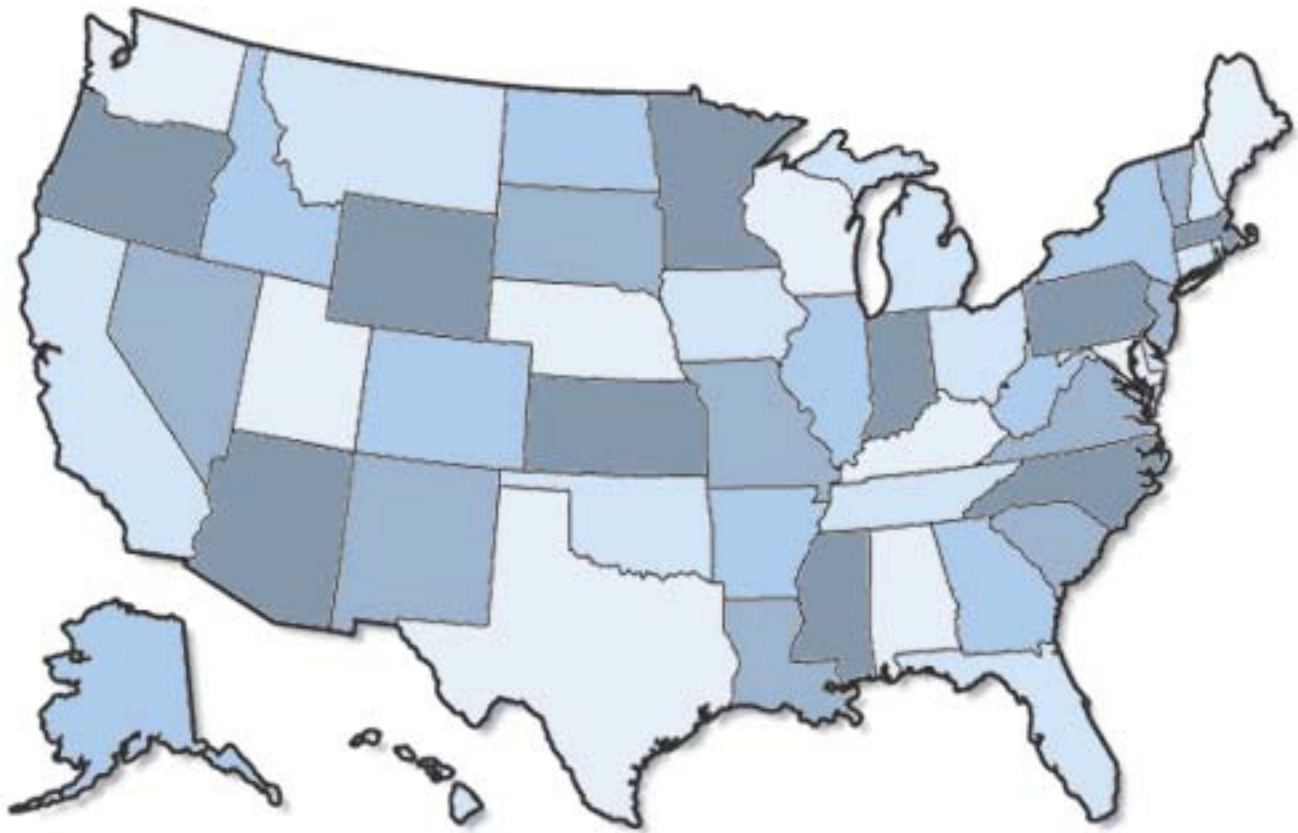


# THE STATE FLEXIBILITY ACT OF 2011

*Why Washington Must Act To Provide States With  
Flexibility To Manage Their Medicaid Programs*



A Joint Committee Review of States' Perspectives  
House Committee on Energy and Commerce  
Senate Finance Committee  
Tuesday, May 3, 2011

## EXECUTIVE SUMMARY

Medicaid is an income-based entitlement program that serves low-income and disabled Americans and is jointly administered and financed by the federal government and states. While the Medicaid program's framework and reach is national, each state's program varies based on eligibility, provided benefits and reimbursements. Over the next ten years, the federal government will spend \$4.6 trillion on Medicaid—a substantial contributor to the growing \$14 trillion national debt.<sup>1</sup> At the state level, Medicaid spending now consumes nearly a quarter of state government budgets—a significant driver of state budget crises.<sup>2</sup>

According to the National Governors Association (NGA), states are facing, “collective budget deficits of \$175 billion through 2013.”<sup>3</sup> The Washington Post reports that California alone has a \$25 billion budget gap to close.<sup>4</sup> With such historic budget shortfalls, states are looking to Washington for increased flexibility to manage their budgets and their Medicaid programs, which consume such a large portion of state budgets. Unfortunately, Washington has tied the hands of state officials in dealing with their Medicaid program.

The 2009 economic “stimulus” package and the Patient Protection and Affordable Care Act (PPACA) imposed new Medicaid eligibility restrictions on the states called “maintenance of effort” (MOE) requirements. The restrictions imposed by the President’s key legislative packages have prevented states from not only adjusting their eligibility levels but also from implementing common-sense program integrity measures in the eligibility verification process.

For example, when the Commonwealth of Virginia tried to limit the abuse of taxpayer dollars through financial instruments purchased for the purpose of sheltering assets and estate planning, the MOE restrictions prevented the state from doing so. Similarly, as many in 1 in 5 Medicaid enrollees in Oregon may not even be eligible for the program, but the MOE restrictions prohibit the state from updating its eligibility determination procedures to correct this problem.<sup>5</sup> Increasing states’ ability to stop waste, fraud and abuse ensures that the program benefits states’ most vulnerable residents.

---

<sup>1</sup> The Congressional Budget Office, Spending and Enrollment Detail for CBO’s March 2011 Baseline: Medicaid, available online at <http://www.cbo.gov/budget/factsheets/2011b/medicaid.pdf>

<sup>2</sup> National Governor’s Association, The Fiscal Survey of States, Fall 2010, available online at <http://www.nga.org/Files/pdf/FSS1012.PDF>

<sup>3</sup> National Governor’s Association, Letter to Senate & House Leadership, January 24, 2011, available online at <http://www.nga.org/portal/site/nga/menuitem.cb6e7818b34088d18a278110501010a0/?vgnextoid=b990c07128cad210VgnVCM100005e00100aRCRD>

<sup>4</sup> Fletcher, Michael. “Governors from both parties plan painful cuts amid budget crises across the U.S.” The Washington Post, February 7, 2011. Available online at <http://www.washingtonpost.com/wp-dyn/content/article/2011/02/07/AR2011020703650.html?hpid=topnews>

<sup>5</sup> Letter from HHS Secretary Sebelius to U.S. Senator John Cornyn. February 25, 2010.

The onerous federal mandates on states today make it especially challenging for states to solve their unprecedented budget crises, and governors have asked Washington for relief from these excessive constraints. Earlier this year, Republican governors sent a letter declaring, “In these difficult fiscal times, we understand that the federal government cannot provide new sources of taxpayer dollars to assist the states. Therefore, our only option is to request flexibility and relief from MOE provisions so that we may responsibly manage our state budgets on behalf of our citizens.”<sup>6</sup>

Concerns about the Federal government’s grip on state budgets cross party affiliations. The bipartisan National Governors Association recently stated, “Despite states’ difficult fiscal situation, governors are not calling for new one-time help from the federal treasury. In fact, we encourage the federal government to follow the lead of states and make the tough decisions necessary to get its fiscal house in order; federal fiscal stability is critical to the long-term strength of states and the country.”<sup>7</sup>

In responding to states’ growing concerns with the MOE restrictions, Secretary Sebelius acknowledged the problems states are facing in a letter to governors on February 3, 2011. Unfortunately, the letter simply reiterated the limited options available under current law. To quote Governor Haley Barbour, “Secretary Sebelius’s letter fails to provide solutions that immediately address the exploding state budget problems posed by the Medicaid program.”<sup>8</sup>

Under current Medicaid restrictions from Washington, States are forced to make significant budget cuts in preparation for the upcoming fiscal years in other program areas, including education and transportation. In many states, new taxes have also been imposed-placing even greater pressure on already difficult economic situations nationwide.<sup>9</sup>

The following snapshot of the states provides an outline of each state’s projected budget shortfalls and captures the concerns of Governors and the consequences of burdensome MOE restrictions on states.

On May 3, 2011, Senator Hatch (R-UT) and Representatives Gingrey (R-GA) and McMorris Rodgers (R-WA) introduced legislation responding to bipartisan requests from Governors not to impose MOE requirements on the states. This legislation will allow states to take reasonable steps to balance their budgets and target scarce resources to the most vulnerable citizens.

---

<sup>6</sup> GOP Governors Ask Feds to Ease Healthcare Mandates. Letter to President and Congressional Leadership from the Republican Governors Association. January 7, 2011. Available online at <http://www.rga.org/homepage/gop-governors-ask-feds-to-ease-healthcare-mandates/>

<sup>7</sup> National Governor’s Association, Letter to Senate & House Leadership, January 24, 2011, available online at <http://www.nga.org/portal/site/nga/menuitem.cb6e7818b34088d18a278110501010a0/?vgnextoid=b990c07128cad210VgnVCM1000005e0100aRCRD>

<sup>8</sup> Pear, Robert. “Governors Get Advice for Saving on Medicaid.” New York Times, February 3, 2011. Available online at [http://www.nytimes.com/2011/02/04/us/politics/04medicaid.html?\\_r=2&ref=us](http://www.nytimes.com/2011/02/04/us/politics/04medicaid.html?_r=2&ref=us)

<sup>9</sup> Fletcher, Michael. “Governors from both parties plan painful cuts amid budget crises across the U.S.” The Washington Post, February 7, 2011. Available online at <http://www.washingtonpost.com/wp-dyn/content/article/2011/02/07/AR2011020703650.html?hpid=topnews>

## STATES NEED WASHINGTON TO GET OUT OF THE WAY

(Note: Underlined Quotes Below Have Been Hyperlinked To Reference Source In Online Version of This Document)

In **Alabama**, where the projected Fiscal Year (FY) 2012 budget shortfall is approximately \$979 million, Governor Bentley has made it clear to Washington, “We are working everyday relying not on Washington, but on our own abilities as a state to accomplish the task set before us.” With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices, including but not limited to education funding cuts. An editorial in the Mobile Press-Register notes, “That may mean more children per classroom and more stress for the teachers who remain.”

In **Alaska**, Governor Parnell has raised concerns about future state shortfalls and according to the state, “MOE provisions limit Alaska’s flexibility in managing the costs of its Medicaid program and may, when faced with the prospect of making reductions to anticipated Medicaid spending, ultimately force Alaska *to place all of the burden on its providers* (emphasis added)...For FY 2012, it is projected that Alaska will need an additional \$68 million in state general funds to cope with program growth and another \$123 million in state general funds.”

In **Arizona**, where the projected FY 2012 budget shortfall is approximately \$974 million, Governor Brewer has raised concerns about the federal MOE restrictions. According to the state, “MOE requirements cost Arizona over \$800 million in the next fiscal year...the MOE prevents the state from making fiscal choices that reflect the priorities of its citizens.” With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices, including but not limited to education funding cuts. A Superintendent in the Maricopa School District recently noted, “Those are pretty tough discussions to have on which one you want to have and which one affects kids most.”

In **Arkansas**, where the state’s FY 2012 budget shortfall is better than most, but the Medicaid budget is expected to see a shortfall of up to \$80 million by July 2012 and \$250 million by July 2013, Governor Beebe has asked CMS for greater flexibility to manage the state’s Medicaid program, “What we’re hoping for is a strong indication from HHS as to their willingness to let us go down some new roads.” With little flexibility from Washington to implement program integrity reforms in Medicaid, even Arkansas who is better off than most states has been faced with difficult budget choices. According to the Center for Budget and Policy Priorities (CBPP), Arkansas has had to cut higher education funding.

In **California**, where the projected FY 2012 budget shortfall is approximately \$25.4 billion , Governor Brown has made it clear to Washington that , 'higher education, unlike health care services, is an easy place to cut because it's not tied up in federal mandates.' With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices, including proposed education spending cuts as well as new taxes. The Santa Monica Mirror notes that, "A \$500 million cut was made to both the University of California (UC) and California State University (CSU) budgets. For UC this will mean turning away 20,000 or 30,000 qualified students and increasing tuition \$1,000 per year."

In **Colorado**, where the projected FY 2012 budget shortfall is approximately \$988 million , Governor Hickenlooper has made it clear to Washington, "The four letter word today is math and we have structural imbalance to the budget." With little flexibility from Washington to implement program integrity reforms in Medicaid, Colorado has been faced with difficult budget choices, including but not limited to education funding cuts. In his FY 2012 budget proposal, the Governor proposed \$375 Million in cuts to Colorado schools.

In **Connecticut**, where the projected FY 2012 budget shortfall is approximately \$3.2 billion , Governor Malloy has made it clear to Washington that his budget shortfalls are of concern, "I worry about everything." In explaining how he would seek additional revenue for Medicaid, Governor Malloy supports a provider tax, "We'll squeeze more federal revenue out of our provider tax for nursing homes." Unfortunately for Governor Malloy, the mandates from the Obama Administration would prevent him from collecting such revenue in the future. With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. According to the Center for Budget and Policy Priorities (CBPP), Connecticut has had to cut public health programs and education funding and according to the Connecticut Mirror, Governor Malloy has recently proposed a higher gas tax.

In **Delaware**, where the projected FY 2012 budget shortfall is approximately \$208 million , Governor Markell has made it clear to Washington, "Medicaid...grew 143 percent over the last 11 years to \$600 million of taxpayer money annually. These are important benefits but we need to instill common-sense reforms to make Medicaid more efficient...Meanwhile, many other areas of our budget will not be able to receive funding at their prior levels because of these other costs." With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices, including but not limited to education cuts. The Governor's original budget proposal called for over \$100 million in cuts to, "to farmland preservation, school bus transportation, higher education and health and social services."

In **Florida**, where the projected FY 2012 budget shortfall is approximately \$3.6 billion , Governor Scott has raised concerns with Medicaid MOE and the state has indicated, “It is estimated that, in order to continue funding Medicaid at its current level next year, Florida will need to increase its state general revenue commitment by more than \$2 billion next fiscal year alone.” With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices, including proposed education cuts amounting to approximately \$540/student.

In **Georgia**, where the projected FY 2012 budget shortfall is approximately \$1.3 billion , Governor Deal has made it clear to Washington, “The Obama Administration has placed onerous Maintenance of Effort requirements...which have severely tied our hands with respect to managing our state Medicaid program... Left unaddressed, we expect to see patient access to care severely limited and an overall erosion of the high-quality care that our state prides itself upon.” With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. According to the Center for Budget and Policy Priorities (CBPP), Georgia has had to cut public health programs, services for the elderly and disabled, and education funding for K-12 and above. In fact, according to the Valdosta Daily Times, the Governor’s proposed budget for FY 2012, “would cut more than \$700 million in education funding for the fiscal year that begins July 1.”

In **Hawaii**, where the projected FY 2012 budget shortfall is approximately \$410 million , Governor Abercrombie has made it clear to Washington, “We must acknowledge, without flinching, the fact that the rising cost of health care also requires that we cut back on benefits provided to Medicaid patients in the coming years in order to sustain health coverage of any kind for eligible individuals and families.” With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. According to the Center for Budget and Policy Priorities (CBPP), Hawaii has had to cut education funding and the Hawaii reporter notes a multi-million tax increase in the FY 2012 state budget.

In **Idaho**, where the projected FY 2012 budget shortfall is approximately \$92 million , Governor Otter has raised concerns about the federal MOE restrictions and the state has made it clear to Washington, “The MOE requirements imposed by the federal government require the State of Idaho to continue its pricing reductions, rate freezes and other benefit reductions to its Medicaid program. In this current budget year, these providers saw reductions of \$36.2 million while still leaving the State to address another \$42 million.” With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices, including cuts to education funding. According to the Associated Press, the Governor proposed to balance Idaho's budget, “by cutting another \$40 million from this year's spending by trimming public education and delaying cash for a livestock research center near Twin Falls that was due to get \$10 million.”

In **Illinois**, where the projected FY 2012 budget shortfall is approximately \$4.9 billion and other estimates have the state's budget hole as high as \$13 billion , Governor Quinn has made it clear to Washington that, "A priority of my administration is eliminating [Medicaid] inefficiencies, so that we are saving money while delivering better services to those that most need them." With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. According to the Center for Budget and Policy Priorities (CBPP), Illinois has had to cut public health programs, services for the elderly and disabled, and education funding for K-12 and above and Bloomberg reported that, "The Legislature approved a 67 percent increase in the personal-income tax and a 46 percent boost in the corporate income tax, both aimed at plugging a budget hole of at least \$13 billion."

In **Indiana**, where the projected FY 2012 budget shortfall is approximately \$270 million , Governor Daniels has raised concerns about the federal MOE restrictions and the state has indicated, "In Indiana, the Healthy Indiana Plan...was never intended as an open entitlement...the State is now required to open enrollment without regard to the state budget and state law that enabled HIP in the first place, costing as much as \$415 million per year." With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. According to the Center for Budget and Policy Priorities (CBPP), Indiana has had to cut public health programs, services for the elderly and disabled, and education funding for K-12 and above.

In **Iowa**, where the projected FY 2012 budget shortfall is approximately \$186 million , Governor Branstad has made it clear to Washington, "I really believe that the federal government, with their maintenance of effort, have really tied our hands and not given us the flexibility to do what we do." With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. According to the Center for Budget and Policy Priorities (CBPP), Iowa has had to cut education funding for K-12 and above. The Iowa Independent reports that for Iowa's Regent Universities, "Over a period of 10 years, from FY 2001 to FY 2011, in-state tuition increased 99.7 percent...and The Regents say they would need to increase tuition by 38 percent to close the gap in appropriations from 2009."

In **Kansas**, where the projected FY 2012 budget shortfall is approximately \$492 million , Governor Brownback has made it clear to Washington, "Most concerning to me is that the huge increases render the MOE standard unachievable, threatening the loss of the Medicaid program for vulnerable Kansans who are already in the program." With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. Reports from Topeka are that Governor Brownback was forced to propose, "\$56.5 million cuts in the Kansas budget, taking the biggest chunk from aid to the state's 289 public school districts."

In **Kentucky**, where the projected FY 2012 budget shortfall is approximately \$780 million , Governor Beshear has made it clear to Washington that borrowing money the state does not actually have is his only solution, "We will move \$166.5 million from the 2012 Medicaid budget to the current 2011 Medicaid budget to resolve the shortfall." With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. According to the Center for Budget and Policy Priorities (CBPP), Kentucky has had to cut education funding for K-12 and above.

In **Louisiana**, where the projected FY 2012 budget shortfall is approximately \$1.6 billion , Governor Jindal has raised concerns about the federal MOE restrictions and the state has indicated, "the MOE requirements do not allow flexibility within the program, further tying Louisiana's hands in managing a balanced Medicaid program. For example, in the current fiscal year, the state was forced to make over \$70 million in program reductions. After eliminating positions and non-priority programs, that state had limited options but to cut provider rates which could decrease access to care." With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. According to a report in Forbes, "Jindal has proposed a budget approaching \$25 billion that would cut funds for charity hospital care, education programs for at-risk youth, parks and museums, and state employees."

In **Maine**, where the projected FY 2012 budget shortfall is approximately \$436 million , Governor Le Page has made it clear to Washington, "It's unbelievably unsustainable. We have to continue to be generous when we're broke and that's where the problem is." With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. According to reports, Governor Le Page has been forced to propose cutting Healthy Maine to cover the Medicaid shortfalls in his state.

In **Maryland**, where the projected FY 2012 budget shortfall is approximately \$1.4 billion , Governor O'Malley has made it clear to Washington, "I'm trying to keep us as whole as I possibly can." With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. According to reports, Governor O'Malley proposed \$94 million in cuts to K-12.



In **Massachusetts**, where the projected FY 2012 budget shortfall is approximately \$1.8 billion , Governor Patrick's office has made it clear to Washington, "Spending in state health care programs has grown by double digits since FY 2008, while other areas such as local aid, higher education, public safety, environmental protection services, and economic development have all been reduced. This level of spending is unsustainable." Further, the Governor added, "Overall, Medicaid represents 32 percent of annual state spending today." With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices.

In **Michigan**, where the projected FY 2012 budget shortfall is approximately \$1.3 billion, Governor Snyder has made it clear that Governors' request to lift MOE restrictions is not, "about cutting things... in the context of going ahead with health care reform-can we have maximum flexibility in terms of waivers or ability to address what's most appropriate for our states?" With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. In fact, Reuters reports that the Governor was forced to propose the elimination of, "\$92.1 million in state revenue sharing for cities and towns, while reducing state payments to counties by \$51.8 million. School districts would also see funding drop by about \$452 million, according to budget documents."

In **Minnesota**, where the projected FY 2012 budget shortfall is approximately \$3.8 billion, Governor Dayton has made it clear to Washington, "State government will be held accountable for how we balance the budget." With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. The proposed state budget could cut payments for long-term care, which directly impacts the state's poorest senior and disabled population. In addition, recent reports from Minnesota note that the state Legislature proposed, \$28 million in cuts for Minnesota prisons.

In **Mississippi**, where the projected FY 2012 budget shortfall is approximately \$634 million , Governor Barbour has made it clear to Washington, "With flexibility from the federal government's straitjacket of rules and regulations, states can design Medicaid programs that show compassion for both the enrollee and the taxpayer." With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. In his budget proposal, the Governor proposes, "a 3.06 percent reduction for Institutions of Higher Learning and a 3.13 percent cut in spending for Community and Junior Colleges."

In **Missouri**, where the projected FY 2012 budget shortfall is approximately \$704 million, Governor Nixon has proposed cutting higher education for “exploding” Medicaid obligations. With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. In fact, recent reports are that the, “Missouri's proposed \$23 billion budget stalled soon after starting Monday because of a disagreement over how much the state can afford to spend on education and services for the elderly and disabled.”

In **Montana**, where the state faces an \$80 million Medicaid shortfall over the next two years, Governor Schweitzer has made it clear to Washington, “The governors are concerned about unfunded mandates.” With little flexibility from Washington to implement program integrity reforms in Medicaid, the state will likely be faced with difficult budget choices.

In **Nebraska**, where the projected FY 2012 budget shortfall is approximately \$314 million, Governor Heineman has made it clear to Washington, “The day of reckoning is here now. Is it education or is it Medicaid funding?” With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. The University of Nebraska is reportedly bracing for \$50 million in cuts for FY 2012.

In **Nevada**, where the projected FY 2012 budget shortfall is approximately \$1.5 billion, Governor Sandoval has made it clear to Washington, “the cure is not more government spending...“We must plan for a major expansion of Medicaid, which may cost Nevadans \$574 million between 2014 and 2019.” With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices, including cuts to education. According to the Washington Post, “...newly elected Gov. Brian Sandoval (R) has proposed rolling back education spending to 2007 levels as part of a plan to patch the state's \$1.2 billion budget gap.”

In **New Hampshire**, the state is projecting another shortfall in FY 2013. With little flexibility from Washington to implement common sense reforms in Medicaid, the state has been faced with difficult budget choices. According to Bloomberg Business Week, “[State representative] Kurk said families will bear the burden of other cuts to services ranging from support for families with disabled children to mental health services to adults and children.”

In **New Jersey**, where the projected FY 2012 budget shortfall is approximately \$10.5 billion, Governor Christie has raised concerns about the federal MOE restrictions and the state has indicated, “The federal MOE requirements imposed through the PPACA prevent the State from making program eligibility changes that could eliminate up to nearly \$530 million growth in state costs.” With little flexibility from Washington to implement common sense reforms in Medicaid, the state has been faced with difficult budget choices. According to CNN Money, “The proposal, which reduces spending by 2.6 percent for fiscal 2012, calls for cutting funding for environmental protection by 10 percent and for health and senior services by 15 percent. Cities would lose 10 percent of their aid. Medicaid recipients would be shifted into managed care, saving \$41 million.”

In **New Mexico**, the projected FY 2012 budget shortfall is approximately \$450 million or 8.3 percent of its FY 2011 Budget. With little flexibility from Washington to implement common-sense reforms in Medicaid, the state has been faced with difficult budget choices. According to the New Mexico Independent, “Martinez’s budget plan would cut administrative costs from education, roll back the film subsidy program put into place by Gov. Bill Richardson and sizably cut the state environment department.”

In **New York**, where the projected FY 2012 budget shortfall is approximately \$10 billion, “Gov. Andrew M. Cuomo called his state ‘functionally bankrupt’ as he proposed closing most of a \$10 billion budget gap by reducing funding for education and Medicaid,” according to the Washington Post. According to the New York Times, “Advocates for increased school aid were livid over the deal, suggesting that Mr. Cuomo’s cuts — and his refusal to consider a ‘millionaires’ tax’ to offset those cuts — would hurt students.”

In **North Carolina**, the projected FY 2012 budget shortfall is approximately \$2.4 billion. With little flexibility from Washington to implement common sense reforms in Medicaid, the state has been faced with difficult budget choices. According to the Asheville Citizen-Times, “The governor's proposed budget released earlier this year cut about \$350 million from public schools. This House proposal would cut around \$694 million.”

In **North Dakota**, Governor Jack Dalrymple has joined other governors in calling for repeal of the MOE restrictions. According to the state, “...it very well could become problematic that the MOE provisions of ARRA and PPACA prevent states from managing their Medicaid programs and costs thereof. As such, Governor Dalrymple supports the removal of these MOE requirements out of principle and in light of their potential for future budgetary challenges.”

In **Ohio**, the projected FY 2012 budget shortfall is approximately \$3 billion. With little flexibility from Washington to implement common-sense reforms in Medicaid, the state has been faced with difficult budget choices. According to MSNBC, “At the Ohio Department of Mental Health, Christy Murphy's days are filled with calls from people seeking help she can't seem to give. They plead with her, but budget cuts have trimmed services so much — more than \$1 billion in the current state budget — that she is not sure where to send them.”

In **Oklahoma**, the projected FY 2012 budget shortfall is approximately \$500 million or 9.4 percent of its FY 2011 Budget. With little flexibility from Washington to implement common-sense reforms in Medicaid, the state has been faced with difficult budget choices. According to reports in Oklahoma, “Much like possible public school cuts, the Governor and lawmakers in Oklahoma are also looking to cut the higher education budget--perhaps as much as five percent. This could mean salary cuts for professors and higher tuition for students.”

In **Oregon**, where the state faces a FY 2011 mid-year gap of \$378 million and a projected FY 2013 gap of \$1.8 billion, the state has been forced to make difficult budget decisions. According to the reports from Oregon, “Key Oregon lawmakers on Tuesday recommended deep cuts to schools, long-term care programs for seniors and just about every other program state government provides as the Legislature grapples with a severe budget shortfall.”

In **Pennsylvania**, where the projected FY 2012 budget shortfall is approximately \$4.2 billion, the state has said, “Pennsylvania’s Medicaid program and current MOE requirements continue to place a heavy financial stress on the entire Commonwealth... As the Medicaid population continues to increase and state revenues continue to not keep pace, the lack of any meaningful flexibility within the program will severely hamper virtually all other aspects of the state budget.” With little flexibility from Washington to implement common-sense reforms in Medicaid, the state has been faced with difficult budget choices. According to CNN Money, “Corbett is asking teachers to freeze their salaries for a year, saying it would save \$400 million, and he wants school districts to be allowed to furlough employees during tough budget times. But he still plans to cut \$550 million from basic education funding...The state university system would see its state funding slashed \$271 million, while Penn State, University of Pittsburgh, Temple and Lincoln universities would lose half their funding.”

In **Rhode Island**, where the projected FY 2012 budget shortfall is approximately \$331 million or 11.3 percent of its FY 2011 Budget. With little flexibility from Washington to implement common-sense reforms in Medicaid, the state has been faced with difficult budget choices. According to the Center for Budget and Policy Priorities, “Rhode Island cut state aid for K-12 education and reduced the number of children who can be served by Head Start and similar services... Rhode Island has cut funds for affordable housing, eliminated health insurance for home-based child care providers, restricted TANF cash assistance for children, reduced health insurance for retired state workers, and cut support to localities by \$10 million.”

In **South Carolina**, where the projected FY 2012 budget shortfall is approximately \$877 million or 17.4 percent of its FY 2011 Budget, the state has said, “The current federal MOE requirements do not allow South Carolina the flexibility to fully manage the influx of new enrollees... SCDHHS is projected to run a \$228 million midyear deficit and needs as much of the previous flexibility to manage its program as possible.” With little flexibility from Washington to implement common-sense reforms in Medicaid, the state has been faced with difficult budget choices. According to reports from South Carolina, “The demonstrators are protesting against the state's plan to slash funding from schools, social programs and Medicaid.”

In **South Dakota**, where the projected FY 2012 budget shortfall is approximately \$127 million or 10.9 percent of its FY 2011 Budget, the state has said, “This burden coupled with the inability to change other parts of the Medicaid program due to the MOE requirements will result in rate cuts to providers. Providers that cannot absorb these cuts may stop taking people eligible for Medicaid, or may stop providing services altogether. This would have a hugely detrimental effect on a very rural state, including citizens that rely on Medicaid for their health care and communities that may see their health care providers leave or quit.” With little flexibility to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. According to the Center for Budget and Policy Priorities, “South Dakota’s fiscal year 2011 budget cuts state support for public universities by \$6.5 million and as a result the Board of Regents has increased university tuition by 4.6 percent and cut university programs by \$4.4 million.”

In **Tennessee**, where the state projects a FY 2012 budget shortfall, the state has said, “Unfortunately, MOE requirements take away the flexibility needed to make important changes to the program as we deal with such issues. For instance, TennCare could save \$16 million alone just by modifying nursing facility level of care requirements that would bring Tennessee in line with the criteria of other states and rebalance its long-term care system in order to serve more people with lesser levels of need in more cost-effective home and community-based settings while targeting the more expensive long-term care services to persons with higher acuity of need. However, MOE restrictions prohibit such changes. At a time when Tennessee is already facing budget difficulties and the ACA is expected to cost the state up to an additional \$1.5 billion over five years, we must have the flexibility necessary to make common sense adjustments to the program.” With little flexibility from Washington to implement common-sense reforms in Medicaid, the state has been faced with difficult budget choices. According to the reports from Tennessee, “Higher education boards will raise student tuition and fees by a yet-undetermined amount to make up for another cut -- \$20.2 million, or 2 percent -- in state appropriations for the state's public colleges and universities.”

In **Texas**, where the projected FY 2012 budget shortfall is approximately \$13.4 billion or 31.5 percent of its FY 2011 Budget, the state has said “Because of the lack of flexibility in the Medicaid program, one of the few places states maintain the ability to make adjustments is in provider rate cuts. To fund for the full \$9.1 billion Texas would have to consider a 48 percent provider rate cut – an untenable option that would likely cause providers to leave the system altogether, resulting in severe shortages in access to care. States must have flexibility not only in regards to maintenance of effort, but in the overall administration of this program in order to best serve those with the highest needs as well as continue to fund other budgetary priorities like education and public safety.” According to the Austin-American Statesman, “UT System Chancellor Francisco Cigarroa, who oversees the Austin flagship and 14 other academic and health campuses, put it this way: ‘It is an institution of the first class, but you can't take it for granted.’ The budget proposal offered by the Texas House for the two-year period beginning in September would cut 13.6 percent, or \$108 million, from the \$792.7 million in state and federal money allotted to UT two years ago by the Legislature, a UT analysis found. The Senate's version would trim 11.1 percent, or \$87.9 million.”

In **Utah**, where the projected FY 2012 budget shortfall is approximately \$390 million, the state has said, “The MOE requirements imposed by the federal government... will cost the State \$3.2 million annually.” With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. According to reports from Utah, “Utah's other public colleges and universities lost approximately 2 percent in state appropriations across the board.”

In **Virginia**, where the projected FY 2012 budget shortfall is approximately \$2 billion, the state has said, “The MOE requirements imposed by the federal government required Virginia to restore planned savings of almost \$460 million. This included increasing Medicaid eligibility level to 300 percent and requiring the state to lift a freeze on long term care waivers, in addition to other planned changes. The MOE requirements prevent the state from changing the resource calculations for long term care as previously approved by the state legislature and Governor in an attempt to properly manage costs. The federal requirements have hindered the Commonwealth’s ability to ensure that limited resources are directed to those most in need of public assistance.” With little flexibility from Washington to implement common-sense reforms in Medicaid, the state has been faced with difficult budget choices.

In **Vermont**, where the projected FY 2012 budget shortfall is approximately \$176 million, the state has been faced with difficult budget choices given the limited flexibility to implement program integrity reforms in Medicaid. According to the Center for Budget and Policy Priorities, “Other states that have capped or reduced funding for programs that serve people who have disabilities or are elderly include... Vermont.”

In **Washington**, where the projected FY 2012 budget shortfall is approximately \$2.5 billion, the state has been faced with difficult budget choices given the limited flexibility to implement program integrity reforms in Medicaid. According to the Center for Budget and Policy Priorities:

“Washington will reduce assistance for thousands of people who are physically or mentally incapacitated and unable to work in early 2011. For 28,000 adults receiving cash grants through the state’s Disability Lifeline program, the typical monthly benefit will fall by \$81 to \$258 from \$339.”

“Washington suspended a program to reduce class sizes and provide professional development for teachers; the state also reduced funding for maintaining 4th grade student-to-staff-ratios by \$30 million.”

“Washington reduced state funding for the University of Washington by 26 percent for the current biennium; Washington State University is increasing tuition by almost 30 percent over two years. In its supplemental budget, the state cut 6 percent more from direct aid to the state’s six public universities and 34 community colleges, which will lead to further tuition increases, administrative cuts, furloughs, layoffs, and other cuts. The state also cut support for college work-study by nearly one-third and suspended funding for a number of its financial aid programs.”

In **Wisconsin**, where the projected FY 2012 budget shortfall is approximately \$1.8 billion, the state has been faced with difficult budget choices given the limited flexibility to implement program integrity reforms in Medicaid. According to the Green Bay Press Gazette, “They spoke before the Joint Finance Committee began taking votes on changes to Walker’s first budget, which plugs a \$3.6 billion shortfall without raising taxes but does slash aid to public education and local governments...”

In **West Virginia**, the state faces a projected FY 2013 gap of \$123 million.

In **Wyoming**, the state has said, “the costs of maintaining our Medicaid program are fast becoming a serious threat to our state general funds. Wyoming estimates its Medicaid costs for the next three years to be over 1.7 billion dollars... Wyoming needs to have flexibility at the state level to ensure the Medicaid program is operated efficiently and effectively... Wyoming did not agree...to the continued MOE set out by the PPACA and strongly supports the removal of the PPACA MOE requirements.” With little flexibility from Washington to implement program integrity reforms in Medicaid, the state has been faced with difficult budget choices. According to the Center for Budget and Policy Priorities, “Some states, such as...Wyoming, have implemented cuts to localities, leading to local concerns about reductions in funding for policing, child care assistance, meals for the elderly, hospice care, services for veterans and seniors, and other services.”