



State of Louisiana

Department of Health and Hospitals
Bureau of Health Services Financing

July 30, 2009

Dear Louisiana Medicaid Provider:

After careful analysis of the State Fiscal Year 2009-2010 budget approved by the Legislature, Medicaid developed a plan for adjusting provider reimbursement rates in an effort to manage an \$86 million-plus shortfall. Even with agency-initiated efficiencies, which helped to identify more than \$100 million in budgetary funding, we were left with the prospect of cutting all Medicaid providers by over 7 percent. The Legislature budgeted additional funding to offset the proposed cuts; however, it was not enough to prevent cuts entirely.

This plan only attempts to address the appropriations shortage and to restore proposed rate adjustments identified during the session. Our official forecast of expenditures due by October 1st will provide the projected needs versus appropriation for this state fiscal year. At that time, we will evaluate the need for additional adjustments.

We discussed options with stakeholders and made strategic reductions to minimize the impact for both providers and recipients. For mandatory services (such as Hospitals and Physician Services), we are implementing strategic reductions that protect the Department's priorities: primary and preventative care and services to children.

The following is a list of programs that will be reduced by emergency rule in early August:

- Adult Dentures
- Durable Medical Equipment
- Hospital - Inpatient and Outpatient Services
- Laboratory and Radiology Services
- LT-PCS
- Mental Health Inpatient
- Mental Health Rehabilitation
- Physician Services
- Transportation – Emergency – Ambulance
- NOW Waiver

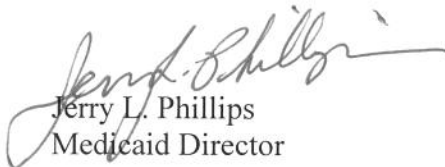
There are a couple other service areas that we are developing the methodology to address needed reductions. We plan to revise our state plan for the payment of hospice services. Also,

hemodialysis providers presented a plan for a more efficient delivery of the services, which we are reviewing to determine if sufficient savings may be realized by this improvement.

While we worked expeditiously to develop a strategic plan for addressing the shortfall in the enacted budget, the earliest we could make these changes through the state rulemaking process is for an early August effective date. This means instead of the 12 months of savings, which were included in the Executive Budget, the proposed program reductions are not based on an entire year. Therefore, the amounts of cuts are greater because the needed savings must be achieved in a shorter time period. The official state notification of the SFY10 budget reductions may be published (website/newspaper) this weekend.

These reductions, while unfortunate, are necessary to operate the Medicaid program within available funding while making our best effort to preserve access to primary care for as many of our citizens as possible. Your ideas for making these reductions were considered and some were accepted. Please continue to provide us with your feedback on how to make adjustments that have minimal impact on the delivery of services and that allows us to meet our budget obligations.

Thank you for your service,



Jerry L. Phillips
Medicaid Director