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URL: <http://www.abqjournal.com/biz/193711business07-05-04.htm>

Monday, July 5, 2004

New Medicaid Rules Raise Coverage Fears

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State efforts to save \$40 million in Medicaid payments this fiscal year began in earnest last week, as a variety of rules and payment changes went into effect.

Medicaid patient advocates and health care providers say they can't predict exactly what impact the changes will have, but they agree they will affect recipients, hospitals, doctors and other health care providers.

Many worry that patients, most of them children, will receive less care.

Among the more significant changes:

- Medicaid recipients must verify their eligibility every six months instead of every year.
- A new fee schedule for physicians includes significant cuts in reimbursement for some procedures.
- Most providers received a 1.5 percent cut in payments. So far, physicians do not appear to be planning to reduce their Medicaid practices, and safety-net clinics and hospitals plan no changes.
- Some benefits are reduced, among them some dental services for adults and some transportation services.

State officials say the changes are needed even though the Legislature increased this year's appropriation for Medicaid almost \$70 million over last year, to \$475 million. At least \$40 million more would have been required to maintain Medicaid programs at last fiscal year's level, according to the Human Services Department, which administers Medicaid.

Medicaid pays for care primarily for low-income children, disabled adults and the elderly. The U.S. government matches the state's contribution about 3 to 1.

Kay Monaco, executive director of **New Mexico Voices for Children**, said many of the changes will have subtle and unexpected consequences.

"It's going to hurt kids," she said. "It's going to hurt providers."

A major concern is the state's new six-month certification requirement. Today Medicaid recipients verify with state case managers that they are still eligible for medical help every 12 months.

The Human Services Department argues it is only trying to stop paying benefits to people who are no longer qualified.

Critics say the six-month time period is too short, and many won't recertify as often as required.

Some recipients move so often they won't receive notification in time that they must re-certify, Monaco said. Others won't understand what is required.

The parents of some Medicaid-eligible children will let coverage drop if their children seem to be healthy, said Patricia Golubski of St. Vincent Hospital, a member of the state's Medicaid Advisory Committee. "Then an acute illness will come along and they'll show up in the St. Vincent emergency room without insurance," she said. Enough acute cases could wipe out savings achieved by the six-

month recertification, she said.

"My main worry is people simply falling off (Medicaid) because then they have no benefits," said Larry Lyons, chief medical officer of Presbyterian Medical Services, a Santa Fe-based provider of health care to low-income and under-served patients. The cost of their care becomes a burden to those in the community who have health insurance and pay taxes, he said.

Another concern is changes in benefits.

Changes in adult dental benefits, for example, will probably mean more Medicaid recipients will have teeth extracted, Lyons said.

As of July 1, Medicaid no longer pays to cap teeth that have undergone root canal treatment. Lyons expects many Medicaid recipients will have teeth extracted, a procedure Medicaid still pays for, rather than pay for a cap themselves.

PMS clinics charge fees based on income, so they will collect less money from patients than the state once paid under Medicaid for the same service.

"We don't get that (Medicaid) revenue, plus the patient has to take money out of pocket to give to us for that service," Lyons said.

"Ultimately, providers have to think about if they can keep as many facilities or buy new computers or re-roof a building," he said.

Insurance hikes

Meanwhile, reductions in physician payments are hitting at the same time medical malpractice insurance premiums are increasing from 9 percent to 11 percent on average, said Kathleen Blake, an Albuquerque cardiologist and president of the New Mexico Medical Society.

How seriously practices will be affected will depend on how much Medicaid business they do. Blake said some rural practices receive 75 percent of their payments from Medicaid.

"In rural New Mexico, we're small businesses," Blake said. "When a cut comes along that could affect 75 percent of your patients, that's a very serious problem."

Also affected are nurse anesthetists who provide 70 percent of anesthesiology services in the state and nurse midwives who attend 30 percent of the births, said Linda Siegle, who lobbies for nurses. Their malpractice insurance is also rising, she said.

Physical, speech and occupational therapists who provide services to the disabled will see pay cuts. Doris Husted, a lobbyist for The Arc of New Mexico, an advocate for people with disabilities, expects some Medicaid recipients' conditions to decline because therapists won't be able to provide as much service as before.

"People will lose their ability to swallow," she said. "What little ability they had to walk will go away." The result, she said, will be more hospitalizations and, therefore, even higher Medicaid spending.

Presbyterian Health Plan, which is not affiliated with Presbyterian Medical Services, estimated that medical costs it incurs to serve Medicaid recipients would increase more than 8 percent this fiscal year. The contacts Presbyterian, Lovelace Health Plan and Cimarron Health Plan received to provide Medicaid HMO care to 276,000 recipients increased the plans' compensation by only 1 percent over last fiscal year.

Presbyterian has reduced its administrative budget \$3.7 million and has frozen its health plan

employees' wages, said David Scrase, the health plan's president.

The plan has sent 200,000 letters to recipients and providers explaining the changes and has moved staff to field an expected deluge of calls from confused plan members. It has implemented changes in its pharmacy benefit to save money.

Hospitals are still trying to quantify how much money Medicaid cuts will cost them, but expect the impact to be "significant," said Maureen Boshier, president of the New Mexico Hospitals and Health Systems Association.

St. Vincent Hospital in Santa Fe expects one new regulation alone to cost it hundreds of thousands of dollars this fiscal year, said Rick Doxtator, chief financial officer. That change would reduce state payments for care of patients who are eligible for both Medicare and Medicaid.

"Obviously any cut in reimbursement continues to impact our ability to do the things we need to do up here," he said. "This is a hospital which, with the exception of last year, has not had a positive net margin in a long time."

The state also plans to petition the federal Centers for Medicare and Medicaid Services for permission to impose annual premiums, one-time enrollment fees and new copayments on recipients who earn from 133 percent to 185 percent of the federal poverty level. That approval could take several months to obtain.

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