

# Federal Medicaid Reform: A Rural Perspective

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National Rural Health Association

Medicaid is a joint state and federal health care entitlement program, which is currently facing a number of challenges. Rural community members and providers are dependent on Medicaid, and the NRHA is committed to assuring that proposed changes in Medicaid address the unique needs of rural and frontier communities.

## **Background**

Many economic factors have contributed to a fiscal crisis for state Medicaid plans. The economic recession, the ongoing effects of September 11, 2001, and the war in Iraq, have combined to cause many state economies to change from budget surpluses to substantial budget deficits. In addition, many states are constitutionally required to operate under a balanced budget. With limited additional help from the federal government on the horizon, many states are considering cutting Medicaid programs by reducing the number of eligible beneficiaries, the number and nature of covered services, and/or the reimbursement levels for providers. President Bush and many leaders in Congress have expressed the need for federal reform of Medicaid. Given many rural areas' disproportionate reliance on Medicaid, any reform measures must take into account the unique needs of rural and frontier areas.

## **Rural Concerns**

Residents of rural areas tend to be older and poorer than urban residents. Rural health care facilities serve a disproportionately high percentage of Medicare and Medicaid eligible patients. Approximately two-thirds of State Medicaid expenditures are for services to the aged or disabled. Many of these beneficiaries also qualify for Medicare (dual eligibles). The financial burden for dual eligibles falls onto state Medicaid plans, specifically costs associated with long-term care, and prescription drugs. This increased burden has exacerbated the Medicaid crisis and has made it more difficult for states to continue providing essential benefits to the Medicaid population. Should the federal government fail to fulfill its responsibilities, these individuals will likely be left without basic health care services.

Medicaid reimbursements already fail to cover the costs of providing services, and any change in these programs would have a unique and dramatic effect on the rural health care system. The shift of financial responsibility from the federal to state governments has made it difficult for rural providers to offer consistent and quality care to rural Medicaid beneficiaries. Many rural providers now find themselves unable to serve the existing Medicaid population, and others are considering not accepting new Medicaid patients.

## **NRHA Recommendations**

Understanding that any change in federal Medicaid policy will directly affect a state's ability to provide quality care through Medicaid, the NRHA offers the following recommendations for federal Medicaid reform.

## NRHA Policy Brief

- The federal Medicaid definition of "mandatory populations" must include elderly and disabled and long-term care.
  - NRHA recognizes that many states currently include long-term care under optional services. While NRHA appreciates these efforts, we are concerned a continuing financial strain will force states to cut back on these essential services.
- A federal long-term care, prescription drug, and Non-Emergency Medical Transportation (NEMT) benefit for Medicare would relieve tremendous pressure on state budgets, allowing states to better fund the medical aspects of Medicaid.
- In rural areas, patients often must travel long distances to visit qualified specialists-- a cost paid for solely by Medicaid. This travel creates additional mental and financial burdens on the patient and their families. The NRHA recognizes the increased use of telemedicine technology is one promising method for reducing this transportation burden.
  - Specialist and long-term care under Medicaid should emphasize local treatment to the highest extent possible.
  - Adequate reimbursement is needed for telemedicine services.
- NRHA recognizes the federal waiver system has brought about many positive changes in several states. While supporting state flexibility, a basic level of protection must be assured for both mandatory and non-mandatory beneficiaries.
- Federal Medicaid policy: improve coordination between Medicaid and the State Children's Health Insurance Program (S-CHIP).
- Federal Medicaid reform: enhance coordination of enrollment and benefits for dual-eligible beneficiaries.
- Federal Medicaid reform: restore some type of "Boren Amendment" protections for rural providers, requiring state Medicaid plans to set payment rates that would reimburse the allowable cost of an "economically and efficiently operated" provider as defined by the states subject to approval by the Centers for Medicare and Medicaid Services.

*Questions in regard to this policy brief should be directed  
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