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Kentucky Chamber: Medicaid costs growing at twice the rate of state budget

PADUCAH, Ky. (Sept. 23, 2009) – Expanding managed care, emphasizing wellness and providing smoking cessation programs are among the strategies the state should consider to address spiraling Medicaid costs, the Kentucky Chamber of Commerce reported Sept. 23.

In a speech to the Paducah Rotary Club, Chamber President and CEO Dave Adkisson noted that rising Medicaid costs are shifting state funding away from education – Kentucky’s best hope to improve the long-term health and prosperity of its citizens. The Chamber addressed Medicaid as part of its ongoing review of how Kentucky spends its tax dollars.

The Chamber understands that Medicaid is a vital program for Kentucky’s citizens and health care providers and plays an important role in providing health coverage in the state, Adkisson noted.

But the Medicaid budget is growing more than twice as fast as total state government spending, and the program frequently experiences shortfalls – including a deficit of more than \$280 million last year alone. In addition, Kentucky’s federal Medicaid matching rate – increased to 77 percent under the American Recovery and Reinvestment Act of 2009 – is slated to return to 70 percent in 2011. This reduction will create a deficit of about \$1 billion that Kentucky will either have to fill with additional state funds or address with program reductions.

The Chamber suggested that the state consider several steps to address the spiraling costs:

- Expanding managed care in more populous areas and look for appropriate ways to incorporate managed care in other areas based on demographics and the number of health-care providers.
- Shifting an increasingly larger portion of Medicaid expenditures from treating illness to promoting wellness.
- Providing incentives to health care providers to order wellness or preventative services for Medicaid recipients.
- Providing statewide smoking cessation programs for Medicaid recipients (Kentucky is one of only five states without such a program).

The Chamber’s full report on Medicaid is available online at www.kychamber.com/medicaid.

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