under Medicaid, such as inpatient and outpatient hospital services, nursing facility care, physician services, and "medically necessary" services for children. Optional services in Georgia include pharmacy coverage, home and community-based long-term care services, non-emergency dialysis, and emergency dental care for adults.[3]

### *How is Medicaid financed?*

Medicaid is a federal/state matching program. In Georgia, the federal share is approximately 60%. This means that for every $1 Georgia pays for services to eligible individuals, the federal government also pays about $1.50. Georgia Medicaid spending is expected to total approximately $6.6 billion in FY 2005, including approximately $4 billion in federal dollars. Georgia's Medicaid spending per person is significantly less than the national average[4]. Georgia ranks 47th among the states in total per capita spending.



## GEORGIA VS. U.S. MEDICAID EXPENDITURES, 2002




Note: National rank in parenthesis
Source: Georgetown Center for Children and Families analysis of FY2002 MSIS data.

Medicaid is an entitlement program, meaning that all individuals who meet eligibility criteria are guaranteed health care coverage. Since the federal government matches the state's funding for the program, if enrollment increases due to unemployment or population growth or if health care costs increase, federal funds for Georgia's Medicaid program also increase.

## OVERVIEW OF SECTION 1115 WAIVERS

### What is a Section 1115 waiver?

The Medicaid program allows states to relax or change existing federal laws and regulations by seeking a waiver. A Section 1115 waiver is the broadest type of waiver available from the federal government, and typically these waivers last for five years. In exchange for additional flexibility from the federal government, all Section 1115 waivers require a "budget neutrality" agreement which affects the flow of federal Medicaid dollars into a state.

In recent years, a desire to restrain Medicaid spending has been a key factor in some states' waiver proposals.

Section 1115 waivers are *not* needed for many changes that a state may wish to make to its Medicaid program. For example, requiring beneficiaries to enroll in managed care does not require a Section 1115 waiver.[5] Section 1115 waivers are required, however, for the state to reduce health care benefits below federal minimum standards or raise cost-sharing in ways that are not permitted in the standard Medicaid program.[6]

Because Section 1115 waivers differ significantly from state to state and the specific elements of the Georgia proposal are not yet determined, it is useful to understand the standard features of the waiver process and the opportunities for policymakers to engage in evaluating the effects of the proposed changes for low income Georgians.

### Is there a public participation process?

Section 1115 waivers are subject to certain public process requirements, but they are not highly specific.[7] Consumers, health care advocates, health care providers, local government officials and other community leaders can provide comments to the Governor's Office and key legislators on the proposed waiver and its expected impact.

State legislatures have been very active in recent years in reviewing Medicaid waivers – vetoing them, approving them, or establishing procedures for their submission and implementation.[8] Federal legislators frequently submit comments to the federal government on a pending waiver.

### How do Section 1115 waivers change federal Medicaid funding?

The "budget neutrality agreement" sets the financial terms of the waiver agreement and is designed to ensure tha the federal government does not spend more federal Medicaid dollars over the five year life of the waiver than it would have if a waiver not been in place.

To enforce budget neutrality, the state must agree to a cap on federal funding. This cap could be a "global" or flat cap which establishes a hard limit on overall federal dollars or a per capita cap which establishes limits on federal funding per person enrolled in Medicaid. A per capit cap fluctuates with enrollment changes, but does not increase if health care costs rise more quickly than anticipated under the formula. Historically, budget neutrality agreements have included per capita caps, but some recent waivers have included global caps.[9]

Budget neutrality agreements establish annual spending targets, but enforcement by the federal government occurs at the end of the five-year waiver period and is based on aggregate spending over the five-years. If at the end of the five-year waiver period, total federal and state Medicaid funding exceeds the amount projected in the budget neutrality agreement, the state must assume 100 percent of the costs over the limit. In contrast, current Medicaid funding in Georgia is open-ended, with the state assured that the federal government will pay 60 cents of every dollar spent.

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## Potential changes in Georgia

Although discussions between the state of Georgia and the federal government about a Section 1115 waiver have begun, the specific elements of the proposal are not publicly available.[10] Options that have been considered in other states that may emerge in discussions of a Section 1115 waiver for Georgia are: 1) limits on total Medicaid funding increases; 2) changes in eligibility requirements; 3) reductions in benefits and/or granting flexibility to providers to determine which health services will be provided or to limit the number of Medicaid patients served; 4) changing the provision of long term care services; and 5) increasing cost-sharing and/or premiums that Medicaid beneficiaries are charged.

A proposal to limit state Medicaid funding to the rate of growth in state general revenue is being considered in Georgia. This has the potential to decrease the availability of affordable, quality health care for low income Georgians for several reasons. Changes in the economy, a break-through prescription drug, or a new epidemic such as avian flu can all affect the demand for Medicaid and Georgia already has low Medicaid spending per capita. Medicaid spending is designed to increase when economic conditions worsen and more people need services.

For example, if Georgia's Medicaid spending over the past five years had been limited to a growth rate of seven percent, to tie it to the growth in state revenue, $1.77 billion in state funding would have been cut from the program, and $3.26 billion dollars in federal funding would have been lost to the state. In FY 2004 alone, Georgia would have needed to cut nearly $1.5 billion from the Medicaid program in order to reach the seven percent target. A cut of $1.5 billion would be greater than the cost of all pharmacy services provided to Medicaid beneficiaries in FY 2004.

## Conclusion

As Georgia policymakers consider major changes in the state Medicaid program, it is critical for consumers, health care providers, and community leaders to engage in an open and informed dialogue on the options being considered. Key questions need to be asked and addressed about the benefits, costs and health consequences of potential changes. The success of any transformation of Georgia's Medicaid program should be measured by its ability to assure access to health care, improve the quality of health care, and contribute to better health for low income Georgians.

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## Key Questions

- Georgia is making significant changes to its Medicaid program by transitioning to managed care organizations in 2006. How would the changes sought through a Section 1115 waiver be coordinated with the move to managed care?
- How would a Section 1115 Medicaid waiver change the health services that Medicaid beneficiaries receive? Will additional or fewer services be covered by Medicaid?
- Will Medicaid beneficiaries be required to pay a greater share of health care costs? How would increased cost sharing limit the ability of these low income Georgians to receive health services?
- Georgia already has a relatively efficient Medicaid program, as indicated by the low per capita spending. How would a waiver lead to further efficiencies in Medicaid without compromising accessibility to quality health care for low income Georgians?
- Section 1115 waivers require a budget agreement that limits federal dollars. What impact will Georgia's Medicaid waiver have on the amount of federal funding coming into the state? What would be the impact on the Georgia state budget?
- How will the quality of health care be affected by changes to the Medicaid program?

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## Endnotes

1 April 2005 enrollment data provided by the Department of Community Health, Personal Communication, October 2005.

2 The Medically Needy population may qualify for Medicaid if they "spend-down" enough of their resources on medical care. Nursing home eligible elderly and disabled persons are covered up to 300% of the Supplemental Security Income threshold (about 221% FPL).

3 See Concept Paper Section 1115a Waiver of May 20, 2005 "Medicaid Modernization for a New Georgia,".

4 Ibid.

5 Exceptions include children with disabilities and individuals eligible for Medicaid and Medicare ("dual-eligibles") for whom a Section 1115 waiver is required.

6 These changes might include varying benefits packages based on the Medicaid beneficiaries health status or basis of eligibility. Permission to raise cost-sharing beyond nominal levels has been sought as well, although the scope of HHS' waiver authority in this area is in legal dispute.

7 See most recent Dear State Medicaid Director letter from Dennis Smith available at www.cms.hhs.gov/states/letters/smd50302.asp

8 Legislatures in Connecticut, New Hampshire, Colorado and California vetoed waiver proposals made by their Governors at varying stages of the waiver process. Iowa's legislature approved a Section 1115 waiver. The Florida legislature enacted a state statute which requires approval by the legislature of the Governor's Section 1115 waiver before it can be enacted and scaled back the scope of the waiver. See http://www.wphf.org/access/pubs/Medicaid4.pdf

9 Most recently Vermont received a "Global Commitment" Section 1115 waiver with a global cap which is currently being considered by the legislature.

10 See Concept Paper op. cit. and subsequent Questions and Answers from CMS and the state of Georgia.

Healthcare Georgia Foundation is a catalyst for better health and health care in Georgia. Through strategic grantmaking, Healthcare Georgia Foundation supports organizations that drive positive change; promotes programs that improve health and health care among underserved individuals and communities; and connects people, partners, and resources across Georgia.

HealthVoices is published periodically by Healthcare Georgia Foundation as an educational service to Georgians interested in health policy.

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