



STATE OF ARKANSAS

House of Representatives

REPRESENTATIVE

Bruce Westerman

MINORITY LEADER

P. O. Box 1399

Hot Springs, Arkansas 71902-1399

501-321-2276 Business

501-625-7304 Residence

501-624-4214 FAX

hwforarkansas@hughes.net

DISTRICT 30

Counties:

Part Garland

COMMITTEES:

Revenue and Taxation

Chairperson,

Sales, Use, Miscellaneous Taxes and

Exemptions Subcommittee

Insurance and Commerce

Utilities Subcommittee

July 25, 2012

Mr. John Selig, Director
Arkansas Department of Human Services
P.O. Box 1437, Slot S201
Little Rock, AR 72203

Dear Mr. Selig:

The Supreme Court ruling upholding key components of President Obama's healthcare law, the Patient Protection and Affordable Care Act (PPACA), placed an enormous burden on state legislatures across the country. While the individual mandate was declared constitutional, states were given more flexibility to manage and control costs inside the Medicaid program. Specifically, states are now allowed flexibility in determining how they participate in the Medicaid expansion that was included in the PPACA.

The Department of Health and Human Services has made it clear in a letter dated July 13, 2012, to Governor Robert McDonnell (Va.) that:

"[T]here is no deadline for a state to tell our Department its plans on the Medicaid eligibility expansion. A state can receive extra funding for Medicaid IT costs and Exchange implementation costs even if it has not yet decided to expand Medicaid eligibility or to run its own exchange."

Since there is no deadline for making a decision on Medicaid, we believe it is prudent to proceed in a deliberative manner to make sure that all decisions made on the issue are in the best interest of hardworking Arkansas taxpayers and the future of Arkansas. As is evident from issues that resulted in decelerated implementation of the new payment improvement initiative, we propose to slow the process, involve more stakeholders, and take a more methodical approach to Medicaid reform.

As policy-makers, we must always weigh the consequences of our decisions, both long-term and short-term. Currently, our state's growth in the Medicaid system is unsustainable. The general revenue line-item increased by 16 % for the 2013 fiscal year, and the current projected shortfall for fiscal year 2014 is more than 35%. Our Medicaid Trust Fund balance stood at \$379 million in fiscal year 2011, but is expected to be completely depleted by the end of this year.

Understanding our goal is to enact policies that serve the greater good of every Arkansan, we believe any discussion on Medicaid in Arkansas must begin with discussions of reforming it. This is a belief previously held by President Obama, who stated the following to Senate Democrats in 2009:

"As we move forward on health reform, it is not sufficient for us to simply add more people to Medicare or Medicaid to increase the rolls, to increase coverage in the absence of cost controls and reform. And let me repeat this principle: If we don't get control over costs, then it is going to be very difficult for us to expand coverage. These two things go hand in hand. Another way of putting it is we can't simply put more people into a broken system that doesn't work."

We believe the current system must be reformed. Reforms must target better healthcare for all Arkansans and fiscal solvency for our state and country. Because of this, we ask for the following reforms to be considered:

- 1) **A Global Consumer Choice Waiver:** similar to what was granted to the state of Rhode Island in 2009, this gives the patient, state, and provider more flexibility in treatment and controlling costs and would put more of Arkansas's health care decisions in the hands of Arkansans.
- 2) **Random drug-testing for working age adults:** we would like the state to have the ability to randomly screen for illegal substance abuse. Cost, structure, and other details can be arranged at a later date, but the guarantee of the authority is an essential first step.
- 3) **Enhanced eligibility verification for all Medicaid recipients:** income and other eligibility thresholds exist for a reason. By creating a system through which eligibility is determined, verified, and enforced, we can ensure the dollars we are spending are spent on those truly in need.
- 4) **Increased co-pays for some services and treatments:** this generates revenue for the state, helps diminish the cost of over-utilization, and allows consumers to see the real "price-tag" for the coverage and treatment they are receiving.
- 5) **Controls to reduce fraud, waste, and abuse:** advanced technology and systems are available for the detection and prevention of fraud, waste, and

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abuse of Medicaid resources. Utilization of smart ID cards would result in a more transparent and efficient system by preventing non-enrollees from using services while providing better cost tracking, analytical data, and controls. Stiffer penalties and removing barriers for fraudulent cases to be prosecuted would also direct more money to its intended purpose of providing health care to those in need.

We understand Medicaid reforms may require a waiver from the federal government. We request these options be fully explored, and the Legislature be informed of the answers you receive.

We believe it is important for Arkansas to lead the way in Medicaid reform that puts our state and our country on the path of fiscal solvency. Our state can no longer ignore federal debt and spending issues while pretending they do not have implications on our futures and our budget. We hope you will join us, and we look forward to working together on the details to make Arkansas's Medicaid system sustainable for the future.

Sincerely,



Bruce Westerman
State Representative
District 30



Mark L. Biviano
State Representative
District 50



Johnny Key
State Senator
District 1



Terry Rice
State Representative
District 62



Michael Lamoureux
State Senator
District 4

BW/adp

cc: The Honorable Mike Beebe, Governor of Arkansas
Dr. Andrew Allison, Director, DHS Division of Medical Services