
HB 305

Amendment to 2010-12

Executive Branch Budget

**Presentation to House Appropriations and
Revenue Committee**

February 8, 2011

HB 305 Includes Two Budget Amendments

- Rebalance the Medicaid Budget
 - Meet Federal Maintenance of Effort to receive \$134.9 million Federal Funds for K-12 Education
 - Requires adjustments to Postsecondary Education Appropriations
 - Neither requires additional funds over the biennium
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Medicaid Biennial Budget Gap

State Funds

	<u>millions</u>		
	<u>FY 2011</u>	<u>FY 2012</u>	<u>Biennial Total</u>
Budgeted Cost Containment Measures	\$ (125.5)	\$ (83.6)	
Lower Enhanced FMAP			
Budgeted Enhanced FMAP	\$ (238.0)		
Enhanced FMAP Approved by Congress	<u>\$ 138.0</u>		
Remaining Gap Due to Lower Enhanced Match Rate	<u>\$ (100.0)</u>	<u>\$ -</u>	
Total Medicaid Reductions Needed to Balance	\$ (225.5)	\$ (83.6)	
Management and Cost Containment Measures Taken and Planned to Date	\$ 86.5	\$ 80.2	
Remaining State Funds Gap	<u>\$ (139.0)</u>	<u>\$ (3.4)</u>	<u>\$ (142.4)</u>

Cost Containment Measures Taken

- \$86.5 million FY 2011 \$80.2 million FY 2012
- Reduce unnecessary use of medical services, treatments and ER visits;
- Eliminate the ability of some patients to “doctor-shop” in order to obtain unnecessary drugs;
- Manage pharmacy costs more effectively;
- Increase efforts to collect payments from liable third parties for Medicaid services provided;
- Stop paying hospitals for hospital acquired infections and errors;
- Recoup payments to providers by partnering with the Department of Revenue; and
- More aggressively identify fraud and abuse.

Medicaid Rebalancing Plan

- Budget neutral - no impact to other state programs
 - Shifts \$166.5 million of Medicaid General Fund appropriation from FY 2012 to FY 2011
 - \$139 million will provide the state match necessary to fund FY 2011 anticipated expenditures
 - \$27.5 million will allow Medicaid to process payments within FY 2011 at the highest possible federal match rates
 - Adjusts federal funds in each year accordingly
 - Recognizes new managed care initiatives and other efficiencies to balance FY 2012
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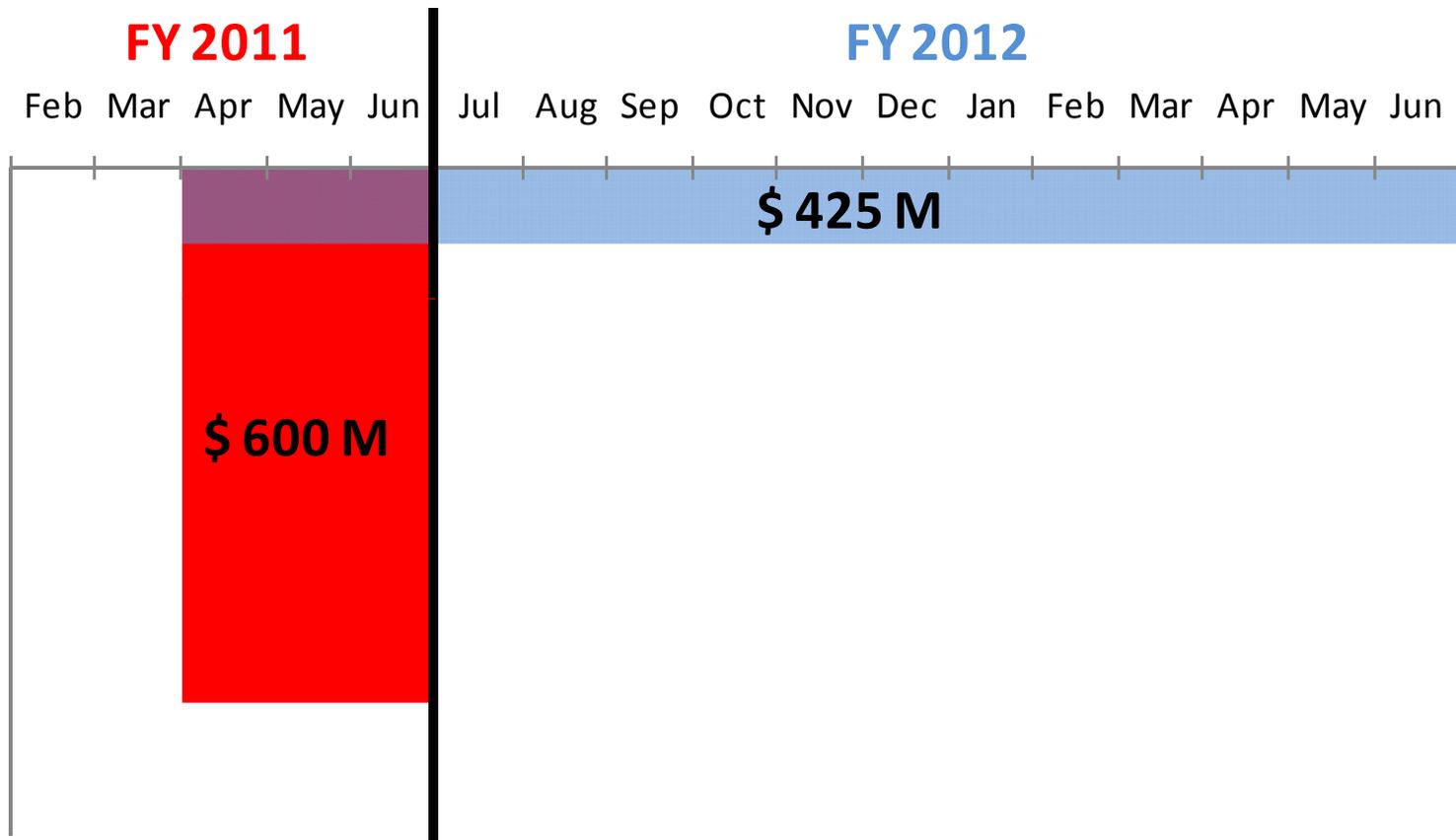
Additional Cost Containment Measures Planned

- Initiate innovative cost containment strategies employed by other states to achieve savings and improve health:
 - Performance-based managed care – medical and dental
 - Physician incentive plans
 - Performance-based pharmacy program
 - Long-term care coordination for institutional and community-based care
 - Radiology and imaging management
 - Increase anti-fraud initiatives
 - Evaluate options to reduce costs
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Consequences of Not Adopting Budget Amendments

- Approximately \$600 million would have to be cut from the Medicaid program before June 30, 2011:
 - Federal Maintenance of Eligibility requirements prohibit reductions to eligibility
 - Cuts would have to come from provider reimbursement rate reductions (approximately 30% reduction) or by eliminating optional services to Medicaid beneficiaries
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Required Medicaid Spending Reductions



■ Immediate Drastic Cuts OR ■ Planned and Managed Reductions

\$134.9 Million Education Jobs Fund Federal Grant Higher Education Maintenance of Effort

- The federal Education Jobs Fund was enacted in August, 2010. Kentucky received \$134.9 million that has been allocated to Kentucky school districts through the SEEK formula
 - To receive the \$134.9 million, each state must meet two FY 2011 maintenance-of-effort requirements:
 - one for K-12 Education,
 - and one for public Institutions of Higher Education.
 - Each state must maintain state funding in FY 2011 at either FY 2006, 2009, or 2010 levels
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\$134.9 Million Education Jobs Fund Federal Grant Higher Education Maintenance of Effort

- Kentucky meets the K-12 requirement. Kentucky does not meet the Higher Education maintenance-of-effort requirement under any of the available options
 - To meet the Higher Education requirement, the FY 2011 General Fund appropriations for the nine postsecondary education institutions must be increased by \$18,943,800
 - These funds will bring the share of FY 2011 General Fund Higher Education funding from 11.25% to 11.47%, the Higher Education percentage of FY 2010 General Fund spending
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\$134.9 Million Education Jobs Fund Federal Grant Higher Education Maintenance of Effort

- Shifts \$18,943,800 of General Fund appropriations from FY 2012 to FY 2011
 - Budget neutral, no impact to other state programs
 - The intent is for the institutions to spend the additional General Fund in FY 2011 and reserve a similar amount of this year's tuition and fee funds to replace the decreased General Fund in FY 2012
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\$134.9 Million Education Jobs Fund Federal Grant

Higher Education Maintenance of Effort

- **The reduction in FY 2012 General Fund budgets is not intended to be a permanent base budget reduction**
 - The Governor and the 2010 General Assembly also ensured that the depletion of federal State Fiscal Stabilization Funds in FY 2011 did not result in a \$57.3 million reduction in their General Fund base budgets for FY 2012
 - The allocation of the \$18,943,800 across the nine postsecondary education institutions is based on each institution's proportionate share of FY 2012 General Fund appropriations
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