Alabama lawmakers prop up Medicaid with another short-term fix

(Julie Bennett/jbennett@al.com)

By **Mike Cason | mcason@al.com**
Email the author | **Follow on Twitter**
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State lawmakers found a new source of dollars to help pay for the rising cost of Medicaid during the **special session that ended Wednesday.**

But like others they've tapped before, it's temporary.

Gov. Robert Bentley said he has ideas about where to turn next, but was not specific.

On Thursday, the governor signed into law a bill that will give Medicaid $120 million over the next two years. The money will come from a bond issue that will be backed by BP's payments to the state from a $1 billion oil spill settlement.

"We have some options that we'll be looking at," Bentley said. "So we'll deal with those over the next few months."

A state lottery is apparently not on the governor's list. His proposal for that **died during the special session,** which lasted a little more than three weeks.

"The lottery itself is probably not going to come back up in the near future," Bentley said.

The lottery wasn't Bentley's plan of choice, anyway. He tried it only after other proposals to address the persistent shortfalls in the General Fund failed.

Last year, he tried tax increases. Most stalled in the Legislature, although a cigarette tax increase passed.

Lawmakers moved some money from education to the General Fund last year, but have opposed moving more.

Press Secretary Yasamie August said Friday the governor has no plans to try to negotiate a compact with the Poarch Band of Creek Indians, another possible source of revenue.

Republican leaders in the Legislature say it's time to take a hard look at state budgeting, spending and earmarking.

That's not a new idea but has some fresh urgency, they say.

Medicaid, by far the largest spender of General Fund dollars, has estimated it will need $865 million in 2018 and $895 million in 2019.

That's up from the $785 million request for 2017, which lawmakers were not able to fulfill until passing the BP bill.

Medicaid, although the biggest spender, is not the only concern because the General Fund also supports prisons, mental health, state law enforcement, courts and other critical services.

Lawmakers approved a resolution by House Speaker Mac McCutcheon during the special session to set up a Joint Legislative Task Force on Budget Reform. The 14-member panel will begin meeting this month and report to the Legislature early next year.

"We have looked at taxes and have struggled through special sessions trying to deal with taxes," McCutcheon said. "And we looked at the lottery and that failed. At this point, we're ready to take a very serious look at our agencies and the way they budget, unearmarking funds. And all of these are going to be tough issues."

The task force will review tax credits, deductions and exemptions that reduce state revenues, according to the resolution.

Legislators reached a compromise on the BP bill that divided the money between paying state debts, Medicaid and road projects in Baldwin and Mobile counties.

BP will pay the state $1 billion over 18 years to compensate for economic damages for the 2010 Deepwater Horizon oil spill.

The bill created the Alabama Economic Settlement Authority, which will sell bonds that will be paid off by the BP payments. The governor, state treasurer, speaker of the House, president pro tem of the Senate, secretary of labor and state finance director will make up the authority.

The bond issue is expected to be about $640 million.

Of that, $400 million will go to the Alabama Trust Fund to repay transfers made to balance the state budget in the last seven years.

Mobile County will get $65 million for the U.S. 98/Alabama 158 route to the Mississippi line. Baldwin County will get $55 million for road projects.

And Medicaid will get $15 million in 2017 and $105 million in 2018.

The money applied to debt repayment will help free another $70 million for Medicaid in 2017, closing the $85 million shortfall.

Rep. Steve Clouse, R-Ozark, chairman of the House General Fund committee and sponsor of the BP bill, said there's more work to

do.

"I don't want anybody to get a false impression that we've solved the Medicaid problem," Clouse said.

The federal Centers for Medicare and Medicaid Services has approved the state's plan to serve Medicaid recipients through regional organizations that will be paid a set amount to manage the care of each person they enroll.

The intent is for the regional care organizations to improve prevention and health management and slow the growth in Medicaid costs.

Under the federal waiver from CMS, the state could get up to $748 million over five years to help with the transition to managed care.

The RCOs were scheduled to begin operating Oct. 1, but that was put on hold because of the budget shortfall.

With the shortfall resolved by the BP bill, Bentley said the plan is to try to have the RCOs begin operating in April or July of next year.

Also because of the shortfall, Medicaid had cut payments to doctors for some services, including office visits and children's vaccinations, by more than 30 percent on Aug. 1.

The BP bill mandates that the payments be restored to the pre-Aug. 1 levels. Medicaid does not yet have a firm date for when that will happen.

About one million Alabamians receive Medicaid services. As of last year, 51 percent of those were 18 and younger, 22 percent were blind or disabled and 9 percent were 65 and older and in poverty, according to the agency. The other 18 percent were categories that include pregnant women, parent caretakers and people who receive birth control services.

Federal funds cover about 68 percent of the cost of Medicaid. Many of the rules are also set at the federal level.

Sen. Trip Pittman, R-Montrose, chairman of the Senate's General Fund committee, said Congress needs to reconsider some eligibility rules that have contributed to rising costs. He said that's necessary to make sure services can be provided for the truly needy.

"That's going to be part of the solution," Pittman said.

While not a long-term solution for all the strain on the General Fund, the BP bill does address two significant obligations.

It designates $162 million in proceeds from the bond issue to repay the Alabama Trust Fund for money transferred in 2010 to prop up the budget. The state Constitution requires that money to be repaid by 2020, but lawmakers had not repaid any.

The BP bill designates $238 million to repay the Alabama Trust Fund for part of the $437 million transferred from 2013-2015 to prop up the budget.

The bill requires the remainder of that transfer, about $184 million, to be repaid by 2033.

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