

*Alabama***Alabama's Medicaid Budget Gap
Endangers Managed Care Transition**

Alabama's plan to shift its Medicaid program to managed care looks to be in jeopardy due to a budget shortfall coming less than a week after the state's federally approved pilot program officially began.

The Alabama Medicaid Agency said the funding level recently approved in the Legislature's fiscal 2017 budget (SB 125) is \$85 million below the governor's request and will leave the agency short of the administrative funds needed to transition to managed care. And one Alabama health-care attorney told Bloomberg BNA hospitals in the state are counting on additional federal funds that come with the transition to ease their financial woes.

"I would think you're talking about a train wreck of historic proportions if the [regional care organization] model doesn't go forward," Dorman Walker, a health-care attorney and partner at Balch & Bingham in Montgomery, told Bloomberg BNA on April 7.

Use of RCOs. Alabama received approval Feb. 9 from the federal Centers for Medicare and Medicaid Services for a Section 1115 waiver, under which the state will sign up about 650,000 Medicaid enrollees with regional care organizations (RCOs)—the state's locally controlled, nonprofit version of managed care organizations. The RCOs were designed to place decision-making power and financial risk in the hands of local hospitals and health-care providers (24 HCPR 233, 2/15/16).

The program's five-year pilot period began April 1, and the state was to enroll beneficiaries by Oct. 1.

"This funding level will halt implementation of the Regional Care Organization (RCO) program," the Alabama Medicaid Agency said in a written statement provided to Bloomberg BNA on April 7.

At the same time, Gov. Robert Bentley (R) said at an April 6 press conference that he and the agency are examining possible cuts to Medicaid services to deal with the shortfall, and he has suggested he could call the Legislature into a special session later this year to address Medicaid funding. The governor vetoed SB 125, before the House and Senate voted to override his veto on April 5.

Federal Funds at Stake. Halting the program would mean the state loses out on extra federal funding, the agency said. Alabama was expected to receive an estimated \$328 million in federal funding to provide incentive and supplemental payments to the RCOs and health-care providers, to aid in the transition away from a fee-for-service model. The figure could grow to a total of \$748 million, if the state meets certain goals set by CMS.

To get the federal funding, the state needs to put up \$50 million in matching funds toward the RCO transition, Walker said. "If we don't provide the state money, we don't get the federal funds."

It's possible the Legislature will try to find funds elsewhere to make up the Medicaid shortfall, such as through a perennially debated state lottery, Walker added.

Bentley had urged the Legislature to provide more funding for Medicaid.

"There approximately 1 million Alabamians on Medicaid. The general fund appropriation passed by the Legislature falls short of what is needed for services," Bentley said in his April 6 press conference.

The Legislature's state general fund budget provides the Medicaid program with \$700 million for fiscal 2017, beginning Oct. 1, a \$15 million increase from fiscal 2016 but short of the governor's recommendation of \$785 million. The Alabama Medicaid Agency's entire fiscal 2017 budget is \$6.4 billion, after accounting for federal and local funds and money from other sources, including the Alabama Health Care Trust Fund, drug rebates and intergovernmental transfers.

The dispute between governor and state lawmakers comes at the same time as some lawmakers are calling for Bentley's resignation or impeachment over a scandal involving an alleged sexual relationship with an adviser and his firing of the state's top law enforcement officer. In 2015, the Legislature largely balked at the governor's calls for tax increases worth a few hundred million dollars to shore up the general fund and ultimately required three legislative sessions to agree on a budget that Bentley would sign.

Republican leaders in the state Senate applauded the chamber's override vote to pass the conservative budget.

"It was a good day for the Senate. We were able to pass a General Fund budget that did not raise taxes or raid the Education Trust Fund," said Del Marsh (R), Senate president pro tem, in an April 5 statement.

Rate, Drug Coverage Cuts Possible. In addition to concerns about the RCO transition, the governor and state Medicaid agency said the budget allocation will mean cuts to existing Medicaid services, possibly including elimination of the primary-care doctor rate bump and reduced reimbursement rates for a variety of providers including doctors, surgery centers and transportation services.

“Because Alabama Medicaid mostly operates at minimum mandatory federal levels in terms of benefits and eligibility, there are few optional programs or groups to cut,” Robin Rawls, a spokeswoman for the state agency, told Bloomberg BNA on April 7.

Eliminating drug coverage for adults would provide the largest savings among the potential cuts on the state’s list of options. This policy change would save the state an estimated \$50 million to \$60 million, according to the Alabama Medicaid Agency. The agency also said reimbursement rate reductions could yield savings of up to \$50 million.

Other options listed included a pharmacy preferred provider tax that could generate \$19 million to \$30 mil-

lion and elimination of the health home and physician case management fee for a savings of \$16.6 million.

“A budget for Medicaid is set and now we have to look at options,” Bentley said. “Our health-care system is in trouble with this budget. Rural doctors, hospitals, pharmacists and others are all impacted by the budget.”

Alabama’s recurring budget problems and Medicaid’s persistent requests for more funding have hurt the agency’s ability to win support from legislators, Walker said.

“The Medicaid agency has a history of saying we need this money or people will be dying in the streets, and then people are never dying in the streets,” he said. “The legislature doesn’t feel like the agency has a lot of credibility.”

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SB 125, the budget bill, is at <http://src.bna.com/dXX>

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