News on Medicaid and State Budgets – September and October 2003

This update summarizes recent press reports published during the months of September and October 2003 as well as information reported by the National Conference of State Legislature's health policy tracking service during those two months. It highlights press reports of recent changes that governors and state legislatures are making or plan to make to their Medicaid programs. The information in this news update has not been verified by the states, and in some cases the actions reported are not final. For more information on Medicaid state budget actions, based on a 50-state survey of Medicaid officials, please see the Kaiser Commission on Medicaid and the Uninsured's September 2003 report, *States Respond to Fiscal Pressure: State Medicaid Spending Growth and Cost Containment - Results from a 2003 Survey,* available at www.kff.org

Alabama – Following the failure of a statewide referendum to raise taxes, the state is facing a $26.5 million budget shortfall for the 2003-2004 fiscal year and is contemplating eliminating some optional services in its Medicaid program. Governor Bob Riley is considering several proposals including: reducing reimbursement rates for physicians and dentists by 2 percent; eliminating eye glasses and eye exams for adults; eliminating hospice services; capping the number of prescription an enrollee may obtain to 7 per month; tightening nursing home eligibility through a change in disability and income criteria; and reducing the number of inpatient days Medicaid will pay for from 16 to 14 (NCSL, 10/20/03 and 10/27/03). These proposals come on top of cost-saving measures that have already been implemented, such as a preferred drug program (*The Birmingham News*, 10/16/03).

California – In September, Governor Gray Davis directed all state agencies to begin developing their FY 2005 budget proposals by cutting 20 percent of their budget. The reaction of many state policymakers to the directive has been that many programs have been trimmed to the bone (NCSL, 9/15/03).

Earlier in September, the California General Assembly enacted and Governor Gray Davis signed a FY 2004 budget. The $99.1 billion budget: defers a deficit of $7.9 billion to FY 2005; borrows $12.0 billion; uses $900 million in state aid from the federal tax cut legislation for MediCal; and realizes a one-time savings of $930 million by moving from an accrual to a cash accounting system for MediCal. State lawmakers rejected most of the MediCal program reductions the governor posed and health care spending remains at $14 billion, a drop of just $24 million from FY 2003. The MediCal program sustained a cut of 1 percent. Some of the MediCal actions the legislature took include: reducing by 5 percent the reimbursement rate for physicians, pharmacies, and managed care plans, effective January 1, 2004; increasing slightly the reimbursement rate for nursing homes; limiting the rates paid for inpatient hospital care; canceling the cost of living adjustment for aged, blind and disabled in nursing homes; reducing dental benefits; reducing hearing care benefits; implementing six month eligibility checks; and enforcing semi-annual income verification (NCSL, 9/8/03).

On October 5th, Governor Gray Davis signed the Health Insurance Act of 2003 that mandates every California company with more than 20 employees to provide employee health insurance. The bill (SB 2) would enable almost 1.1 million uninsured persons, representing 32 percent of uninsured employees, to obtain health care coverage through their employers. As of January 1, 2006, the law will require employers with 200 or more workers to provide "family" coverage to

their employees. Employers will contribute 80 percent of the premium with employees paying the remaining 20 percent. As of January 1, 2007, the law will require employers with 50-199 employees to provide "employee only" coverage with a similar 80 percent/20 percent split. (California Office of the Governor, 10/05/03).

Connecticut – After vetoing three budgets and a mini-budget proposed by the legislature this session, Governor Rowland and state lawmakers were finally able to reach a compromise and enact a FY 2004 budget. The compromise involved the following actions affecting health care services: restoration of $10 million for a general assistance program that provides $350 a month to the hard-core unemployed— persons with no more than $250 in assets. The restoration of their general assistance benefits reinstates these unemployed persons' eligibility for Medicaid. The proposed cuts in the ConnPACE pharmaceutical assistance program were restored and $300 million in tobacco settlement revenue was secured. In July, Connecticut eliminated coverage for parents with incomes between 100 and 150 percent of the federal poverty line (NCSL, 9/8/03).

Florida – Florida has instituted an enrollment cap in their SCHIP program. The waiting list as of early October reached 59,715 children (*Tallahassee Democrat*, 10/15/03).

Georgia –Governor Sonny Perdue called for state agencies to cut spending 2.5 percent for their FY 2004 budgets, and an additional 5 percent in their FY 2005 budgets. In order to comply with this order, the Georgia Department of Community Health has proposed major cuts to Medicaid and the state's SCHIP program, PeachCare, surrounding eligibility, reimbursement rates and services. Proposed cuts include: reducing Medicaid eligibility for pregnant women and some children from 235 percent to 185 percent of the federal poverty level; reducing eligibility for the PeachCare program from 235 percent to 200 percent of the federal poverty level; reducing the medically needy program; eliminating dental benefits for adults, psychological services for children, podiatry for all, as well as orthotics and prosthetics; curtailing home-health visits from 75 to 50 per year; and increasing price discounts for pharmacists on the prescriptions they fill. Governor Perdue will present these proposals to the Legislature in January (*The Atlanta Journal-Constitution*, 10/09/03 and NCSL, 10/13/03 and 10/20/03).

Hawaii – Over the summer, Governor Linda Lingle announced a projected $152 million budget shortfall in the current biennial budget. On account of this, the governor ordered state agencies to reduce general revenue spending by 20 percent during the first three months of FY 2004. In early September, the governor rescinded her directive as revenue increased in August and September (NCSL, 10/13/03).

Illinois – The Senate Government Committee recently held hearings to get input into a proposal to institute a provider tax on state hospitals. The plan, backed by the Illinois Hospital Association, would have the state's hospitals collectively pay $500 million in annual assessments that would generate $800 million in new Medicaid funds. This plan would help increase Medicaid hospital payments from 80 percent to 92 percent. If approved, the legislation will be taken up for a vote during the General Assembly's veto session in November. In addition, Illinois increased the medical assistance eligibility age from 18 to 21 to qualify as disabled as defined under the Federal Supplemental Security Income program (NCSL, 10/20/03).

Indiana – Indiana extended Medicaid eligibility for disabled individuals, who have a physical or mental impairment or disease that is reasonably certain to result in death or last at least 12 months (instead of 4 years) without significant improvement, and that substantially impairs the individual's ability to perform activities of daily living (NCSL, 10/20/03).

Kansas – Advocates for the elderly and disabled are pressing the state to spend $20 million so that 2,000 people can be taken off the waiting list for home health services. The services would allow them to be cared for in the community rather than in state facilities or nursing homes. The $20 million would come from the $91 million the state received from the federal government in early June for Medicaid and other state needs (NCSL, 10/27/03).

Kentucky – In September, Kentucky began requiring Medicaid recipients whose income exceeds $1,656 per month but is less than the cost of their care (roughly $3,000 per month for nursing home care) to put their income into a permanent trust or lose benefits that pay for their care. Medicaid will continue to take any income under $1,656 per month that doesn't go into the trust, minus a person's living expenses. The trusts would include money from pensions, Social Security and any other income. When the person dies, the trust ends and the proceeds go to Medicaid. The state hopes that the new rule will discourage people from choosing nursing homes. The ruling has been estimated to potentially save the state $15 million in Medicaid costs. However, the new rule is causing confusion among current Medicaid recipients. The rule is just one method the state is using to try to reduce its Medicaid deficit (NCSL, 9/22/03 and the *Courier-Journal*, 9/17/03).

Louisiana – The enacted FY 2004 budget adopted by the legislature includes a significant policy change affecting the operation of the state's charity hospitals. The system is now able to operate as a service agency, which provides it the authority and ability to downsize. Many policymakers believe the system has excess bed capacity and can be run more effectively and efficiently with fewer overall beds. Given this new authority and the mandate from the legislature to cut $40 million in FY 2004, the Department of Health and Hospitals recently announced closure of 9 operating rooms, closure of an HIV clinic, and reduction of 20 psychiatric beds (NCSL, 9/8/03).

In addition, Louisiana was recently informed by CMS that the state's plan to restrict a new program of in-home care to people who otherwise would be nursing-home bound does not meet a federal comparability test. Under federal law, Medicaid services must be offered to all who qualify and CMS feels that the new program should not discriminate by offering services to just one segment of the Medicaid population. The state will continue to try to convince CMS that the state should be able to use a medical necessity standard (NCSL, 11/03/03).

Maine – State analysts predict a Medicaid shortfall of as much as $112 million due to higher than expected costs in the first quarter of the 2003-2004 fiscal year. The increase in costs is largely the result of an increase in Medicaid enrollment and higher-than expected payments to hospitals. The office of Governor John Baldacci announced that the state will move aggressively to reduce this shortfall by cutting costs at the state's Department of Human Services, but no cutbacks have been announced yet. In addition, Governor Balducci is trying to merge DHS and the mental health agency (NCSL, 10/20/03 and 10/27/03, and the *Bangor Daily News*, 10/20/03).

Maryland – In August, Governor Bob Erhlich announced he was cutting the state's FY 2004 budget by $208 million—2 percent—$84.4 million affects the Department of Health and Mental Hygiene's budget (NCSL, 9/8/03). Of that, $2.4 million will comes from the State's children's health insurance program. Enrollment in the SCHIP program already has been capped for families in higher-income brackets as a result of state budget constraints (The *Baltimore Sun*, 11/2/03).

Massachusetts – On October 1, 2003, the state launched the MassHealth Essential program, a Medicaid program that will provide coverage to 36,000 low-income adults. Under the program adults with incomes less than $9,000 per year will be eligible for coverage. Many of these adults eligible for coverage were dropped from the MassHealth Basic Medicaid program in April 2003 in order to reduce Medicaid expenditures. Spending for MassHealth Essential will be capped at $160 million for fiscal year 2004 (*Boston Globe*, 10/02/03).

In addition, the structural deficit for FY 2005 is estimated to be between $1.5 billion and $2.0 billion. The House Ways and Means Committee is undertaking its own analysis to determine the size of the shortfall. The study will assume: 12 percent growth in Medicaid costs (approximately the national average); 2 percent increase in state revenue; 2 percent increase in state spending; and funding the state's employee pension fund at twice the normal rate (NCSL, 10/13/03).

Michigan – Michigan's Department of Community Health has proposed cutting $17 million from the states Adult Home Help program, which provides funds for adults with disabilities or elderly citizens to receive care in their own homes. The $17 million would be saved by: reducing the number of hours of service; reducing wages for home health workers; and eliminating reimbursement assistance to prepare meals, take medications, do shopping, laundry and housework (NCSL, 10/13/03 and 10/20/03).

Minnesota – A task force commissioned by Minnesota Governor Tim Pawlenty met for the first time on Monday, October 27, to address the rising health care costs in the state. The governor wants the 18-member group to give him recommendations on ways to control health care costs before the Legislature reconvenes. The task force includes doctors, nurses, business leaders and union members and is headed by former Senator Dave Durenberger (NCSL, 11/03/03).

In addition, the governor has developed a plan utilizing drug importation from Canada as a strategy to lower drug costs and overall health care costs for state employees, retirees and their families. The program includes the following elements: a state Web site to facilitate individual purchasing from Canada; coordinated selection of Canadian pharmacies that meet standards of safety; and price negotiation with pharmacies (BNA Health Care Policy Report, 10/27/03). Minnesota's commissioner of human services said that purchasing Canadian drugs could save the state $20 million annually for its 50,000 state employees (BNA Health Care Policy Report, 9/29/03).

Mississippi – In mid-September, Governor Ronnie Musgrove announced a new initiative, "KidsFirst Mississippi," to enroll more children in SCHIP. The initiative is a public-private partnership designed to disseminate information about SCHIP through businesses in the state in order to reach children whose parents work for employers who do not provide them with health insurance coverage as a benefit (NCSL, 9/22/03).

Missouri – On September 29, two preliminary injunctions requiring the state to provide dental and eyeglass benefits to Medicaid recipients were made permanent by a state judge. The judge ruled that the benefits were an entitlement under Missouri law and could be eliminated only through an amendment to the Medicaid statute. The original lawsuit arose in response to the budget passed by the legislature and signed by Governor Bob Holden in the summer of 2002 (H.B. 111) that eliminated funding for these two benefits. As a result, the Department of Social Services restricted dental benefits to dentures and treatment of traumatic injuries and eyeglass benefits to a single pair following cataract surgery. During the 2003 session, the legislature again passed a budget bill, which the governor subsequently signed, eliminating funding without modifying the Medicaid statute. The services covered by the ruling are expected to cost the state approximately $16 million in the current fiscal year according to the Division of Medical Service (BNA Health Care Policy Report, 10/6/03).

Montana – The Montana state legislature froze the state's SCHIP program budget at $2.7 million per year through 2005, which has caused the state to reduce eligibility slots in their SCHIP program by 700 fewer children. This is in addition to the 1,300 children currently on the waiting list for SCHIP (NCSL, 10/27/03, www.kaisernetwork.org, 10/23/03 and www.billingsgazette.com, 10/22/03). In response, Gov. Judy Martz announced that her office may spend some of the $73 million in federal funds the state received this fall to help shore up the SCHIP program (NCSL, 11/03/03).

New Hampshire – Governor Craig Benson signed a $2.62 billion budget for FY 2004. The new budget contains $52.5 million in projected savings and revenue. Cost savings are expected to result from restrictions on prescriptions for Medicaid recipients; initiatives to better manage the treatment of chronic diseases through Medicaid; and stricter standards for qualifying for nursing home eligibility under Medicaid (NCSL, 9/15/03).

In addition, recently enacted legislation (H 4) included the following provisions related to medical assistance: limits ability of the Department of Health and Human Services to change program eligibility standards and rates in the biennium ending June 30, 2005; requires the Department of Health and Human Services to conduct an audit of the Medicaid program by November 1, 2003; changes calculation of average annual cost for certain long-term care; sets rate for the Medicaid enhancement tax at 6 percent upon the gross patient services revenue of every hospital; requires the Department of Health and Human Services to use private providers for case management services under the Medicaid home- and community-based care waiver program for the elderly and chronically ill (HCBC-ECI); establishes a commission to study the delivery of community and mental health services and the structure of the division of behavioral health services; authorizes the Department of Health and Human Services to establish a preferred drug list as part of a Medicaid pharmacy benefits management program; and directs the Department of Health and Human Services to ensure the accuracy of financial Medicaid eligibility determinations and to seek a federal wavier to extend the "look-back" period for Medicaid means testing (NCSL, 9/22/03).

In September, the state Department of Health and Human Services announced it would place on hold the implementation of a waiting list for in-home services for elderly and chronically ill Medicaid patients. The list, which was set to take effect October 6, was originally initiated

because of budget deficits in the home-care program. The program is $1 million over budget three months into the new fiscal year (NCSL, 9/22/03 and www.kaisernetwork.org, 10/6/03).

New Mexico – State officials have announced that the cost of the state's Medicaid program will increase to $532 million in FY 2005, an increase of $120-$125 million over FY 2004 if the program remains untouched (NCSL, 9/15/03). On September 15, the state's Human Services Department announced it is considering $71 million in cuts to the state's Medicaid budget for FY 2005 – the cuts would be made through a combination of eligibility and service reductions, and new taxes and fees (BNA Health Care Policy Report, 9/22/03).

The $125 million increase is almost four times the $33 million in new revenue expected to be available to cover budget increases for the state government and public schools next year according to the state Taxation and Revenue Department. An additional proposal to generate revenue being considered would raise a premium tax levied this year on services provided by Medicaid managed care companies. Other potential changes include: reducing fees paid to providers other than physicians; reducing the number of institutionalized, developmentally disabled and disabled and elderly patients eligible; eliminating nonemergency transportation; and requiring recipients to demonstrate eligibility every six months instead of every 12. The proposals are subject to further revision before they would go before the legislature, which does not reconvene until January (BNA Health Care Policy Report, 9/22/03). Additional measures being examined include, eliminating emergency services for undocumented immigrants; reducing eligibility for children from 235 percent of poverty to 185 percent of poverty; eliminating dental and vision care; restricting eligibility criteria to qualify for nursing facility care; and imposing a bed tax on nursing facilities (NCSL, 10/13/03).

New York – Governor George Pataki has requested agency directors to keep their FY 2005 budget requests to the same amount as in FY 2004. The state relied on $12 billion in non-recurring funds to balance the FY 2004 budget and is said to be facing a structural deficit of between $5.3 billion and $6.9 billion. A large factor in the fiscal crisis is the Medicaid program, as the state's Division of the Budget recently reported that the cost of the state's Medicaid program continues to increase, while revenue from sales, business and estate taxes are less than expected. The division is developing a cost savings plan to be presented to the legislature this fall (NCSL, 10/13/03).

New York City Mayor Michael Bloomberg is backing a petition drive, led by the governor of Illinois, intended to pressure the Food and Drug Administration to allow states and cities to import drugs from Canada. He made the announcement on October 29 and noted that importing drugs from Canada would save the city approximately $108 million a year in Medicaid costs (BNA Health Care Policy Report, 11/3/03).

North Carolina – According to a CMS report, North Carolina's Medicaid program might be responsible for repaying the federal government millions in overpayments made to hospitals in the state since 1997. In 1997 alone, state hospitals received $73.7 million more than they were owed and total overpayments could exceed $400 million if the same formula is applied through 2002. CMS has not yet stated the amount to be repaid, however, state Medicaid officials plan to offer $11 million to settle the 1997 books. In other cases of overpayment, elected officials have

successfully lobbied for waiving all or part of the overpayment amount (www.kaisernetwork.org, 10/28/03 and www.newsobserver.com, 10/25/03).

Ohio – The Department of Jobs and Family Services started mailing Medicaid recipients last week to inform them that the state will begin imposing a $3 copayment on drugs that are prescribed by a physician but are not on the state's preferred drug list. The letter explains who will be responsible for the copayments and that the initiative will begin January 1, 2004. Medicaid recipients who are enrolled in a HMO, are 20 years of age or younger, live in a nursing facility or a home for the mentally retarded, or receive hospice care will not be required to pay the copayment. According to state officials, the copayment is expected to save the state approximately $900,000 in prescription drug costs (NCSL, 11/03/03).

On September 22, Governor Bob Taft said that the state would be launching a prescription drug plan for senior citizens and the disabled. Approximately two million eligible Ohio seniors will be mailed "Golden Buckeye" cards that will save them between 13 and 40 percent on drugs. The program will also help 300,000 individuals between 18 and 59 who have total and permanent disabilities (BNA Health Policy Report, 9/29/03).

Oregon – In the final days of August, Governor Ted Kulongoski signed a bill (HB 2511) to revamp the Oregon Health Plan (OHP). The state does not have sufficient funds to sustain the program and is hoping to control costs by restructuring the program. During the first week of September, the governor sent Tommy Thompson a letter asking for permission to restructure its 1115 waiver. Specifically, the letter addressed five major initiatives: moving from line 549 to line 519 on the list of prioritized health services and treatments provided by the plan; redefining benefits for single adults and childless couples up to 185 percent of poverty; flexibility with regard to eliminating dental benefits and other optional benefits; establishing the Medical Expansion for Disabled and Seniors (MEDS) to replace the former Medically Needy program; and expanding SCHIP and Family Health Insurance Assistance Program income eligibility to children and persons with incomes of 200 percent of poverty – up from current level of 185 percent (NCSL, 9/15/03).

In order to generate new revenue for the Medicaid program, the budget established taxes on hospitals, nursing homes and managed care plans. The budget also included measures that restore millions to mental health services, transfer tobacco tax and user reduction account funds to OHP, eliminate the rule calling for prior authorization under the state's preferred drug list program and initiated pharmaceutical cost management initiatives such as reviewing enrollees with more than six prescriptions or frequent refills (NCSL, 9/15/03).

Pennsylvania – The Senate Committee on Aging and Youth approved a bill on October 15 that would help provide 110,000 more low-income senior citizens access to prescription drug assistance. The measure, which would take effect January 1 if enacted, would increase income limits for low-income people in the Pharmaceutical Assistance Contract for the Elderly and a companion program called PACENET. The full Senate will take up the bill in early November; the House has already approved the bill and Governor Ed Rendell has expressed that he would sign it (NCSL, 10/20/03). Recently enacted H 297 imposes a monetary assessment on nursing facilities in order to generate additional revenues for medical assistance recipients to have access to medically necessary nursing facilities (NCSL, 10/20/03).

Rhode Island – Governor Don Carcieri has requested that state agencies identify ways to cut up to 10 percent from their current budgets. In September, the governor said that the state might have a budget shortfall of up to $150 million. In July, the legislature rejected the governor's statements that there was too much spending in the budget and overrode the governor's veto of the FY 2004 budget (NCSL, 10/13/03).

South Carolina – State revenues are expected to fall $108 million short of FY 2004 projections. The Budget and Control board will need to decide whether to tap the state's reserve fund or take other action to close the gap. Governor Mark Sanford has proposed $155 million in immediate cuts. In September, he conducted hearings with state agency chiefs to identify potential savings and priority programs and activities. The state is said to be contemplating changes to Medicaid eligibility (NCSL, 10/13/03)

Early in September, state officials announced that enrollment in the state's Medicaid program was down 70,000 people since February to 821,413. The drop is attributed to people failing to meet the deadline to renew their eligibility (NCSL, 9/15/03).

Tennessee – On October 15, TennCare implemented the first 10 of 30 categories of drugs under its new preferred drug list, which was approved by the state legislature in May. The new list combines the individual preferred drug lists of TennCare's seven managed care plans and the state's other health plans and will allow the state to receive up to a 20 percent rebate on medications from drug companies. The state expects that the list will reduce drug spending by $150 million and significantly reduce prescription drug appeals filed by beneficiaries. In addition, to encourage use of more generic drugs, pharmacists will receive bonuses if 90 percent of TennCare prescriptions filled are on the list. All thirty categories of drugs will be phased in by the end of the year (www.kaisernetwork.org, 10/16/03 and www.tennessean.com, 10/15/03).

At the end of August, Tennessee officials and TennCare advocates have reached an agreement that would settle four federal court cases related to eligibility and benefits of the state's Medicaid program. Under the agreement, the state would not make certain cuts to the program and would not make cost-sharing increases it had planned. However, the state would save money through a reduction in certain prescription drug benefits while avoiding cost increases to other programs. The agreements will save the state $150 million. The state will spend approximately $20 million in additional money for services it had planned to cut, including certain preventative care for children and home services for elderly people (BNA Health Care Policy Report, 9/8/03).

Texas – On October 1, Texas House Democrats pushed for the state legislature to restore cuts made earlier in the year to the state's Medicaid and SCHIP programs in light of the U.S. Census Bureau's report showing that Texas has the highest rate of uninsured in the nation. Under the FY 2004 budget, funding for the SCHIP was reduced by $299 million and the budget called for new asset tests, stricter income requirements and a 90-day waiting period. These measures meant that 170,000 beneficiaries would become ineligible. The program has also increased premiums and copayments and decreased benefits. According to the *Houston Chronicle*, 8,300 pregnant women have lost coverage per month, 1,500 chronically ill children are on a waiting list and adult beneficiaries have lost mental health counseling, eyeglass and hearing aid benefits due to the budget cuts. A federal grant and higher than expected revenue have made $1 billion

available to fund health programs; the governor, the Legislative Budget Board and Health and Human Services will determine how best to use the funds (www.kaisernetwork.org, 10/3/03 and www.chron.com, 10/1/03).

In addition, Governor Rick Perry has taken action to restore money to the SCHIP program for mental health benefits that had been cut in FY 2004 and FY 2005 budgets. On October 20, the governor promised to restore $16.9 million ($11.6 federal matching funding) in funding. The announcement came after the federal government questioned the state over the appropriateness of the mental health cuts (www.chron.com, 10/21/03). The benefits restored include: 30 outpatient visits for mental health or substance use treatment – the budget had cut this to zero, last year the benefit was 60 visits; 30 days of care in a hospital or drug treatment center – the budget had cut this to zero, last year the benefit was 45 days; 30 days of care for detoxification and residential care for substance abuse – the budget had cut this to zero, last year the benefit was 60 days (NCSL, 10/27/03).

Utah – The Utah Department of Health announced on October 15 that it will halt plans to implement a limited preferred drug list, specifically for ulcer and cholesterol medications, for Medicaid beneficiaries because of concerns that start-up and operating costs for the program would outweigh potential savings and that the plan would "add more restrictions and bureaucracy for a declining number of physicians who accept Medicaid patients," according to committee members. Whether the state will entirely abandon the plan is unclear. The plan was estimated to save the state $850,000 in its first year by allowing the state to negotiate better prices on drugs (www.kaisernetwork.org, 10/17/03 and www.sltrib.com, 10/16/03).

Vermont – A legislative oversight panel in Vermont has given approval for a new payment system for the state's subsidized health care programs. Starting January 1, 2004, the state will switch to a premium system in which 48,000 recipients will make monthly premium payments to help cover the cost of their medical care. The premiums were established in the FY 2004 appropriation and would generate $15 million to replace the system of copayments that was in place for the Dr. Dynasaur, Vermont Health Acceptance Plan (VHAP) and VHAP Pharmacy programs. The new system will be phased in over four months and there have been some provisions adopted to help ease the transition for people who are late on their payments or don't understand the new system (NCSL, 10/27/03 and 11/03/03).

Virginia – Governor Mark Warner indicated that the demand for services in education and Medicaid and escalating costs in debt service and homeland security are contributing factors to the state's potential revenue shortfall of $1 billion (NCSL, 9/15/03).

Washington – On September 22, the U.S. Department of Health and Human Services approved the state's request to expand their SCHIP program to cover low-income pregnant women and their fetuses. Pregnant women with family incomes up to 185 percent of poverty who are not eligible for Medicaid are eligible for the program and will receive the standard Medicaid benefit package, including prenatal care. The State expects approximately 5,000 women to enroll (www.kaisernetwork.org, 9/24/03).

Wisconsin – Governor Jim Doyle has proposed the idea of re-importing drugs from Canada to help his state contain the rising costs of providing prescription drug assistance. According to

Gov. Doyle, "Wisconsin can save 17 to 40 percent of the cost if we can purchase prescription drugs from Canada. It is something worth looking at." Doyle has directed Helene Nelson, Secretary of the Department of Health and Family Services, to meet with Canadian officials to discuss ways to increase access to the lower-priced drugs available in Canada (NCSL, 11/03/03).

Wyoming – The state's Medicaid Subcommittee of the Joint Labor, Health and Social Interim Committee voted 4-1 to move a bill out of committee that would allow Wyoming Medicaid to cover organ and tissue transplants for residents between the ages of 21 and 64. The subcommittee also supported motions to update the fee schedule for hospital reimbursement rates and to require the state's Department of Education to use Medicaid to pay for eligible special education programs. The bills will now move onto the full committee (NCSL, 10/20/03).

NOTE: For information on the following states: Alaska, Arizona, Arkansas, Colorado, Delaware, Idaho, Iowa, Nebraska, Nevada, New Jersey, North Dakota, Oklahoma, South Dakota, and West Virginia, please see previous reports entitled *News on Medicaid and State Budgets* available at www.kff.org.

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