



# Week's Worth

June 11, 2010

On Tuesday of this week we learned from staff at the Department of Health Care Policy & Financing (HCPF) that there will be a two-week payment delay for Medicaid fee for service providers in the last two weeks of the current fiscal year which ends June 30, 2010. CAHSA members impacted by the payment delay are: nursing homes, alternative care facilities, and adult day providers.

The reason behind the Medicaid payment delay is revenues have come in less than originally estimated and the Governor's Budget office as well as the State Controller and Legislative Council are concerned the state is "at risk" of not meeting its 2% reserve requirement for FY 09-10. Accordingly, a decision was made to delay Medicaid payments.

If a claim is in the portal by today, June 11, it will pay normally on June 18th. Any claims in the portal after June 11<sup>th</sup> will be paid on July 9<sup>th</sup>. Providers were to be officially notified this past Wednesday via an email blast from ACS.

Three questions about the budget and the state's budget crisis cannot be answered at this time. Will the State be able to afford 54 weeks of Medicaid fee for service payments in FY 10-11 instead of 52 weeks? Will revenues continue to come in less than originally projected? Will Congress pass the ARRA extension for the Medicaid federal match or will the state be forced to cut more from the FY 10-11?

On a related note, findings from the biannual report, *The Fiscal Survey of States*, released by the National Governors Association (NGA) and the National Association of State Budget Officers (NASBO) on June 3rd show that fiscal year 2010 presented the most difficult challenge for states' financial management since the Great Depression. Although the nation's economy shows signs of improvement, state fiscal conditions continue to deteriorate. To address falling revenues and meet balanced budget requirements, states have dramatically reduced spending from \$687.3 billion in fiscal 2008 to \$612.9 billion in fiscal 2010. The report indicates fiscal 2011 will be equally challenging, in spite of modest revenue growth. Unfortunately, states will have to make additional spending cuts or increase taxes to close their budget gaps, actions that will slow the economic recovery. According to the report, the weakening of state fiscal conditions is reflected in the \$296.6 billion in budget gaps faced by states between fiscal 2009 and fiscal 2012. Of the \$296.6 billion, \$169.3 billion has been closed by states. "Our best estimate of the remaining state shortfalls for 2010-2012 is \$127.4 billion. Because states lag behind national recovery, they expect 2011 to be as bad as 2010, and states will not begin the path to recovery until 2012," said NGA Executive Director Raymond C. Scheppach.

As a reminder, CAHSA's lobbyist, Fofi Mendez from Mendez Consulting Inc, will be presenting at our CAHSA Connections Membership Meeting on June 23<sup>rd</sup> from 11:30 am to noon. She will provide a report for the recently concluded session, but will also address our continuing state budget concerns and recent actions to address the projected shortfall. The registration form is attached and we do request all registrations be received no later than June 15<sup>th</sup>.