Mid-South Medical Group Management Association

Presentation by Senate Majority Leader Mark Norris

August 19, 2010

Except of letter from Gov. Bredesen to Sen. Corker and Rep. Gordon *dated October 5, 2009*

Bob and Bart, the problem that we're facing is simple: by 2013, we expect to have returned to our 2008 levels of revenue and will have already cut programs dramatically—over a billion dollars. At that point, we have to start digging out—we will have not given raises to state employees or teachers for five years, our pension plans will need shoring up, our cash reserves ("rainy day fund") will have been considerably depleted and in need of restoration, and we will not have made any substantial new investments for years. There will have been major cuts to areas such as Children's Services that we really need to restore. On top of these, there are all the usual obligations that need to be met—Medicaid, for example, will continue to grow at rates in excess of the economy and our tax revenues. It's going to take at least a full decade to dig our way out and back to where we were prior to the recession.

In this environment, for the Congress to also send along a mandatory bill for three quarters of a billion dollars for the health reform they've designed is very difficult. These are hard dollars—we can't borrow them—and make the management of our finances post-recession even more daunting than it already is. We keep a running budgetary estimate for my own use of what we project in the years ahead, and I've attached the current version of it to give you a sense of what we are facing.

Total FY 2010 and FY 2011 Reductions

Total State Reductions

$429,931,500

Total State and Federal Reductions

$1,220,252,800

FY 2009-2010 Reductions				FY 2010-2011 Reductions			
FY 2009-2010	State	Total	Implementation Date	FY 2010-2011	State	Total	Implementation Date
Only pay NFs after PASRR completion	(13,761,800)	(39,600,000)	7/1/2009	In-Patient Cap on Adults ($10,000 per year)	(51,233,900)	(149,719,200)	7/1/2010
Postpone Opening of Medically Needy	(11,373,400)	(32,727,300)	7/1/2009	Limit Lab/Xray Procedures (8 per year)	(20,630,900)	(60,288,900)	7/1/2010
Shared Health Contract	(6,000,000)	(12,000,000)	7/1/2009	Hospital Reimbursement Ceiling (100% Medicare)	(17,830,300)	(52,104,900)	7/1/2010
Medstat Contract	(600,000)	(1,200,000)	7/1/2009	DIDS Reductions	(14,419,300)	(41,491,900)	7/1/2010
Auto-Inflators in Provider Contracts	(521,300)	(1,500,000)	7/1/2009	Value of 7% Provider Cuts at FY11 Levels	(14,074,200)	(41,128,500)	7/1/2010
Electronic Payment and Remittance	(500,000)	(1,000,000)	7/1/2009	Limit Office Visits (8 per year)	(13,065,500)	(38,181,000)	7/1/2010
F&A OIG Reductions	(199,600)	(399,200)	7/1/2009	Limit Out-Patient Services (8 per year)	(9,743,100)	(28,472,000)	7/1/2010
UT Pharmacy Contract	(97,800)	(195,600)	7/1/2009	Reduction in Growth Cost from Ben. Limits	(6,819,500)	(19,928,300)	7/1/2010
Provider Reimbursement and Co-Pay	(75,990,100)	(218,663,900)	7/1/2010	$4 Pricing on Widely Available Generics	(5,647,000)	(16,502,100)	7/1/2010
Eliminate Essential Access Payments	(34,752,000)	(100,000,000)	7/1/2010	Pharmacy Pricing - Reduce MAC Pricing	(4,106,400)	(12,000,000)	7/1/2010
Nursing Home Rates	(22,857,900)	(65,774,400)	7/1/2010	Modified DME Contracting	(3,434,400)	(10,036,200)	7/1/2010
Eliminate Graduate Medial Ed. Grant	(17,376,000)	(50,000,000)	7/1/2010	Eliminate Certain Therapies (PT/OT/ST)	(3,388,100)	(9,900,900)	7/1/2010
LTC Eligibility Criteria	(16,376,500)	(47,124,000)	7/1/2010	Increased Drug Rebate	(2,737,600)	-	7/1/2010
DIDS Reductions	(12,675,300)	(37,211,300)	7/1/2010	Eliminate Meharry Grant	(1,711,000)	(5,000,000)	7/1/2010
Medicare Part A	(12,354,500)	(35,550,400)	7/1/2010	$2 Co-Pay on Non-Emergency Transport	(1,310,400)	(3,829,300)	7/1/2010
MCO Admin Rate	(7,684,400)	(22,112,100)	7/1/2010	DCS Reductions	(1,230,200)	(3,319,600)	7/1/2010
Eliminate Meharry Grants	(4,737,600)	(8,000,000)	7/1/2010	Single Source for Selected Rx Supplies	(1,026,600)	(3,000,000)	7/1/2010
DCS Reductions	(4,034,800)	(10,801,900)	7/1/2010	Increased Revenue from Data Sharing	(900,000)	-	7/1/2010
Dental Rates	(3,939,200)	(11,335,300)	7/1/2010	GOCCC Reductions	(450,600)	(450,600)	7/1/2010
Eliminate Critical Access Payments	(3,475,200)	(10,000,000)	7/1/2010	Change Rate For Composite Posterior Fillings	(427,800)	(1,250,000)	7/1/2010
Private ICF-MR Rate	(2,432,600)	(7,000,000	7/1/2010	Medicare Outreach	(410,600)	(1,199,900)	7/1/2010
HCBS Waiver Administration	(944,900)	(1,889,700	7/1/2010	Administrative Contract Reduction	(234,100)	(468,100)	7/1/2010
GOCCC Reductions	(866,600)	(866,600	7/1/2010	F&A OIG Reductions	(225,700)	(451,400)	7/1/2010
Information Systems	(458,200)	(458,200)	7/1/2010	DHS Reductions	(182,200)	(364,400)	7/1/2010
PACE Rate	(304,500)	(876,100)	7/1/2010	Commerce & Insurance Reductions	(127,900)	(255,800)	7/1/2010
Eliminate Grant to Memphis City Schools	(250,000)	(500,000)	7/1/2010	Total	(175,367,300)	(499,343,000)	
Total	(254,564,200)	(720,909,800)					

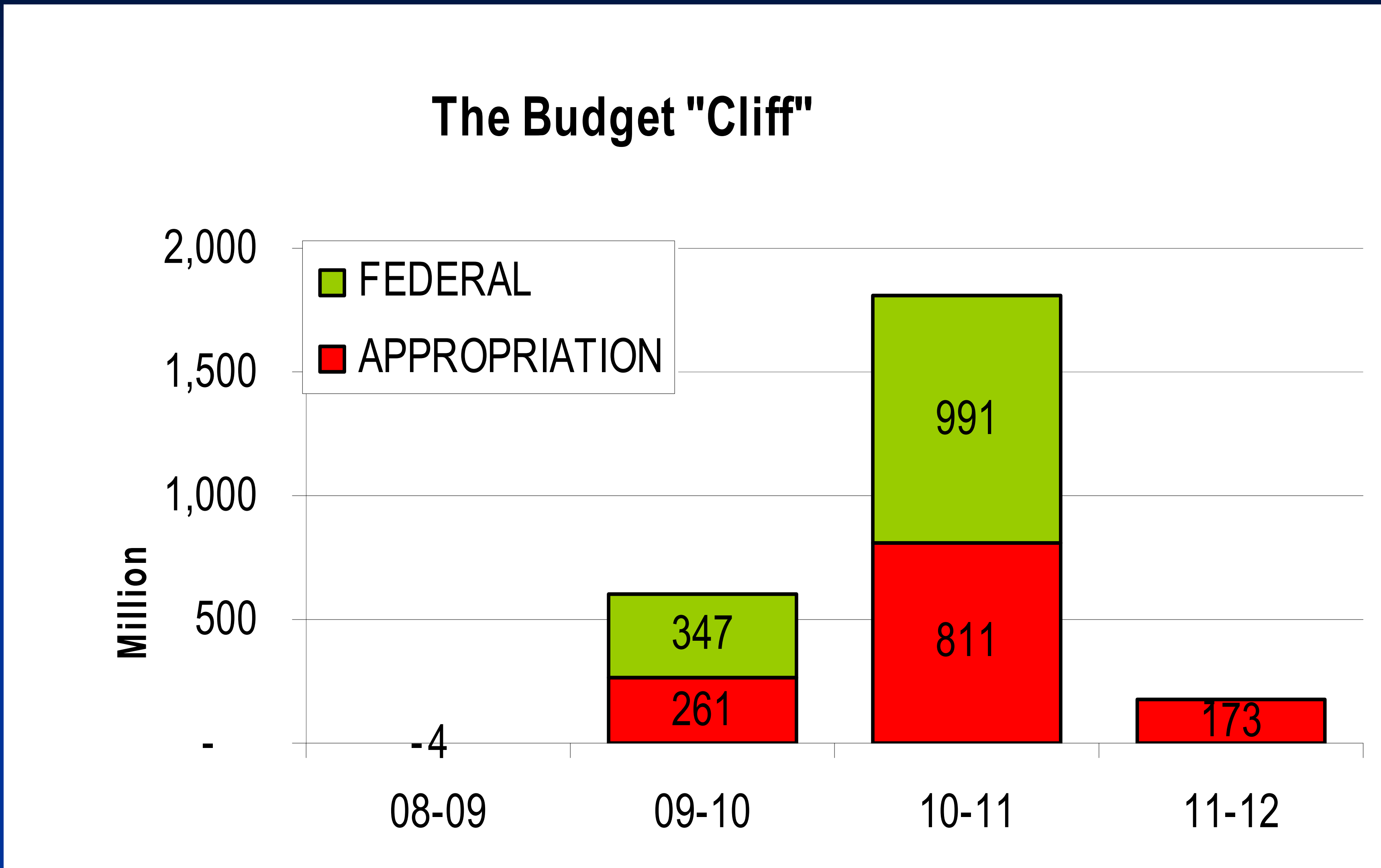
Amounts in FY 2010 reflect recurring state savings

TENNCARE

Governor Phil Bredesen, a Tennessee Democrat, said he feared Congress was about to bestow "the mother of all unfunded mandates."

"Medicaid is a poor vehicle for expanding coverage," said Bredesen, a former healthcare executive. "It's a 45-year-old system originally designed for poor women and their children. It's not healthcare reform to dump more money into Medicaid."

Excerpt from "Governors worried by healthcare bill costs"
By Kevin Sack and Robert Pear
***New York Times* / July 20, 2009**



The Budget "Cliff"
FEDERAL
APPROPRIATION
Million
2,000
1,500
1,000
500
-
991
811
347
261
-4
173
08-09
09-10
10-11
11-12

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