

Kentucky legislature haggles over gutting public health care

By Naomi Spencer
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Kentucky's Democratic Governor Steve Beshear ordered the legislature back after the close of the regular session March 9 to take up cuts in Medicaid spending. The session ended in an impasse over which funding areas would be subjected to the heaviest cuts.

Over 800,000 Kentuckians—nearly one in five—depend on Medicaid, the jointly state- and federal-funded health care program for the poor. One half of all children in the state are enrolled in the program.

Senate President David Williams, a Republican with an eye to a race for the governorship in this fall's election, sought to avoid deeply unpopular cuts by adjourning the session without addressing a major funding shortfall in the program. The special session began March 14 and is expected to continue into next week.

Beshear stated that lack of legislation would necessitate sharp cuts to hospital, nursing home, and doctor reimbursements. The governor ordered that letters be sent out to providers beginning the night of March 9. "We don't have time to do anything else," he said. "The cuts to providers will begin on April 1."

Both the governor and Senate Republicans have put forward "reform" proposals that would cut funding and services. Beshear and the Democratic-controlled House have called for using Medicaid funding appropriated for 2011-12 in the current fiscal year. The governor's plan would transfer \$166.5 million, pushing more potential shortfalls and cuts into the next year.

The Republican-controlled Senate has put forward a proposed across-the-board spending cut for state agencies by 0.525 percent this year and 2.26 percent next year. This was moderated to 1.8 percent cuts to agencies, but the Democratic-controlled House rejected the proposal as inadequate.

Beshear has stated that next year's Medicaid budget gap would be closed by \$425 million in "cost savings" garnered through contracting Medicaid services out to private managed-care organizations.

Kentucky's budget has rolled from crisis to crisis for more than a decade. In 2001, the state's constitution was modified to allow for annual budget sessions; in the ten years since then, budget deficits have prompted nine special extensions to those sessions. In the last three years, the state's budget has shrunk by \$1 billion.

While the sums involved are relatively small compared to the budget cuts being carried out in Wisconsin, Ohio, and other states, public programs in Kentucky have long operated on bare bones budgets, crippled by poor reimbursement rates and deficit spending.

Any further reductions will therefore have an acute impact on the poor as well as service providers. Kentucky already has a major medical provider shortage, according to a recent analysis by the *Lexington Herald Leader*. The paper found that for every 100,000 residents, there are 213.5 doctors, compared to a national average of 267.9 per 100,000. In order even to meet the national average, itself an inadequate ratio, the state would need 2,200 more physicians.

The doctor shortage is especially felt by the poor, because the Medicaid reimbursement method is a slow, antiquated paperwork system that routinely under-compensates providers for treating Medicaid patients. As a result, many medical providers do not accept patients enrolled in the program.

The governor has said reimbursements would be slashed by 35 percent from April 1 until the beginning of the next fiscal year, July 1. The cuts may force the closure of some rural hospitals and clinics, which serve

a large Medicaid-enrolled population. In all, 80 hospitals, 8,400 doctors' offices, 300 nursing homes, and 1,300 pharmacies will be affected. Some providers have already indicated they might stop serving Medicaid patients.

Mental health providers have warned of dire consequences if their reimbursements are cut. On March 16, a number of mental health providers appeared before the state House Appropriations and Revenue Committee to testify against the cuts.

Jim Richardson, the CEO of Cedar Lake Lodge, a Louisville-based nonprofit facility serving severely mentally and physically disabled patients, said that 95 percent of his organization's budget was funded by Medicaid. Richardson said they had already cut 18 staff members due to budget constraints, but with a 35 percent cut to Medicaid funding, Cedar Lake faced laying off between 80 and 100 workers. If this were to happen, the organization would violate federal regulations, leading to a shutdown of the facility. Most of the patients in the facility have no family to care for them, Richardson commented, and asked the legislative committee, "Where would these people go?"

Kentucky Association of Regional Mental Health/Mental Retardation Programs director Steve Shannon warned the legislators that the cuts would result in layoffs to community mental health providers throughout the state and the hospitalization or arrest of people in need of mental health services. "They'll end up in jail," he said. "They'll go to the state mental hospitals."

The state's mental health budget has been savaged by cuts in the past two years. The National Alliance on Mental Illness reported that between fiscal years 2009 and 2011, Kentucky cut its mental health budget by \$193.7 million, or 47.5 percent, by far the largest cut in percentage terms of total mental health spending of any state. For fiscal year 2012, Kentucky is set to lose \$159 million in federal Enhanced Medicaid matching funds.

The report also notes growing need in the state. The number of patients served by the Kentucky Mental Health Authority rose by nearly 6,900 from 2007 to 2009, to some 143,600.

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