

Medicaid Budget Jumps

# Medicaid Changes Reduce Program Costs

In its effort to curtail the escalating cost of North Carolina's Medicaid program, the General Assembly has approved several changes that are estimated to help reduce the total cost of the program by \$40.8 million during fiscal year 1977-78. Savings in state funds will amount to \$11.5 million.

Even with these cost containment measures enacted, payments to Medicaid providers are budgeted to jump from \$256 million during the 1976-77 fiscal year to \$277.7 million during 1978-79 and \$304.9 million during 1979-80.

The most drastic change is the elimination of dental services for adults covered by the program. Dental services will still be provided for children through the Early Periodic Screening Diagnosis and Treatment program. It is estimated that \$16.5 million will be saved in federal, state and local funds by dropping this service for adults.

During 1976, there were 2010 dentists across the state enrolled in the Medicaid program. Less than half of these were paid over \$1000 during the year for treating Medicaid patients including both adults and children.

The next largest savings adopted by the Legislature was the freezing of Medicaid payments to providers at the same rate they were being paid as of April 1, 1977. The freeze in rates does not include hospital inpatient care (general, mental and specialty hospitals), intermediate care facilities for the mentally retarded and drugs. Anticipated total savings by this action are estimated at \$10.6 million for the year.

This action means that individual practitioners such as physicians and dentists will be paid throughout the 1977-78 fiscal year at the

same rates that were in effect as of April 1, 1977.

During 1976, there were 5,673 North Carolina physicians enrolled in the Medicaid program with only 1,878 of these being paid more than \$1000 during the year for treating eligible patients.

The Legislature has mandated the Medicaid Pharmacy Program to implement an act to authorize pharmacists participating in the Medicaid program to substitute generic drugs for brand or trade name drugs in the absence of a prescription specifically to the contrary. This action coupled with an appeal to physicians

to prescribe generic drugs instead of brand name drugs is estimated to save a total of \$4 million.

Some of the Medicaid Services provided recipients at present require a small co-payment by the recipient to receive the service. The amount of this co-payment has been increased in some cases by the latest legislative action which should result in a savings of \$181,000.

Payments to nursing homes for Medicaid patients have been frozen at the maximum rate of \$28.00 per day and intermediate care facilities \$23.30 per day.

Another action taken regarding the transfer of property at less than tax value in order to be eligible for Medicaid is estimated to save \$1 million. This savings will occur predominantly in future cases where elderly persons have given their property to their children so they will be able to become eligible to go into a nursing home under Medicaid as has been happening in the past. The new policy will make a person ineligible to receive Medicaid services for specified periods of time after the property is transferred. Specifically, persons whose homes are valued

from \$1000 to \$5000 will be ineligible for one year, from \$5,001 to \$10,000 for two years and over \$10,000 for three years. This change will affect future applicants only.

The Legislature has also initiated action to save \$2 million in hospital inpatient care by limiting the number of administrative days to three that a Medicaid recipient can stay in the hospital for any period of hospitalization. Administrative days are those days in excess of days certified as medically necessary for the active treatment of the diagnosed condition under the Hospital

Admissions Review Program. Hospitals will not receive payments for excess administrative days patients remain in hospitals.

These are the major cost-saving changes in the Medicaid program enacted by the General Assembly. Other actions to help realize the total savings are increased efforts by the Division of Social Services which is responsible for the administration of the program to collect third party payments from insurance and other sources, better utilization and review procedures and the prevention of fraud and abuse.

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