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# For Governors, Medicaid Looks Ripe to Slash

By **KEVIN SACK**

Hamstrung by federal prohibitions against lowering **Medicaid** eligibility, governors from both parties are exercising their remaining options in proposing bone-deep cuts to the program during the fourth consecutive year of brutal economic conditions.

Because states confront budget gaps estimated at \$125 billion, few essential services — schools, roads, parks — are likely to escape the ax. But the election of tough-minded governors, the evaporation of federal aid, the relentless growth of Medicaid rolls and the exhaustion of alternatives have made the program, which primarily covers low-income children and disabled adults, an outsize target.

In Arizona, [which last year ended Medicaid payments for some organ transplants](#), Gov. **Jan Brewer**, a Republican, is asking the Obama administration to waive a provision of the new health care law so that the state can remove 280,000 adults from the program's rolls. In California, the newly elected governor, **Jerry Brown**, a Democrat, proposes cutting Medicaid by \$1.7 billion, in part by limiting the beneficiaries to 10 doctor visits a year and six prescriptions a month.

In the budget he will unveil on Tuesday, Gov. **Andrew M. Cuomo** of New York is expected to propose cutting even more — at least \$2 billion from projected state spending on Medicaid, which totaled about \$14 billion this year.

And Gov. **Nathan Deal**, the new Republican leader of Georgia, proposed this month to end Medicaid coverage of dental, vision and podiatry treatments for adults. South Carolina is considering going a step further by also eliminating hospice care.

The governors are taking little joy in their proposals. And many of them, particularly the Republicans, are complaining about provisions of last year's health care overhaul, and of the [stimulus package](#) before it, that require the states to maintain eligibility levels in order to keep their federal Medicaid dollars.

“Please know that I understand fully the impacts of this rollback, and it is with a heavy heart that I make this request,” Ms. Brewer wrote this week in seeking a waiver, the first of its kind, from [Kathleen Sebelius](#), the secretary of health and human services. “However, I am left with no other viable alternative.”

The shrinking of Medicaid programs, if approved by the state legislatures, would come at a tenuous moment for the Obama administration. Starting in 2014, the health care law calls for an enormous expansion of Medicaid eligibility that is expected to add 16 million beneficiaries by 2019.

Some states are now cutting benefits like prescription drugs and mental health treatment that will be required then. The federal government will cover the entire cost of the expansion through 2016, when states must gradually pick up a share, peaking at 10 percent in 2020 and remaining there.

Governors have known that this precipice was near for close to two years.

Medicaid, which covered 48.5 million people in 2009, up 8 percent in a year, is a joint state and federal program. The federal government provides the lion’s share of the money and sets minimum standards for eligibility and benefits that states may exceed if they wish.

In 2009, Congress provided about \$90 billion for states in the stimulus package to offset the cost of surging Medicaid rolls. Last August, it extended the aid at a reduced level, adding \$15 billion over six months. The relief raised the federal share to between 65 percent and 82 percent, depending on the state, up from between 50 percent and 75 percent.

While that money is widely credited with staving off catastrophe, deficits were so deep that 39 states cut Medicaid payments to providers in 2010, and 20 states pared benefits, according to the Kaiser Family Foundation.

On July 1, the enhanced federal aid will disappear, causing an overnight increase of between one-fourth and one-third in each state’s share of Medicaid’s costs. But because of the federal eligibility restrictions, the options for states are largely limited to cutting benefits that are not federally required; reducing payments to doctors, hospitals and nursing homes; and raising taxes on those providers.

“States have already cut payments to health care providers and scaled back benefits over the last few years, so these new proposed cuts are much more painful,” said Edwin Park, a health expert at the [Center on Budget and Policy Priorities](#), a left-leaning research group.

A number of states, Texas and California among them, are considering further reductions of as much as 10 percent in payments to providers. Medicaid reimbursement is already so low that many physicians refuse to accept the coverage.

Several states also plan to raise co-payments for beneficiaries. And a number of governors, notably [Rick Scott](#) in Florida, are considering vast expansions of managed care plans in an attempt to control costs.

Mr. Brown's proposed cap on doctors' visits in California would affect only 10 percent of Medicaid recipients, said Toby Douglas, the state's Medicaid director. But many of them would be among the sickest beneficiaries. Mr. Brown also has suggested eliminating an adult day care program that serves 27,000 people who might otherwise end up in nursing homes.

"We are having to make proposals that are not the best choices for our most vulnerable beneficiaries," Mr. Douglas said. "But given our limited resources, they are the best choices for the State of California."

Lawmakers in a few states have discussed withdrawing from Medicaid, although Texas officials recently concluded that the loss of federal matching dollars would make it impractical. In at least one state, Minnesota, officials are expanding Medicaid eligibility to some childless adults before 2014, largely to win federal dollars for coverage that was being provided by the state.

Arizona's waiver request will be a test of the new health care law's flexibility, and of the White House's disposition. Other states are watching. Twenty-nine Republican governors wrote Mr. Obama and Congressional leaders this month to urge repeal of the prohibition, which they called "unconscionable."

Jessica Santillo, a spokeswoman for the federal [Department of Health and Human Services](#), said the agency would not comment on Arizona's pending request or the administration's approach to waivers. "We want to continue our close partnership with the states and our nation's governors," she said.

Arizona is asking to remove 250,000 childless adults and 30,000 parents from Medicaid. They were granted eligibility by a 2000 referendum that made Arizona one of the few states to cover low-income childless adults.

The expansion was financed with proceeds from cigarette taxes and a tobacco lawsuit, but that money became insufficient in 2004. The state's general fund has been making up the

difference ever since. Eliminating the coverage would save \$541 million, closing nearly half of the budget gap for the coming year.

In her letter to Ms. Sebelius, Ms. Brewer noted that Medicaid consumed 30 percent of her state's general fund, up from 17 percent in 2007. And she emphasized that Arizona's coverage was more generous than that in most states, a pointed reference to Kansas, where Ms. Sebelius was governor until two years ago.