HMA

HEALTH MANAGEMENT ASSOCIATES

HMA Investment Services Weekly Roundup
Trends in State Health Policy

IN FOCUS: NASBO 50-STATE FISCAL SURVEY REVIEWED

HMA ROUNDUP: PENNSYLVANIA TO IMPLEMENT PHARMACY LIMITS; FLORIDA WAIVER APPROVAL DELAYED; MASSACHUSETTS BEHAVIORAL HEALTH RFP AWARDS EXPECTED BY YEAR END; GEORGIA EXCHANGE RECOMMENDATIONS EXPECTED THIS MONTH

OTHER HEADLINES: KENTUCKY TO ADD NEW PLANS IN LOUISVILLE AREA; CALIFORNIA HOLDS FIRST STAKEHOLDER MEETING ON DUAL-ELIGIBLE INTEGRATION; VIRGINIA EXCHANGE LEGISLATION COMING; SOUTH CAROLINA COMMITTEE RECOMMENDS FEDERAL-RUN EXCHANGE; ARKANSAS HALTS EXCHANGE PLANNING

RFP CALENDAR: MISSOURI PROPOSALS DUE NEXT TUESDAY;
KANSAS PROPOSAL DUE DATE PUSHED BACK

DECEMBER 7, 2011

Research and Consulting in the Fields of Health and Human Services Policy, Health Economics and Finance, Program Evaluation, Data Analysis, and Health System Restructuring

ATLANTA, GEORGIA • AUSTIN, TEXAS • BOSTON, MASSACHUSETTS • CHICAGO, ILLINOIS • COLUMBUS, OHIO
HARRISBURG, PENNSYLVANIA • INDIANAPOLIS, INDIANA • LANSING, MICHIGAN • NEW YORK, NEW YORK
SACRAMENTO, CALIFORNIA • TALLAHASSEE, FLORIDA • WASHINGTON, DC

Contents

IN FOCUS: KEY TAKEAWAYS FROM NASBO STATE FISCAL SURVEY

This week, our *In Focus* section highlights some of the key findings of the Fall 2011 *Fiscal Survey of the States*, released November 28, 2011 by the National Governors Association (NGA) and National Association of State Budget Officers (NASBO). Surveys of state budget officers in all 50 states were conducted in August and September 2011.[1] The results in the report focus on the key determinants of state fiscal health – general fund receipts, expenditures, and balances, or "rainy day funds." Additionally, the report highlights data and state-by-state budget actions by area of spending. Below we summarize the major takeaway points from the report, as well as highlight key findings on Medicaid-specific and other health care budget items. Additionally, we provide a summary table with many of the state-by-state data items discussed below.

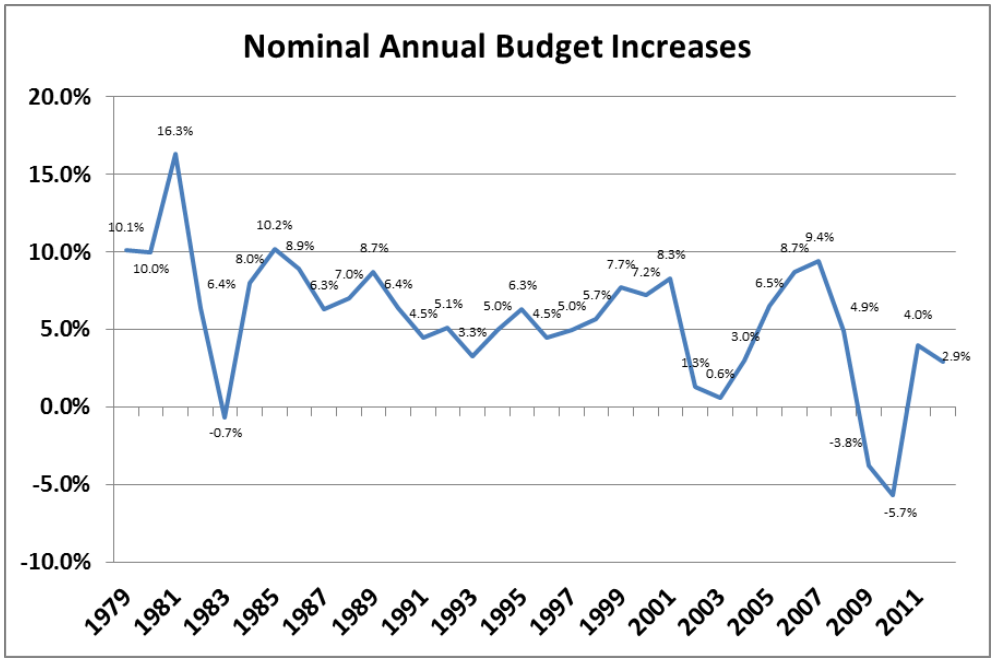
The full report is available on NASBO's website: (Link to report)

State Fiscal Overview

Generally, NASBO reports that state fiscal conditions are slowly improving in FY 2012. However, lack of a strong national economic recovery and withdrawal of American Recovery and Reinvestment Act (ARRA) funding means state budgets will continue to be challenged.

- Slow fiscal improvement began in FY 2011 – 38 states reported higher general fund spending compared with FY 2010. For FY 2012, 43 states reporting higher general fund expenditures compared with FY 2011.
- Recession had significant impact on state fiscal health – 29 states still have lower general fund spending in FY 2012 than pre-recession spending levels in FY 2008.
- States are less aggressive in cuts than they have been for several years – in fact, mid-year cuts are at their lowest levels since FY 2008, both in number of states enacting mid-year budget cuts and in the magnitude of those cuts. Only 19 states enacted mid-year budget cuts in FY 2011, totaling $7.4 billion. This compares with $18.3 billion (39 states) in FY 2010, and $31.3 billion (43 states) in FY 2009.
- Overall state spending is expected to grow slowly over the next few years. However, spending on Medicaid is expected to consume an increasing share of state budgets and grow more rapidly than state revenue. States reported $19.4 billion in increased Medicaid spending (combined state and Federal) in FY 2012 as compared to FY 2011. For comparison, K-12 education spending increased only $1.3 billion across all states.

[1] Note: NASBO indicates in their report that FY 2010 data in the survey represent actual figures, FY 2011 data are preliminary actual, and FY 2012 data reflect enacted budgets.



Medicaid Budget Action and Outlook

Combined state and Federal Medicaid spending for FY 2011 is estimated at $398.6 billion, an increase of 10.1 percent over FY 2010. State funds directed to Medicaid spending increased 16 percent, while Federal funds increased 6.9 percent, as a result of expiring ARRA enhanced funding for Medicaid. Meanwhile, Medicaid enrollment increased by 5.5 percent in FY 2011, and is projected to increase 4.1 percent in FY 2012. States have felt an increasing fiscal strain from increased enrollment during the recession, coupled with the higher rate of health care spending increases as compared to the economy as a whole. Forty-one states enacted Medicaid program adjustments in their FY 2012 budgets, totaling $19.4 billion in additional funding for Medicaid. We note that only four states – Illinois, Mississippi, South Carolina, Vermont – enacted negative program adjustments.

State Revenue Outlook

State revenues in FY 2012 are expected to come in $20.8 billion below FY 2008 revenue levels. However, for most states, the worst of the recession appears to be behind them.

State Revenues as compared to revenue projections	FY 2011	FY 2012
Lower	9	7
On Target	9	22
Higher	32	15

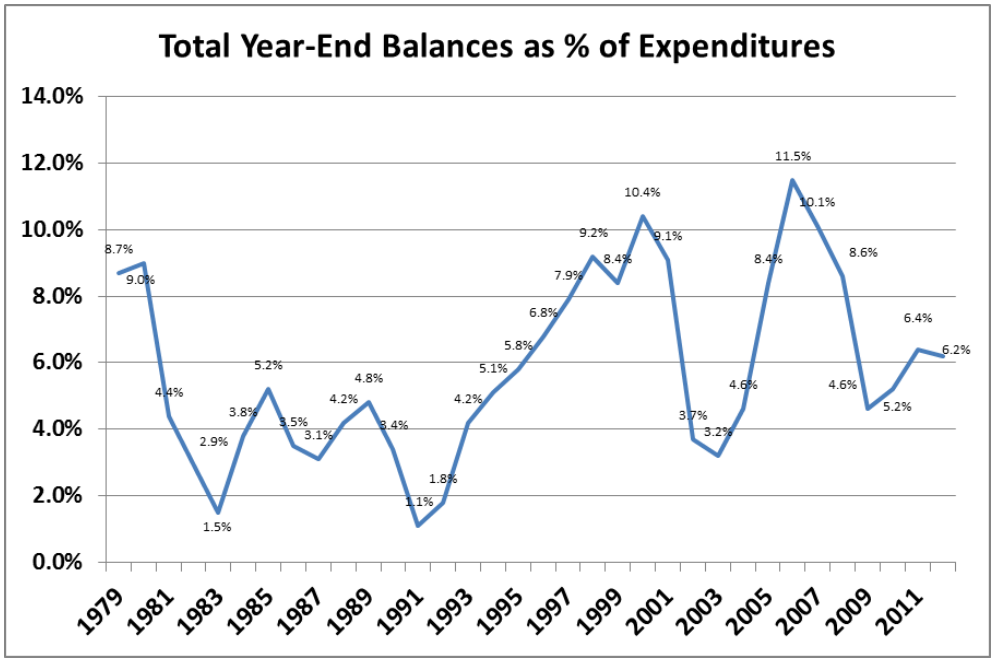
In FY 2011, 32 states had total revenues higher than targeted projections. Nine states reported revenues on target with projections, while another nine states reported revenues lower than projected. So far in FY 2012, fifteen states are reporting revenues higher than

projected, with 22 states reporting revenues on target, and only seven states reporting revenues lower than projected. For FY 2012, states have enacted a net decrease of $584.2 million in new taxes and fees, along with a decrease of $2.6 billion in new revenue measures. The report summarizes revenue changes by area:

- ***Sales Taxes***—Eight states enacted sales tax increases while 5 states enacted decreases in their fiscal 2012 budgets for a net decrease of $690.5 million. Much of this change is due to the expiration of a temporary sales tax in North Carolina.
- ***Personal Income Taxes***—Three states enacted personal income tax increases in their fiscal 2012 budgets while 14 states enacted decreases for a net increase of $571.0 million. Much of this is due to changes in Connecticut and Michigan.
- ***Corporate Income Taxes***—Four states enacted personal income tax increases while 13 states enacted decreases in their fiscal 2012 budgets for a net decrease of $1.3 billion. Much of this is due to changes in Michigan.
- ***Cigarette and Tobacco Taxes***—Three states enacted cigarette and tobacco tax increases for a net increase of $58.1 million. Much of this is due to rate changes in Connecticut.
- ***Motor Fuel Taxes***—One state enacted motor fuel tax increases for a net increase of $8.7 million. This change is due to rate changes in Connecticut.
- ***Alcohol Taxes***—Three states enacted alcohol tax increases for a net increase of $97.1 million. Much of this is due to rate increase in Maryland.
- ***Other Taxes***—Six states enacted other tax increases while 9 states enacted decreases in their fiscal 2012 budgets for a net increase of $511.2 million. Much of this is due to changes in Connecticut.
- ***Fees***—10 states enacted fee increases for a net increase of $127.8 million. Much of this is due to changes in Oregon and Massachusetts.

Rainy Day Funds

The NASBO report also includes data on state's total balances and budget stabilization funds. Total balances include year end balances and any budget stabilization funds. Prior to the recession, NASBO reports that states had significant total balance levels – as high as 11.5 percent of general fund expenditures in FY 2006. Total balance levels fell to only 4.6 percent of general fund expenditures in FY 2009. As state fiscal conditions have slowly improved, FY 2012 levels are preliminarily up to 6.2 percent. However, NASBO notes that Texas and Alaska dominate the national total balance picture, accounting for more than 45 percent of total balance levels. Excluding Texas and Alaska, state total balance levels represent only 3.7 percent of expenditures. In some states, total balances levels are even lower, with 12 states enacting FY 2012 budgets with total balance levels below one percent.



NASBO notes that 48 states have budget stabilization funds, or "rainy day funds," which may be budget reserve funds, revenue-shortfall accounts, or accounts used for cash flow. Rainy day fund levels have improved as well since FY 2009, with FY 2012 budgets calling for rainy day fund totals of $12.3 billion across all states.

	Nominal % Expenditure Change from Prev. Year		Enacted Medicaid Program Adjustments FY 2012		Total Revenue Actions FY 2012	Total Balances FY 2012		Total Rainy Day Funds FY 2012	
	FY 2011	FY 2012	Y/N	Value ($ M)	Value ($ M)	Value ($ M)	% Total Exp.	Value ($ M)	% Total Exp.
Alabama	-1.3%	0.0%	Y	$ 298.5	$ -	$ 38	0.5%	$ -	0.0%
Alaska	-8.0%	21.3%	Y	$ 62.7	$ -	$ 11,944	162.0%	$ 11,981	162.5%
Arizona	6.6%	-0.7%	Y	$ 611.9	$ -	$ 14	0.2%	$ -	0.0%
Arkansas	3.6%	2.8%	N	$ -	$ (24.0)	$ -	0.0%	$ -	0.0%
California	4.9%	-6.1%	Y	$ 2,264.0	$ (38.0)	$ 1,313	1.5%	$ 543	0.6%
Colorado	3.1%	3.5%	Y	$ 402.4	$ -	$ 261	3.6%	$ 261	3.6%
Connecticut	3.7%	4.8%	Y	$ 166.0	$ 1,851.7	$ 81	0.4%	$ -	0.0%
Delaware	6.3%	9.3%	Y	$ 63.8	$ (25.9)	$ 646	18.1%	$ 186	5.2%
Florida	13.3%	-2.8%	Y	$ 274.0	$ (44.8)	$ 1,853	7.9%	$ 495	2.1%
Georgia	6.8%	0.8%	Y	$ 606.6	$ -	$ 1,131	6.6%	$ 445	2.6%
Hawaii	2.7%	12.7%	Y	$ 236.4	$ 155.9	$ 50	0.9%	$ 6	0.1%
Idaho	-4.9%	6.1%	Y	$ 128.0	$ -	$ 3	0.1%	$ -	0.0%
Illinois	3.1%	12.6%	Y	$ (199.0)	$ -	$ 678	2.3%	$ 276	0.9%
Indiana	1.3%	6.2%	Y	$ 287.7	$ (2.9)	$ 1,220	8.8%	$ 61	0.4%
Iowa	-0.3%	13.5%	N	$ -	$ (32.2)	$ 875	14.6%	$ 596	9.9%
Kansas	8.7%	6.0%	Y	$ 240.0	$ 2.3	$ 8	0.1%	$ -	0.0%
Kentucky	4.0%	5.0%	Y	$ 3.1	$ -	$ 122	1.3%	$ 122	1.3%
Louisiana	-11.0%	6.9%	N	$ -	$ -	$ 649	7.9%	$ 647	7.8%
Maine	0.8%	5.8%	Y	$ 153.3	$ (54.9)	$ 1	0.0%	$ 46	1.5%
Maryland	-1.4%	11.4%	Y	$ 810.5	$ 104.9	$ 1,082	7.3%	$ 682	4.6%
Massachusetts	5.4%	1.4%	N	$ -	$ 45.9	$ 1,622	5.0%	$ 1,275	3.9%
Michigan	12.0%	-4.2%	Y	$ 731.5	$ (533.3)	$ 269	3.2%	$ 258	3.1%
Minnesota	6.2%	7.7%	Y	$ 1,370.5	$ 4.0	$ 473	2.8%	$ -	0.0%
Mississippi	4.8%	2.2%	Y	$ (92.2)	$ -	$ 87	1.9%	$ 87	1.9%
Missouri	1.8%	3.5%	Y	$ 206.9	$ (39.3)	$ 350	4.4%	$ 250	3.1%
Montana	1.8%	4.4%	Y	$ 40.6	$ (1.3)	$ 302	16.5%	$ -	0.0%
Nebraska	0.3%	4.4%	Y	$ 110.5	$ (2.0)	$ 553	15.9%	$ 421	12.1%
Nevada	3.9%	-6.9%	Y	$ 71.6	$ 159.9	$ 163	5.2%	$ -	0.0%
New Hampshire	-7.3%	-4.2%	N	$ -	$ -	$ (5)	-0.4%	$ 9	0.7%
New Jersey	1.9%	1.3%	Y	$ 423.9	$ (185.0)	$ 639	2.2%	$ -	0.0%
New Mexico	-2.9%	4.4%	Y	$ 295.0	$ -	$ 235	4.3%	$ 263	4.8%
New York	6.1%	2.8%	Y	$ 3,166.0	$ 3.0	$ 1,737	3.1%	$ 1,306	2.3%
North Carolina	-0.1%	6.4%	Y	$ 590.0	$ (1,453.0)	$ 371	1.9%	$ 296	1.5%
North Dakota	4.2%	20.7%	N	$ -	$ (77.0)	$ 1,327	66.6%	$ 386	19.4%
Ohio	9.0%	1.6%	Y	$ 1,453.0	$ (446.0)	$ 402	1.4%	$ 247	0.9%
Oklahoma	5.8%	3.0%	N	$ -	$ -	$ 361	6.5%	$ -	0.0%
Oregon	-4.1%	15.9%	Y	$ 330.2	$ 20.9	$ (313)	-4.4%	$ 61	0.9%
Pennsylvania	2.5%	-4.1%	Y	$ 73.7	$ (66.6)	$ 558	2.1%	$ 140	0.5%
Rhode Island	3.3%	7.1%	Y	$ 162.7	$ 21.7	$ 203	6.4%	$ 149	4.7%
South Carolina	1.0%	9.9%	Y	$ (58.6)	$ -	$ 416	7.3%	$ 288	5.1%
South Dakota	1.5%	0.2%	Y	$ 24.6	$ -	$ 110	9.5%	$ 107	9.3%
Tennessee	11.2%	6.9%	Y	$ 657.9	$ 107.6	$ 323	2.9%	$ 311	2.8%
Texas	4.3%	7.3%	Y	$ 1,641.0	$ -	$ 6,668	15.1%	$ 5,882	13.3%
Utah	6.1%	1.5%	Y	$ 74.0	$ -	$ 211	4.4%	$ 204	4.3%
Vermont	6.9%	6.3%	Y	$ (34.8)	$ 13.0	$ 58	4.7%	$ 58	4.7%
Virginia	4.5%	7.1%	Y	$ 661.3	$ 7.4	$ 306	1.8%	$ 304	1.8%
Washington	-1.4%	6.4%	Y	$ 346.0	$ -	$ (406)	-2.6%	$ 136	0.9%
West Virginia	2.6%	8.2%	Y	$ 2.4	$ (30.8)	$ 1,549	38.0%	$ 820	20.1%
Wisconsin	5.8%	4.4%	Y	$ 713.6	$ (25.3)	$ 73	0.5%	$ -	0.0%
Wyoming	-10.7%	0.6%	N	$ -	$ -	$ 571	36.3%	$ 571	36.3%
US TOTAL	**4.0%**	**2.9%**		**$ 19,429.8**	$ (584.1)	$ 41,176.0	6.2%	$ 30,175.0	4.5%

HMA MEDICAID ROUNDUP

Florida

HMA Roundup – Gary Crayton

According to AHCA Secretary Liz Dudek, final approval of the state's waiver is expected to be granted in January 2012. The state had previously hoped to receive approval before the end of 2011. As a reminder, the state must secure the existing Medicaid 1115 waiver before implementing the new program, which will require amendments. Among the issues likely to be scrutinized is the state's plan to overhaul its Medically Needy program including imposing premium requirements. Medically Needy serves people who have suffered catastrophic illness and become eligible for Medicaid program.

Georgia

HMA Roundup – Mark Trail

Recommendations related to the development of a health insurance exchange are scheduled to be delivered to the governor by mid-December 2011. The report is expected to echo the recommendations of a legislative committee which called for two separate exchanges administered by the state, one for individuals and one for small group employers.

In the news

- **Tax reform debate will return when legislature convenes**

  Key legislators said Tuesday that tax reform will be the main issue of the legislative session that starts next month, but how to solve it remains elusive. Efforts to pass a sweeping tax-reform package bogged down in the final days of the last regular session. It would have extended the sales to tax to include dozens of services and groceries while lowering the income tax and eliminating the tax factories pay on energy used in manufacturing. Senate Republicans offered three proposals Monday to a House-Senate committee considering the tax-reform package. One would tax food while the other two would raise the tax on a pack of cigarettes $1 or raise the current sales tax another penny per dollar purchase, as all different alternatives to replacing the revenue given up by eliminating the manufacturing-energy tax. (Online Athens)

Illinois

HMA Roundup – Matt Powers and Jane Longo

The Illinois Legislature met for a special session late last week to address a package of tax incentives for Sears Holding Corp. and the Chicago Mercantile Exchange (CME) and Chicago Board of Exchange (CBOE) groups to remain in Illinois. The Legislature did not move on any of the key health care-related legislative items - including enabling legislation for the health insurance exchange and a hospital provider tax bill. House Speaker, Michael Madigan called the House back for a special session this Monday, December 5,

to attempt to finalize the Sears and CME/CBOE tax incentive packages. It does not appear that the Legislature will take up any other legislative matters until Spring session.

The Legislature passed a bill last week allowing The Department of Health and Family Service (HFS) to hire qualified personnel for twenty positions outside the limitations of the state's procurement code. Senate Bill 1762 allows HFS to hire twenty employees with specific knowledge in the areas of healthcare administration, healthcare finance and healthcare data analytics or information technology. This could include personnel with a background in medical, dental and pharmaceutical services, to those with experience in data analytics or highly complicated Internet technology and computer systems.

Massachusetts

HMA Roundup – Tom Dehner

The state has yet to award contracts under the behavioral health RFP. Awarded contracts will be implemented in March 2012, and the state is likely to award by the end of 2011. Bidders include Magellan, Beacon, Centene, and ValueOptions.

There has been no update on the radiology benefits RFP.

Michigan

HMA Roundup – Esther Reagan

The Department of Community Health (DCH) has proposed to allow most Medicaid beneficiaries dually eligible for Medicare ("duals") to voluntarily remain or enroll in Medicaid HMOs to receive their Medicaid benefits, subject to approval of the policy by the federal Centers for Medicare & Medicaid Services (CMS). Such approval was received in early November, and DCH began sending letters to the approximately 160,000 duals eligible for managed care in mid-November inviting them to enroll in Medicaid HMOs. The letters are being mailed in phases, by county groupings. Letters to duals residing in Upper Peninsula counties as well as in the state's largest counties (Oakland, Genesee, Kent, Macomb and Wayne) will be the last to be mailed.

Pennsylvania

HMA Roundup – Izanne Leonard-Haak

The Department of Public Welfare (DPW) is implementing a limit of six prescriptions for drugs per calendar month effective January 3, 2012. The limit applies to Medicaid beneficiaries age 21 or over. The change does not apply to beneficiaries who are under 21 years of age, pregnant or reside in a nursing facility, in an intermediate care facility (ICF/MR), or in an intermediate care facility for persons with other related conditions (ICF/ORC). Exceptions will also apply under the following conditions:

- The Department determines the recipient has a serious chronic systemic illness or other serious health condition and denial of the exception will jeopardize the life of the recipient.

- The Department determines the recipient has a serious chronic systemic illness or other serious health condition and denial of the exception will result in the rapid, serious deterioration of the health of the recipient.
- The Department determines that granting a specific exception is a cost effective alternative for the MA Program.
- The Department determines that granting an exception is necessary to comply with Federal law.

Thus far, UnitedHealthcare and UPMC have implemented the policy changes while Keystone Mercy, AmeriHealth Mercy and Gateway have indicated they plan to implement the changes. HealthPartners, Coventry and Aetna have not announced plans to implement the change to date. The state expects annualized savings from these changes to be $63 million.

Also on the prescription drug front, Pennsylvania will be prior authorizing all preferred anti-psychotics for children under 18 years old. Currently, prior authorization applies when prescribed to children under 6. Annualized savings of $1.098 million ($0.500 million in State funds) are estimated for FY 2012-2013. The change was made following recent reports of inappropriate use of anti-psychotics among children enrolled in Medicaid across the country.

OTHER HEADLINES

Arizona

- **Prison inmates in Arizona crying foul over medical care**

  To stave off a lawsuit, Arizona's Department of Corrections has agreed to investigate scores of complaints by inmates that they are routinely denied medical care for weeks or months even for severe, life-threatening conditions. Inmates who have lost sight, had body parts amputated or been severely disfigured, among other gruesome examples, say proper medical care could have prevented needless suffering. Based on those allegations, a legal coalition has accused the state of chronically and systemically denying medical and mental-health care to inmates, violating state and federal laws and the U.S. Constitution. In mid-2009, the Republican-led Arizona Legislature passed laws requiring Corrections to privatize prison medical care and to pay providers at a rate no higher than that paid by the Arizona Health Care Cost Containment System. (AZ Central)

Arkansas

- **Arkansas Regulators no Longer Pursuing State-run Health Insurance Exchange**

  Arkansas Insurance Commissioner Jay Bradford has announced that planning efforts for an Arkansas-run health benefits exchange have ended. He stated that legislative opposition to developing an Arkansas exchange has quashed the state's efforts to meet federal requirements for implementation of its own exchange by the Jan. 1, 2014, deadline. This opposition, coupled with a lack of state authority, means that Arkansans will

be served by the federal health benefits exchange with enrollment beginning Oct. 1, 2013. Bradford explained that the health benefits exchange planning steering committee, a volunteer advisory group he appointed in April of this year to address policy recommendations for an Arkansas exchange, recommended that it and six associated work groups addressing state exchange planning disband following the acknowledgement that a state-based exchange was no longer a viable option. (Insurance Journal)

California

- **Inland Empire Readies Low-Income Health Plans**

  San Bernardino and Riverside counties are poised to launch two new Low-Income Health Programs as a precursor to wider expansion of health insurance under the federal health reform law in 2014. Officials in both counties anticipate the new health care plans could go live as early as Jan. 1, 2012. The federal government still needs to sign off on the final paperwork, but approval from CMS is expected to be issued by that date. San Bernardino County's program, called Arrowcare, and Riverside County's plan, called Riverside County Healthcare, both will cover low-income residents who don't qualify for Medi-Cal. Medi-Cal is California's Medicaid program. The transitional period will come to a close at the end of 2013. The low-income plans then will be retired and participants in those plans will move into programs established by the Affordable Care Act. At that point, individuals in the plans can join Medi-Cal or choose among public or commercial health plans, most likely those offered in the state's new health insurance exchange. (California Healthline)

- **Dual Eligibles a Tricky Population To Manage**

  DHCS held a stakeholder summit last week to discuss the dual eligible demonstration project. It was the first of three stakeholder meetings this month. Others are scheduled Dec. 12 in San Francisco and Dec. 15 in Los Angeles. Last week's forum focused on mental health and substance use issues among dual eligibles. About 52% of the dual eligibles have some kind of mental health diagnosis. The state has the authority to run four county-based pilot programs to iron out the details in advance of a bigger duals conversion at some later date. (California Healthline)

Delaware

- **Children's health insurance program carries high cost**

  As Blue Cross Blue Shield of Delaware's merger with Pittsburgh-based insurer Highmark progresses toward an expected approval, one loose end stands to gain some attention today: a program to provide health coverage for thousands of uninsured Delaware children. State lawmakers passed legislation last summer calling on Highmark and Blue Cross to provide affordable coverage for Delaware families whose incomes are too high to quality for the state's children's health insurance program, or CHIP. Delawareans with incomes up to 200 percent of the poverty level -- $44,700 for a family of four -- qualify for the publicly funded CHIP. By the best estimates, more than 9,000 Delaware children miss out -- and could benefit from assistance to make children's insurance cheaper and more available, officials say. But, behind the scenes, proposed costs of the Blue Cross program have become a big enough sticking point that some po-

litical leaders think high costs could undermine the program. Blue Cross has filed a rate application with the Delaware Department of Insurance that calls for monthly premiums to begin around $265. By comparison, premiums in Highmark's program in Pennsylvania start around $50 and rise to about $210 monthly. The insurance department will hold a hearing on that rate application tonight from 6-8 p.m. in its Dover offices. (Delaware Online)

Kansas

- **Major insurance companies in the hunt for Kansas Medicaid contracts**

  Twelve companies have formally expressed interest in bidding on a Kansas contract to provide Medicaid managed care services, according to state procurement officials who have refused to identify the firms. Of the seven most prominent potential bidders identified by KHI News Services through interviews and various searches of public records, one is a Kansas-based mutual insurance company owned by its policyholders. The other six are for-profit, publicly traded companies headquartered in other states or subsidiaries of such companies. They include: Centene, WellCare, Amerigroup, United, Coventry, Aetna, and Blue Cross Blue Shield. (Kansas Health Institute)

Kentucky

- **Passport to lose exclusive contract for Louisville-area Medicaid**

  Passport Health Plan's exclusive contract to provide Medicaid coverage to 170,000 people in Jefferson County and the surrounding region will end next year under a recent decision by federal authorities. The federal Centers for Medicare and Medicaid Services informed Kentucky officials by letter last month that the state's arrangement with Passport will be extended until Dec. 31, 2012. But after that date, the letter said, the state must adopt a new "delivery model that ensures adequate choice for Medicaid beneficiaries" in the 16-county region. Passport, a nonprofit consortium of hospitals, doctors and other health care providers, can continue to offer Medicaid services in the region. But after 2012 it would likely have to compete with other managed-care companies. (Courier-Journal)

Maine

- **65,000 MaineCare recipients to lose health coverage under LePage plan**

  More than 65,000 low-income residents will lose health coverage through the state's MaineCare program under a sweeping overhaul proposed Tuesday by the LePage administration. Seeking to address a $120 million shortfall in the Department of Health and Human Services budget in the 2012 fiscal year, the governor took aim at MaineCare, the state's Medicaid program. His proposal called for tightening eligibility requirements, eliminating services and repealing coverage entirely for thousands of MaineCare recipients to bring Maine's program closer to national averages. (Bangor Daily News)

Nebraska

- **$28 million in Medicaid cuts**

State Medicaid officials are proposing to cut more than $28 million worth of services for low-income Nebraskans. On the chopping block would be previously controversial reductions in services that keep disabled and elderly people out of nursing homes. Capping behavioral health therapy for children and adults at 60 visits per year also was proposed. In addition, the plan would eliminate nutritional supplements and require Medicaid recipients to pay $50 for any nonemergency visit to a hospital emergency room. (Omaha.com)

North Carolina

- **Budget shortfall could mean catastrophic Medicaid cuts after all**

North Carolina Department of Health and Human Services officials said Monday that state lawmakers have changed their tune about finding funds to fill a projected $139 million Medicaid budget shortfall, forcing them to consider making catastrophic cuts to the program. Unless lawmakers find more money for Medicaid, many adult services, like hospice care and mental health care, could be on the chopping block. The state could also reduce reimbursements to physicians who treat Medicaid patients by up to 20 percent, DHHS officials have said. They say lawmakers publicly pledged to help fill the shortfall in October after it became clear that the agency couldn't make the $356 million in cuts required in the state budget. (WRAL.com)

South Carolina

- **Committee advises S.C. wait for a federal health care exchange**

South Carolina shouldn't bother to create its own health insurance exchange under the Affordable Care Act because federal rules for such exchanges remain uncertain, according to a report by a panel of state health experts. The S.C. Health Planning Committee also noted that the S.C. Department of Health and Human Services already has its hands full dealing with a projected 60 percent increase in Medicaid recipients under the Affordable Care Act. The committee released its voluminous report – 101 pages, with another 300-plus pages of appendixes – on Thursday, nearly nine months after being created by Gov. Nikki Haley. The committee, funded in part by a $1 million federal grant, examined the feasibility of establishing a state health insurance exchange under the federal health care law. Exchanges are designed to detail costs of various alternatives and allow consumers to shop for the most appropriate coverage. (The Sun News)

Virginia

- **Delegate seeks bill for health insurance exchange**

Gov. Bob McDonnell won't seek legislation next month to create a health insurance exchange, but a top Republican in the House of Delegates said the state cannot afford to wait and risk the federal government imposing an exchange with its own rules. Del. Terry G. Kilgore, R-Scott, chairman of the House Commerce and Labor Committee, said Monday that he already has asked that legislation be drafted to create a state-operated exchange. Kilgore said his request, made just before the Monday deadline for drafting bills to be pre-filed, is meant as a placeholder that will be revised to address the details of creating an exchange. Some legislators are worried about the unknowns in setting up an exchange, such as what the minimum benefits package would be, how

the state would pay for the exchange's operation after the federal government pays for the initial setup, and how much it would cost for businesses to comply. (Richmond Times-Dispatch)

West Virginia

- **Statehouse beat: Gov. Tomblin not the first to freeze Aged and Disabled Waiver**

  Effective today, Gov. Earl Ray Tomblin is freezing enrollment in the program, after giving providers all of six days advance notice that enrollment would be closing. Two previous governors froze enrollment in the program as well, and each eventually reopened enrollment, either as a result of public uproar or legal action, or both. Each administration has had roughly the same explanation for its action: Costs for in-home care are increasing, the federal Medicaid funding match is decreasing, it's an optional program under Medicaid regulations, the elderly are a growing segment of the state population ... Advocates such as Marc Harman with the state Senior Programs Directors' Association counter that freezing A-D waivers costs the state much more in the long run, not only because nursing-home care is more than twice as expensive as in-home care, but because elderly folks lacking in-home services generally first end up going to emergency rooms and extended hospital stays before going to nursing homes. (Sunday Gazette Mail)

United States

- **HHS' CHIP Program Launches Medicaid.gov**

  The Center for Medicaid and Children Health Insurance Program (CHIP) Services launched a new website last week. The website features guidance on federal policies, statistical breakdowns of Medicaid and CHIP programs, a State Resource Center and information about the implementation of the Affordable Care Act. In a letter introducing the website, Cindy Mann, director of the Center for Medicaid and CHIP Services, asked for feedback on how to improve its functionality and content. "We are a work in progress," Mann said. "We wanted to make the key elements available as quickly as possible and we have plans for ongoing improvements. The new website is located at http://www.medicaid.gov/. (Governing Magazine)

PRIVATE COMPANY NEWS

- **Settlement talks for WellCare whistle-blowers under way**

  Negotiations are under way in the WellCare Health Plans Inc.'s Medicare and Medicaid fraud case that may provide whistle-blowers with more money in any settlement. Those include how four whistle-blowers will split their percentage of money recovered from the Tampa company. One whistle-blower had objected last year to the $137.5 million WellCare agreed to pay to settle lawsuits and resolve a federal investigation. His attorney said the settlement was inadequate because the government had underestimated WellCare's fraud, which might have been as high as $600 million. Whistleblowers who report such fraud are entitled to receive 15 to 25 percent of any settlement. (TampaBay.com)

RFP Calendar

Below we provide our updated Medicaid managed care RFP calendar. The events are color coded by state/program and are listed in date order. We note that Missouri proposals are due next Tuesday.

Date	State	Event	Beneficiaries
December 13, 2011	Missouri	Proposals due	425,000
December 16, 2011	New Hampshire	Proposals due	130,000
January, 2012	California (Central Valley)	Evaluation (delayed)	N/A
January 1, 2012	Virginia	Implementation	68,000
January 15, 2012	New Hampshire	Contract awards	130,000
January 17, 2011	Hawaii	Contract awards	225,000
January 17, 2012	Washington	Contract awards	800,000
January 18, 2011	Pennsylvania	Proposals due	465,000
January 31, 2012	Kansas	Proposals due	313,000
January 31, 2012	Ohio	RFP Released	1,650,000
February 1, 2012	Louisiana	Implementation (GSA A)	255,000
March 1, 2012	Texas	Implementation	3,200,000
March 1, 2012	Massachusetts Behavioral	Implementation	386,000
February 28, 2012	Nebraska	Contract awards	75,000
April 1, 2012	New York LTC	Implementation	200,000
April 1, 2012	Louisiana	Implementation (GSA B)	315,000
June 1, 2012	Louisiana	Implementation (GSA C)	300,000
July 1, 2012	Georgia	RFP Released	1,500,000
July 1, 2012	Washington	Implementation	800,000
July 1, 2012	Hawaii	Implementation	225,000
July 1, 2012	Florida	LTC RFP released	2,800,000
July 1, 2012	New Hampshire	Implementation	130,000
July 1, 2012	Nebraska	Implementation	75,000
July 1, 2012	Missouri	Implementation	425,000
July 15, 2012	California (Central Valley)	Implementation	N/A
September 1, 2012	Pennsylvania	Implementation - New West Zone	175,000
January 1, 2013	Georgia	Contract awards	1,500,000
January 1, 2013	Kansas	Implementation	313,000
January 1, 2013	Florida	TANF/CHIP RFP released	2,800,000
March 1, 2013	Pennsylvania	Implementation - New East Zone	290,000
October 1, 2013	Florida	LTC enrollment complete	2,800,000
October 1, 2013	Florida	TANF/CHIP enrollment complete	2,800,000
February 1, 2014	Georgia	Implementation	1,500,000

HMA Recently Published Research

Moving Ahead Amid Fiscal Challenges: A Look at Medicaid Spending, Coverage and Policy Trends – Results from a 50-State Medicaid Budget Survey for State Fiscal Years 2011 and 2012

Vernon K. Smith, Managing Principal
Eileen Ellis, Managing Principal

Kathleen Gifford, Principal

For the 11th consecutive year, the Kaiser Commission on Medicaid and the Uninsured (KCMU) and Health Management Associates (HMA) present their budget survey of Medicaid officials in all 50 states and the District of Columbia. The annual survey tracks trends in Medicaid spending, enrollment and policy initiatives with data for FY 2011 and FY 2012. (Link to report)

Managing Medicaid Pharmacy Benefits: Current Issues and Options

Vernon K. Smith, Managing Principal
Sandy Kramer, Senior Consultant

This report examines reimbursement, benefit management and cost sharing issues in Medicaid pharmacy programs. The analysis, conducted by researchers from the Kaiser Commission on Medicaid and the Uninsured and Health Management Associates, focuses on the potential of several measures recently highlighted by HHS Secretary Kathleen Sebelius to reduce Medicaid pharmacy costs. The findings were informed, in part, by the perspectives of a group of Medicaid pharmacy administrators convened by the Foundation in May 2011. (Link to report)

UPCOMING HMA APPEARANCES

Michigan Association of Community Mental Health Boards: "Preparing for Healthcare and Integration - Specialty Health Homes" "How Others Are Doing It: Missouri Department of Mental Health"

Alicia Smith, Presenter

December 12, 2011

Lansing, Michigan

NGA National Summit on Government Redesign: "Opportunities for Medicaid Redesign"

Vernon K. Smith, Speaker

December 13, 2011

Washington, DC