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BUDGET REDUCTION UPDATE

Behavioral Health Community Sees Continued Shift in State Responsibility

As you are likely aware, in recent days Governor John Lynch presented a plan to the Legislative Fiscal Committee to address revenue shortfalls in state government. What was anticipated to be a \$155M reduction plan was scaled back as the State waits to see what the potential of a federal relief package might be and whether that will help avoid an additional \$75M reduction in the final months of the fiscal year. The Governor's Office describes the plan as "Phase I" – so, depending on how the federal government acts, there may well be another shoe to drop in late January.

The impact on New Hampshire's community behavioral health centers is not as bad as it could have been, but this action comes at a time when towns and the counties are also reducing their support to the centers, and continues the slow down-shift of the State's Medicaid responsibility to the non-profit community. The specific impacts on the community mental health centers include: an estimated \$2 million in Medicaid rate increases - that were due to take effect in January and which were factored in the centers' 2009 budgets - that will not be provided; elimination of a mileage reimbursement bump; and changes in a drug pre-approval process.

Also, because Medicaid rates were reduced effective on Monday, December 1, 2008, the Governor's action means an extra month of cuts for the centers before the required increase on January 1st brings the rates back to their November 30, 2008 level. This reduction will, however, have some client impacts on the centers. These impacts will be detailed in another update.

The rate of health care inflation experienced by the centers over the past 2 years is well over 10%. As the primary payer, the NH Medicaid system failed to meet this increase in costs and effectively shifted the burden from the State, which has a lawful obligation to manage and fund the system, to the non-profit providers, who stepped up to actually provide care. The direct impacts of this shift will be different for each center and will continue to reduce staffing, increase reliance on fundraising and reserves, and cause other financial scrambling.

Perhaps the good news in the Governor's plan is that there seems to be a growing acceptance in the executive and agency branch of state government that the impacts of continued reduction in Medicaid provider rates is over and they can't go to that well again. Anecdotally, the Governor's team articulated some relief that the full brunt of the \$155M was not brought forward last week, as the impacts on the Medicaid system would have been devastating.

Looking ahead to the next operating budget, the State's Medicaid leaders face a number of important considerations. First is the need to address the shift in Medicaid growth back to the State operating budget and away from the non-profit community. This means that rates will need

to stop falling behind cost increases and steps will need to be taken to fund the federal Medicaid obligation.

The new Legislature and its budget writers also have the opportunity to do more than just patch things together for the next 2 years. The proposed Ten-Year Mental Health Plan -“A Plan for Restoration” - offers NH the chance to begin to plan for the long term, address cost shifts, and improve the behavioral health care system in NH.

As the budget and legislative process ramps up in early January, the Community Behavioral Health Association will be working with others in the mental health community to amplify the need to address mental health issue for the long term. Stay tuned for more details.