



STATE OF WASHINGTON  
**HEALTH CARE AUTHORITY**

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September 22, 2011

TO: Health Care Authority Stakeholders and Providers

FROM: Doug Porter, Director

SUBJECT: HCA's Budget Package

Over the past three years of unrelenting recession, we have diligently scoured our program for efficiencies, savings, and new purchasing strategies that would accomplish good results without sacrificing care. In the merger of the Medicaid program and the Health Care Authority (HCA) on July 1, 2011, we eliminated a set of executive positions that save taxpayers \$1 million in state dollars over the coming biennium. Our focus on evidence-based medicine is saving the state more than \$30 million a year and our pursuit of Generics First saved more than \$100 million in drug expenses last year alone.

With less pride, we have also trimmed back programs, eliminated client services, and reduced customer services – thinning the soup rather than cutting people off coverage – and a conservative estimate is that all those exercises saved the state hundreds of millions of dollars over the past three years. However, the revenue picture continued to deteriorate. Today, we submitted a new budget package to meet the Governor's directive to draw up plans for possible five percent (\$223 million) and ten percent (\$446 million) cuts in our operating budget. Unlike savings initiatives and purchasing strategies, these are cuts that clearly reduce services and eliminate access to care. They mark degradation in health care for some of the most vulnerable citizens of our state. They also are not good policy, since people who lose access to care often wind up with more serious and more expensive conditions.

On our list is the elimination of the Basic Health plan, which has protected thousands of working poor over more than the past three decades and is considered a national model for covering the working poor. If that cut were accepted by the Legislature, it would also mean the loss of 64 staff positions over the last 18 months of the biennium. Other budget options we have identified include termination of the Disability Lifeline and ADATSA Medical Care Services coverage; the Children's Health Program for immigrant children; the medical interpreter program; all non-emergency dental coverage for adults; funding cuts and payment methodology changes for hospitals, and ending all funding for Maternity Support Services, which offers special support for high-risk pregnant women.

All of these cuts would begin on or around January 1, 2012, (details on these cuts are in a table at the end of this memo).

The most unthinkable cut on the list is our proposal to suspend adult pharmacy services, which means we would not cover the cost of our clients' medicine, in order to reach the ten percent target.

Given the fact that most Medicaid services are mandated by federal law, we must cut state-funded programs not covered by those laws or programs that are considered "optional" under federal Medicaid requirements; however, there are several optional programs that we did not put on our list this year. They include adult hospice, our kidney dialysis coverage, Durable Medical Equipment and the three therapies – physical, occupational, and speech. The direction we received from the Governor and the Legislature last year suggested these were not realistic options to propose this year.

In order to implement these cuts, we would need legislative action this fall for savings to begin in January 2012. Our estimate is that we would need around 60-plus days for legal notices, State Plan Amendments, and official notices to clients and providers. Absent early action, it's likely we would be unable to hit our 10% target.

Whatever legislators decide, it is certain that real people, families, health institutions, and the overall care system in our state will be hurt by some or all of the cuts we are putting into play. Some children who lose coverage will undoubtedly go without care; others will receive inferior care or have to wait until a small illness turns into a major one.

These are grim times, and this is a grim list.

Below is a more detailed look at the programs in the HCA budget package:

<b>Programs listed as options for major cuts</b>	<b>G/F savings possible</b>	<b>Number of clients affected</b>	<b>FTEs affected</b>
Adult pharmacy benefits	\$127.5 million	500,000	
Medical for Disability Lifeline and ADATSA	\$110.0 million	22,000	
Termination of Basic Health plan	\$70.4 million	35,000	64
Termination of Children's Health Program (CHP)	\$34.0 million	25,000	
Termination of Maternity Support Services	\$21.0 million	54,000	
Hospital Funding: Change payment methodology for Critical Access Hospitals	\$19.1 million	--	
All non-emergency adult Dental services	\$11.7 million	123,000	
Hospital funding: Reduce CPE hold harmless	\$13.9 million	--	
School-based medical services	\$5.9 million	22,000	
Interpreter services	\$4.8 million	70,000	