

## 'Neediest of needy' could get hit with budget cuts, again

**BY TIM SMITH** • CAPITAL BUREAU • PUBLISHED: NOVEMBER 11, 2010 2:00AM

COLUMBIA — The seemingly endless series of budget cuts and reductions of services to South Carolina's residents is at another crisis stage.

At least three agencies are running deficits totaling more than \$280 million that are hurting "the neediest of the needy," **Gov. Mark Sanford** says.

Stipends have been cut by 20 percent for those in a program that moves welfare recipients into the work force, social services caseloads have doubled and an array of health programs could be cut as a result of agency deficits that the General Assembly could have prevented, Sanford said.

The deficits have triggered political debate but what's at stake are services that significantly affect the lives of hundreds of thousands of the poor and needy, including prescription drug benefits, hospice care and even meals for the elderly at home.

The definition of who falls into that "poor" category is growing broader. Almost half of the state's children receive their health care from the imperiled Medicaid program. More than half of all births are paid for by the program.

Legislators have cut agencies' budgets and taken reserves and surplus money in recent years to the point that the agencies haven't been able to prepare for the difficult times that Sanford said were a certainty.

"It's the way politics works," Sanford said. "The loudest constituency or the loudest voice oftentimes gets funded. The key is to balance the natural bias in the political system with very real societal needs."

In the case of the welfare program, Sanford said, "You are hurting the neediest of the needy."

### **Complex issues**

Some agency officials and lawmakers say the deficits reflect a complex set of issues involving the recession, federal funding rules and legislators' failure to adequately prepare for downturns in the economy.

Senate President Pro Tem Glenn McConnell of Charleston said he is preparing legislation that would create civil penalties for agency directors whose operations spend more than they are appropriated.

“This is going to spread like fire on gasoline if we don't stop it,” he told *The Greenville News*

Sanford said that point of view is “materially wrong” because it was the Legislature that removed money from the state’s chief Medicaid agency that was being used for reserves to cope with the very situation it finds itself in today.

The Department of Health and Human Services, the Department of Social Services and the Department of Corrections are running deficits, meaning they are spending more money than they were appropriated.

A \$228 million Health and Human Services deficit is being driven by 100,000 poor who have enrolled in Medicaid since December 2007, agency officials said.

Sanford said the agency is handcuffed by federal law preventing any change in eligibility rules and moves by lawmakers to prevent any reduction in provider rates, although 40 other states have adjusted their rates to cope with rising costs that are hitting almost every state’s Medicaid program.

Medicaid now covers about 43 percent of all children in the state and pays for more than half of all births.

In recent years, agency officials say, lawmakers cut the agency’s budget by \$228 million and transferred \$500 million in reserves to spend elsewhere.

### **Medicaid patients**

The agency said it will have to stop payments to doctors next March if deficit spending isn’t approved. Other options are on the table, such as prescription drug benefits, hospice care, meals for the elderly at home, and cutting rates to providers.

Dr. Gregory Tarasidis, president of the South Carolina Medical Association, said any cuts to reimbursements will force more doctors to drop or stop accepting new Medicaid patients. And that will force those patients into more expensive hospital emergency rooms, if they seek care at all.

Medicaid pays about 86 percent of what Medicare pays now, which just about covers costs, he said.

“Physicians don’t want to see that,” he said. “But if we can’t cover costs, we’re forced to make a business decision. And everybody’s at the breaking point as it stands now.”

Social Services director Kathleen Hayes estimates the agency has a \$45 million deficit caused by the failure of Congress last month to reauthorize aid to its Temporary Assistance to Needy Families program

Hayes said the recession has sent many thousands more clients to her agency. Food stamp cases have jumped by 50 percent since July 2008, according to the agency. The agency's overall caseload has gone from 600,000 in 2006 to 1.2 million currently, she said.

At the same time as the need has gone up, funding has gone down. The agency has had its budget cut by \$48.4 million since July 2008. Because the loss of state funds also meant the loss of federal funds, the agency's overall funding loss during the past two years has been \$121 million.

As a first step toward addressing the deficit, she said the agency has reduced the stipend given to welfare recipients in a program that moves them into the work force. The stipend was already one of the lowest in the nation, she said.

At Corrections, the agency is running a \$7.5 million deficit, officials said. Director Jon Ozmint said legislators told the agency then to run a deficit.

Sue Berkowitz, director of the South Carolina Appleseed Legal Justice Center, said, "It will be horrible for beneficiaries who, at a minimum, will lose certain services, but more likely it will eliminate access to care for the majority of those on Medicaid."

Columbia health care consultant Lynn Bailey said health care is a \$31 billion business in South Carolina and Medicaid represents 200,000 jobs or 25 percent of the state's Gross Domestic Product.

She said the program also covers hundreds of thousands, including 12,000 seniors in 197 nursing homes on Medicaid reimbursement.

"Without Medicaid to cover this care, where will these frail patients go?" she asked. "Who will care for them?"

Thornton Kirby, chief executive of the South Carolina Hospital Association, said there are only three options — continue the Medicaid program and get \$3 in federal funds for every \$1 the state spends, quit Medicaid and shift the cost of that care onto the insured and drive up insurance costs, or deny care to those who can't pay for it.

“I don’t think South Carolinians will accept the third option, and the second option makes no financial sense,” he said. “Until we can bring ourselves to deny medically necessary services or pay the entire bill without any help from other states, Medicaid is our best option.”

McConnell said agency directors are paid high salaries to stay out of the red.

In a letter to Health and Human Services director Emma Forkner, McConnell wrote, "Frankly, I am tired of state agencies spending too much and then asking for forgiveness and permission to run a deficit they knew was coming."