Medicaid: The Forgotten Crisis?

Additional $123.2 Million Per Year in Funding Needed by October 2004

Medicaid could be described as being rural Alabama’s health care insurance. During fiscal Year 2001 (October 2000 through September 2001) 23.0 percent, nearly one in every four, of Alabama’s rural county residents were eligible for Medicaid coverage. This compares to only 15.6 percent for urban county residents. Statewide, Alabama’s Medicaid program covers approximately 47 percent of all births, 35 percent of all children under 19 years of age, and 75 percent of all nursing home beds.

Over $746 million in Medicaid payments were made during FY 2001 for healthcare services rendered to residents of Alabama’s 45 rural (non-Metropolitan Statistical Area) counties. This is an average of $2,406 in health care payments for each rural resident who was eligible for Medicaid coverage. These funds are critical to the survival of Alabama’s rural health care industry and to sustaining adequate health care for rural residents. The annual amount in Medicaid payments made for each eligible urban county resident was higher at $2,553. On the average, each eligible urban resident received $147 more in Medicaid payments than rural residents.

Medicaid is a state-administered health care assistance program which is jointly financed by the state and federal governments. State funding for Medicaid is a wise investment. Every dollar that Alabama funds for Medicaid is matched with an
The State of Alabama must provide 30 percent of the funding for its Medicaid program with the federal government providing the remaining 70 percent. This is one of the most favorable Medicaid state/federal funding match rates among all states. Medicaid is designed to provide health care to low income individuals. Congress created the Medicaid program along with a sister program, Medicare, in 1965. Medicare is a health insurance program primarily for elderly persons, regardless of income.

Who is eligible for Medicaid coverage?

The Alabama Medicaid Agency, the Alabama Department of Human Resources, and the Social Security Administration determine eligibility for Medicaid in Alabama. Persons must fit into one of several categories and must meet necessary criteria before eligibility can be granted.

- Persons receiving Supplemental Security Income (SSI) from the Social Security Administration are automatically eligible for Medicaid in Alabama. Children born to mothers receiving SSI payments may be eligible for Medicaid until they reach one year of age. After the child’s first birthday, Medicaid will make a determination as to whether the child qualifies for another Medicaid program.

- Persons approved for “Medicaid for Low Income Families” through the Alabama Department of Human Resources (DHR) are eligible for Medicaid. Low-income families may apply for cash assistance, Medicaid, or both through DHR. Medicaid may be approved if the children are deprived of parental support due to absence, divorce, separation, death, or unemployment of the primary wage earner. Also, foster children under custody of the state may be eligible for Medicaid.

- Pregnant women and children under six years of age with family income which does not exceed 133% of the federal poverty level are covered by Medicaid. Also covered are children up to age 19 who live in families with family income at or below the federal poverty level. Medicaid eligibility workers in county health departments, federally qualified health centers, hospitals, and clinics determine their eligibility through a program called SOBRA Medicaid. This program resulted from the provisions of the Sixth Omnibus Budget Reconciliation Act. Once children under 19 years of age are determined eligible for Medicaid through any program, they receive twelve months of continuous eligibility without regard to changes in income or family situation as long as they live in Alabama.

- Women who are aged 19-44, who have not been sterilized, and with family income which does not exceed 133% of the federal poverty level are covered by Medicaid for the “Plan First Program.” This program covers family planning services, only.

- Persons who are residents of medical institutions (nursing homes, hospitals, or facilities for the mentally retarded) for a period of 30 continuous days and meet very specific income, resource and medical criteria may be Medicaid eligible. Persons who require institutional care but prefer to live at home may be approved for a Home and Community Based Service Waiver and be Medicaid eligible. Medicaid District Offices determine eligibility for persons in these eligibility groups.

- Persons designated as “Qualified Medicare Beneficiaries” have low income and may be eligible to have their Medicare premiums, deductibles, and coinsurance paid by Medicaid. Medicaid District Offices determine eligibility for Qualified Medicare Beneficiaries.

- Persons designated as “Specified Low-income Medicare Beneficiaries” and “Qualifying Individuals-1” have low income, above the limit for “Qualified Medicare Beneficiaries” and may be eligible to have their Medicare Part B premiums paid by Medicaid. Medicaid District Offices determine eligibility for these programs.

- The “Qualifying Individual-2” program assists with a small portion of the Medicare premium for people with incomes below 175% of the federal poverty level. This program has limited funds and is provided on a first-come first-served basis. Medicaid District Offices determine eligibility for this program.

- “Qualified Disabled Working Individuals” are individuals who have limited income and resources and who have lost disability insurance benefits because of earnings and who are also entitled to enroll for Medicare Part A. Medicaid will pay their Medicare Part A premiums. The Medicaid Central Office determines eligibility for this program.

- Disabled widows and widows between ages 50 and 64 who are not eligible for Medicare Part A and who have lost SSI because of receiving widows/widowers benefits from Social Security can qualify for Medicaid. Medicaid District Offices determine eligibility for this group.

The following table presents Alabama’s Medicaid eligible population during Fiscal Year 2001 by eligibility category and residency status.
### MEDICAID ELIGIBLES BY ELIGIBILITY CATEGORY
**RURAL vs. URBAN RESIDENTS**
**ALABAMA, FISCAL YEAR 2001**

<table>
<thead>
<tr>
<th>ELIGIBILITY CATEGORY</th>
<th>ALABAMA ELIGIBLES</th>
<th>URBAN ELIGIBLES</th>
<th>RURAL ELIGIBLES</th>
<th>URBAN PERCENT</th>
<th>RURAL PERCENT</th>
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</thead>
<tbody>
<tr>
<td>Medicaid for Low Income Families</td>
<td>104,787</td>
<td>69,289</td>
<td>35,491</td>
<td>66.12</td>
<td>33.87</td>
</tr>
<tr>
<td>Aged</td>
<td>49,533</td>
<td>26,988</td>
<td>22,545</td>
<td>54.48</td>
<td>45.52</td>
</tr>
<tr>
<td>SOBRA</td>
<td>331,869</td>
<td>201,493</td>
<td>129,330</td>
<td>60.71</td>
<td>38.97</td>
</tr>
<tr>
<td>Qualified Medicare Beneficiaries/Specified Low-income Medicare Beneficiaries</td>
<td>60,200</td>
<td>33,381</td>
<td>26,819</td>
<td>55.45</td>
<td>44.55</td>
</tr>
<tr>
<td>Blind/Disabled</td>
<td>167,782</td>
<td>103,818</td>
<td>63,964</td>
<td>61.88</td>
<td>38.12</td>
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<tr>
<td>Plan First</td>
<td>88,044</td>
<td>55,989</td>
<td>32,055</td>
<td>63.59</td>
<td>36.41</td>
</tr>
<tr>
<td>All Categories</td>
<td>802,215</td>
<td>490,958</td>
<td>310,204</td>
<td>61.20</td>
<td>38.67</td>
</tr>
</tbody>
</table>

**NOTE:** Urban and Rural figures may not sum to the state total due to the exclusion of institution residents.

### What is the pending Medicaid Crisis?

The pending Medicaid crisis involves two primary issues:

1. There is disagreement with officials at the federal Centers for Medicare & Medicaid Services (CMS), which administers the national Medicaid program, over how Alabama is providing a large portion of its share of Medicaid funds which the federal government must match. Alabama secures a large portion of its matching funds through inter-governmental transfers rather than having these funds come directly from the state’s general fund. This has raised questions from CMS over whether these can be considered “state” funds.

2. It is feared that Alabama’s funds which it uses for matching with federal funds could be seriously decreased in October 2004 when a provision in federal law currently allowing higher payment to be made for uncompensated care will expire. If Alabama does what CMS wants, current estimates are that this could produce a shortage of approximately $123.2 million per year in Alabama’s share of matching funds. Each state must have a plan for the operation of its Medicaid program which is approved by CMS. Once approved, this plan cannot be changed unless conditions contained within the plan change or for some other reason the state and CMS both desire a change. Alabama’s current Hospital Medicaid Plan was approved by CMS in 1995. In this plan Alabama established a Prepaid Hospital Plan (PHP). Through this PHP the state was divided into eight districts. The Alabama Medicaid Agency contracted with a PHP Corporation within each district to pay for Medicaid services. These corporations receive monthly payments of contracted amounts for each resident in the district who is eligible for Medicaid services. The PHP Corporations, in turn, develop contractual arrangements with each hospital within their district to pay the hospitals for rendering Medicaid services.

To take advantage of the highly favorable state/federal Medicaid funding match (Alabama 30 percent, CMS 70 percent), hospitals are making inter-governmental transfers of funds to the Alabama Medicaid Agency. These funds are being used as a portion of Alabama’s matching funds to obtain the higher federal matching share. The source of these transfers is an issue which concerns CMS officials. While hospitals receive funds from numerous sources, CMS is concerned that some of the amounts being transferred and used as state matching funds could be funds which CMS had...
provided, thus, CMS funds could be used for matching to get additional CMS funds.

Many other states liked the arrangements contained in this 1995 Alabama Medicaid Plan and sought similar arrangements in their Medicaid Plans. CMS decided against expanding this arrangement and knowing that Alabama’s Plan had been approved and could not be revoked, requested that this 1995 Plan be converted into a waiver (or amendment). Medicaid waivers are subject to re-approval every two years. This waiver agreement has been re-approved by CMS twice since 1995. However, CMS has refused to renew this waiver a third time and Alabama reverted from operating under this waiver to operating under its Medicaid Plan which was approved in 1995 on April 29, 2002.

Since the Medicaid Plan that was approved in 1995 and the waiver were identical arrangements, there is no difference in the way Alabama’s Medicaid program is being operated. The pending concern involves uncertainty over what will happen when the provision in federal law which allows a higher reimbursement rate for uncompensated care expires in October 2004.

Uncompensated care involves two separate types of payments. “Enhanced Payments” are payments made to hospitals for services provided to persons with low income who, otherwise, would have qualified for coverage under Medicare. Medicare pays higher benefits than Medicaid for many services and the difference between what would have been received under Medicare coverage and what was actually received through Medicaid is paid to the hospital as an “enhanced payment.” CMS has expressed disagreement with the way enhanced payments are being computed in Alabama. “Disproportionate Share Payments” are made to hospitals or PHP Corporations which service a disproportionately high share of Medicaid patients. CMS has expressed concern that some uncompensated care may be being reimbursed in duplicate as an enhanced payment and as a disproportionate share payment. The Alabama Medicaid Agency recently conducted a survey and found that there is no duplication in these payments. These findings have been submitted to CMS.

Hospitals and PHP Corporations are returning portions of the enhanced payments and disproportionate share payments that they receive as inter-governmental transfers to the Alabama Medicaid Agency to be used for Alabama’s matching funds. The amount which can be payed to hospitals and PHP Corporations for this uncompensated care will decrease in October 2004 when the provision in federal law which allows the higher payments expires. The decrease in the amount which can be paid for uncompensated care can produce a serious shortage in Alabama’s share of matching funds. This shortage is estimated to be approximately $123.2 million per year. If Alabama contributes $123.2 less to its share of matching funds, this will result in a loss of approximately $287.5 million in matched funding from CMS - a total loss of approximately $407.7 million dollars in operating funds for Alabama’s Medicaid program. This loss in funding would create a serious potential for loss of Medicaid coverage to many Alabama citizens who are already at higher health care risk as well as a decrease in sorely needed revenue for a rural health care industry which is struggling to survive.

A second potential concern is that this change in how Alabama’s Medicaid program is to secure matching funds could result in Alabama having to get a new Medicaid Plan approved by CMS. This could result in substantial change in the organization and operation of Alabama’s Medicaid program.

Alabama must not ignore this future loss of funding in favor of more immediate concerns. A permanent source for providing its share of these matching funds should be sought now rather than waiting until October 2004.

Special thanks is given to Mary Hayes Finch, Policy Advisor with the Alabama Medicaid Agency, and Mike Lewis, Commissioner of the Alabama Medicaid Agency, for providing the information used in this article, taking the time to explain a complex subject, and for doing a tremendous job in assuring health care for the people of Alabama.

Nominations Sought For Prestigious Rural Health Awards

Nominations for the two following prestigious rural health awards are being sought by the Alabama Rural Health Association. Please take the time to nominate an individual (or organization) who is deserving of special recognition.

RURAL HEALTH PROVIDER
EXCEPTIONAL ACHIEVEMENT AWARD
This award is presented to a provider who both lives and works in an Alabama community which is rural (non-Metropolitan Statistical Area)
and whose livelihood comes or came from delivering health care in an exceptional manner either through direct hands-on services or in the administration of services. Nominees should be individuals whom have made lasting contributions in delivering services to a community through tireless efforts which demonstrate an unselfish, compassionate, and cooperative attitude.

RURAL VOLUNTEER
EXCELLENCE IN SERVICE AWARD

This award is presented to an individual who both lives and works in an Alabama community which is rural (non-Metropolitan Statistical Area) and whose volunteer activities have achieved excellence in promoting the availability of rural health services, especially to underserved populations. Nominees should be individuals whose civic activities have strengthened rural health care delivery through community leadership, creativity, and a concern for underserved populations.

Additional information on how to make a nomination (including a copy of the nomination form) can be obtained on the Alabama Rural Health Association’s web site. This site can be visited by going to http://www.arhaonline.org and then clicking on “Awards/Success Stories.”

Rural Assistance Center Opens

It was announced in August 2002 that the Office of Rural Health Policy (ORPH) would no longer fund a health services arm of the Rural Information Center at the U.S. Department of Agriculture (RICHS). RICHS has been one of the most comprehensive and valuable sources for rural health-related information during the past decade. Instead, a new Rural Assistance Center would be created to expand and enhance ORHP’s former activity and better serve rural communities by identifying private and public resources, collecting and sharing information about models that work, and serving as a technical resource for a wide range of health and social service issues. This source would be designed to serve as a clearinghouse for rural health and social services information.

This new Rural Assistance Center has opened as a collaboration between the University of North Dakota Center for Rural Health, the Rural Policy Research Institute, the Welfare Information Network, and the federal Office of Rural Health Policy. It is located at the University of North Dakota. The website for this center is http://www.raconline.org.

Information currently presented at this website includes the following: adult social services, agricultural health and safety, associations/organizations, bioterrorism, child care, child welfare, clinics, dental, community development, directories, education and training, emergency medical services, faith-based organizations, food and nutrition, government agencies, grant/funding resources, health care providers, hospitals, housing/homelessness, human services, insurance/third-party payers, job creation and microenterprise, job retention/advancements, general health resources, legislation & regulations, model projects, nursing homes, publications, quality issues, research issues, rural health policy, state sites, statistics/maps/data, telemedicine and technology, transportation, and tribal issues. Many additional rural health-related subjects are to be added as this resource continues to be developed and enhanced.

Most of the RICHS website contents remain online at this time. Continuation of this website is uncertain.

ASRAP Develops Assistance for Rural Counties

The Healthy Communities Capacity Building Project of the Alabama Southern Rural Access Program (ASRAP) has developed a technical assistance team to serve the following rural Alabama counties: Bibb, Bullock, Butler, Choctaw, Clarke, Crenshaw, Crenshaw, Dallas, Greene, Hale, Lowndes, Macon, Marengo, Monroe, Perry, Sumter, Washington, and Wilcox.

Through this program, a team consisting of experts that are committed to improve access to primary healthcare in rural communities can offer training and/or assistance in the following areas:

- Grant Writing and Fund Raising
- Community Assessment
- Strategic Planning
- Conflict Resolution/Management
- Social Marketing
- Coalition Initiation and Maintenance
• Group Facilitation
• Policy Education and Advocacy Skills
• Healthcare Financing Primer
• Healthcare Provider Recruitment
• Economic Impact of Local Healthcare System
• Ecology of Health
• Disparities in Health Status
• Organization of Healthcare System

Thanks to the Robert Wood Johnson Foundation, the funding source for the Alabama Southern Rural Access Program, the technical assistance team of educators can provide these services and much more at no cost to your group, organization, or community. If your community is within one of these 18 rural counties and is in need of these services, contact Arturo Menefee, Technical Assistance Coordinator, at (334) 844-2307 or by e-mail at menefas@aces.edu for more information.

ASRAP’s Spring Technical Conference
The Alabama Southern Rural Access Program will hold its Spring Technical Assistance Conference on March 12-13 at the Kellogg Conference Center in Tuskegee.

Topics to be included in this conference include the following:
• Proposal Writing
• Community Assessment
• Strategic Planning
• Social Marketing
• Health Care Provider Recruitment and Retention
• Policy Education and Advocacy Skill

This conference is provided for residents of Bibb, Bullock, Butler, Choctaw, Clarke, Conecuh, Crenshaw, Dallas, Greene, Hale, Lowndes, Macon, Marengo, Monroe, Perry, Sumter, Washington, and Wilcox counties. There are no registration fees for attendance. Contact Arturo Menefee for additional information by telephone at (334) 844-2307 or e-mail at menefas@aces.edu.

Applications Due for Rural Scholars Programs

Due dates for the Rural Health Scholars Program, the Minority Rural Health Pipeline Program, and the Rural Medical Scholars Program are getting close. These programs have great potential for benefitting the health care of Alabama’s rural residents. Encourage qualified candidates to apply for participation in these excellent programs.

Rural Health Scholars Program: June 1 through July 3, 2003
The Rural Health Scholars Program is open to rural students completing the 11th grade in May and who are considering careers in medicine and health professions. Participants will live on the University of Alabama campus during a 5-week summer program prior to their senior year where they will take college courses and learn more about health careers. Participants will be selected based on academic achievement and interest in rural health care.

Selections for the 2003 Rural Health Scholars class will be made by May 1, 2003. For an application, contact school counselors or Cynthia Moore, Director by e-mail at cemoore@chhs.ua.edu. Applicants should send a high school transcript; ACT, SAT, or PSAT scores; two letters of recommendation; and a statement about why he or she wants to attend. Applications are due by March 1, 2003.

A companion program – the Rural Science Scholars Program (conducted by the Department of Biological Sciences) will be held July 6 through August 9, 2003. Students who have just completed the 11th grade are also eligible for this program. Contact Dr. Martha Powell, Director, by e-mail at mpowell@biology.as.ua.edu. Applications for both programs have been sent to high school counselors. Students may attend both programs.

Minority Rural Health Pipeline Program: June 1 through July 18, 2003
The Minority Rural Health Pipeline Program was initiated in 2001 in an effort to increase the number of minority students from rural Alabama who qualify for admission to medical school through the Rural Medical Scholars Program.

High school graduates from rural Alabama who plan to enter college in the next academic year are eligible for this program. Prospective students must be accepted at the University of Alabama to enter this program, but do not have to attend the University in the academic year.

Participants in this program take classes, tutorials, and seminars; make field trips; and participate in activities designed to enhance their knowledge and
test taking skills so that they can achieve competitive scores on the Medical College Admission Test. Each participant will receive a $1400 stipend for the summer. In addition, all tuition, room and meals for participants will be paid by the program. Participants will be responsible only for their transportation to the University of Alabama and living expenses over and above room and meals.

To be eligible for the program you must be an Alabama resident and live in a rural area. You must also be a relatively recent high school graduate with a “B” average or better. For more information or to get an application form, see the website http://bama.ua.edu/~ruralmed. Applications are due by March 15, 2003.

Rural Medical Scholars: 2003-2004

The Rural Medical Scholars Program is open to college seniors and graduate students who plan to go to medical school and practice medicine in a rural area. The program is based in Tuscaloosa and conducted by the College of Community Health Sciences, a branch of the University of Alabama School of Medicine.

If selected, a candidate is enrolled at The University of Alabama in the year prior to entry into medical school (medical school admission is included with selection into this program) and takes a course each semester related to rural health or the practice of primary care in rural areas and participates in special seminars, community service projects, and field trips which enrich his or her knowledge of what a career in rural medicine entails. Rural Medical Scholars maintain peer support group activities and receive continued administrative contact and support throughout medical training.

Eligible applicants will be invited to interviews with the Admissions Committee on June 19 and will be notified that night if they are accepted into the program. Applications are due by May 19, 2003 and may be obtained at the website http://bama.ua.edu/~ruralmed. Contact Irene Wallace by telephone at (205) 348-5892 or e-mail at iwallace@cchs.ua.edu for additional information.

ALPHA to Feature Bioterrorism Speaker at Annual Conference

The Alabama Public Health Association annual educational conference will offer attendees the latest from nationally recognized experts on bioterrorism and other speakers of interest to public health professionals. The theme for the April 24-25 meeting at the Mobile Convention Center is “Public Health: It’s Everybody’s Business.” Dr. Kenneth Alibek, executive director of George Mason University Center for Biodefense, will be among the excellent speakers. A defector to the U.S. from the Soviet Union, he has served as a consultant to numerous U.S. government agencies, has worked with the National Institutes of Health, and has testified before Congress on biological weapons. He is the author of Biohazard, published by Random House.

Also addressing the session will be Dr. David R. Franz who served as chief inspector on three United Nations Special Commission biological warfare inspection missions to Iraq and as technical advisor on long-term monitoring. He served in the U.S. Army Medical Research and Materiel command for 23 years. He has served as both deputy commander and then commander of the U.S. Army Medical Research Institute of Infectious Diseases (ASAMRIID) and as deputy commander of the Medical Research and Material Command.

Dr. Vincent Covello will address the issues of leadership and risk communications. Not to be missed is a very moving address by David Handschuh, award-winning staff photographer at the New York Daily News for the past 15 years. Handschuh was a 1999 recipient of a DART fellowship to study the effects of trauma on visual journalists. He continues that work with Dart Center Ground Zero, an initiative in New York City established to assist journalists affected by the Sept. 11 attacks.

For more information or to register contact the Alabama Public Health Association, P.O. Box 2343, Montgomery, Ala. 36102, (251) 479-8379.

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Membership Benefits:
- Be an active participant in helping to shape the future of rural health in Alabama.
- Participate in the ARHA list-serve, receiving information on rural health issues over the Web, by e-mail, or in paper copy.
- Receive the quarterly Rural Remedy newsletter.
- Attend ARHA-sponsored training on selected subjects at various locations.
- Receive assistance in locating information needed for rural health projects including grant applications.
- Receive member-only privileges on the ARHA Web site at www.arhaonline.org.
- Vote on ARHA matters (except for Student Membership).

Organizational memberships are available to any legally constituted organization. This membership consists of one membership and three votes in ARHA matters.

Organizational members making an annual contribution of at least $400 will be given the special designation of a sponsor. Sponsors will receive appropriate recognition in the ARHA newsletter, Web site, and at events sponsored by ARHA.