

PERFECT STORM AWAITS LOUISIANA MEDICAID FUNDING

State Nonprofit Association and Budget Watchdog Warn Congress of Pending Healthcare Crisis

BATON ROUGE—In a letter to Louisiana’s nine-member Congressional delegation, the Louisiana Budget Project (LBP) and its parent organization, the Louisiana Association of Nonprofit Organizations (LANO), warn a combination of economic and legislative conditions is set to decimate the safety net for Louisiana’s most vulnerable populations.

The state’s Medicaid program, a key provider of healthcare to Louisiana’s poor, elderly and other disadvantaged citizens, is supported by federal funding at a rate pegged to per capita income. Louisiana’s current match rate is 80%, meaning the federal government pays 80% of the cost for services provided under Medicaid. Unless changes are made, this support will soon be drastically reduced.

Due to an influx of billions of dollars in one-time federal hurricane relief, Louisiana’s average income jumped 42% between 2005 and 2007, nearly four times the national average. This spike in reported income would already have triggered a drop in the federal match rate starting in 2008, except that provisions in the American Recovery and Reinvestment Act of 2009 (ARRA) suspended any decrease in federal funding for Medicaid and provided additional funds to the state’s program.

When ARRA stimulus funding expires in 2011, the federal match rate for Medicaid support in Louisiana will drop from 80% to 63.2%, crippling the state’s ability to provide vital human services.

“Louisiana is facing the largest decrease in federal Medicaid matching in the nation’s history,” wrote Edward Ashworth, LBP Director and co-author of Monday’s congressional letter.

According to the LBP and LANO, Louisiana will lose an estimated \$1.3 billion in federal Medicaid funding in state fiscal years 2011 and 2012, with an on-going, annualized reduction of \$900 million. This comes at a time when the state projects severe shortfalls in state general fund revenues due to the effects of the recession and the decline in the price of oil and natural gas.

If forced to absorb this reduction in funding, the Louisiana Department of Health and Hospitals (DHH) has announced it may reduce or eliminate such programs as Pharmacy Services, Intermediate Care Facilities for Persons with Developmental Disabilities (ICF-DD), Personal Care Services, Program for All Inclusive Care for the Elderly (PACE), and various waivers that expand services or reduce costs for needy recipients. Additionally, up to 125,000 children from low and moderate-income families could lose health insurance currently provided under Louisiana’s LaCHIP program.

“Thousands of Louisianans will continue to need vital assistance” provided through Medicaid funding, said Ann S. Williamson, LANO President and CEO. “The nonprofit sector can ease the burden, but no single sector can meet this need alone.” Williamson stated that a steep decline in federal support would impact the nonprofit sector by increasing demand for its services. Louisiana nonprofits, many of them small and locally focused, are already stretched thin by current economic conditions.

According to LANO and LBP, three Congressional remedies are needed to prevent widespread loss of healthcare coverage in Louisiana:

1. Have the federal government spread out the lowering of the match rates (that were increased under ARRA) over a two-year period, beginning January 1, 2011.
2. Discount the effects of one-time federal hurricane relief funds in the calculation of Louisiana's average income.
3. Change the method of calculating the average income for states by using median income rather than the mean income.

If effected soon, they say, these changes will give the state breathing room to secure new sources of revenue for Medicaid (e.g., by removing antiquated exemptions to the severance tax and realized savings from streamlining efforts) without leaving thousands of Louisianans unprotected in the interim. Furthermore these federal changes will provide relief to neighboring Gulf Coast states facing similar consequences from 2005 and subsequent storm relief scenarios.

But time is critical. Louisiana's budget for fiscal year 2011 is being drafted now and will be finalized in February 2010 for presenting to the Legislature in March.

For a copy of the LBP/LANO letter to Louisiana's Congressional delegation, or for more information on issues facing Louisiana's nonprofit sector and the citizens it serves, contact the Louisiana Association of Nonprofit Organizations at 225.929.5266 or visit www.lano.org.