

Protect Medicaid Funding *Medicaid Services* Issue #4 (Updated April 2017)



A personal story from a family in Illinois:

Jason from Illinois is a caring man who is loved by his family and friends. Throughout his life, Jason has faced substantial obstacles, but he successfully graduated in 1998 from the Northside Learning Center for special needs students, where he led the recycle program and developed friendships with teachers, staff, and students.

At birth, Jason was diagnosed with Central Hypoventilation Syndrome, a condition that leaves his body with the inability to control his breathing. This requires him to be dependent on a ventilator with supplemental oxygen at all times. He also has a seizure disorder, arrested development, interstitial lung disease, congestive heart failure, intellectual disability, and cerebral palsy. Jason's

doctors believe that he was the second child ever to come home on a ventilator, and that he is the longest-living person on a ventilator at home. He has had a tracheostomy since the age of six weeks. Because of his conditions, Jason needs around-the-clock support. Medicaid has played a crucial role in providing medical care and in-home services so that Jason can thrive at home and in his community. Jason has gotten services through a Medically Fragile, Technology Dependent (MFTD) waiver in Illinois. This waiver allows him to obtain the services of professionals who are skilled in caring for Jason's complex conditions. Jason requires oxygen and a ventilator 100 percent of the time. He needs support for his activities of daily living. For example, when he is transported, he must be accompanied by three people.

Jason's mom, Debra, says that "Medicaid waivers are a vital tool in keeping our children at home and letting them survive in their communities." Debra is extremely concerned that changes to the Medicaid funding structure will eliminate programs that have been crucial in supporting Jason and many others. Jason and his family will celebrate his 40th birthday in May—a feat that would not have been possible without Medicaid.

Medicaid Services

Medicaid provides a long-term investment in health that helps people succeed. It increases the diagnosis and early treatment of chronic conditions, enhances educational achievement and future earnings for covered children, and reduces health care disparities.¹ Medicaid coverage is tailored to the unique needs of low-income individuals and families, but still costs less per enrollee than employer-based insurance.² Despite Medicaid's proven success and efficient use of funds, opponents repeatedly seek to cut or cap funding for the program. These proposals seriously jeopardize the health and financial security of the 97 million people who benefit from Medicaid each year.³ Medicaid's core consumer protections make the program work for enrolled populations, including children, parents, pregnant women, low-income workers, older adults, and people with disabilities. This fact sheet examines why Medicaid's covered services are so important to Medicaid enrollees and how they are threatened by funding caps.

Why Medicaid services are important:

- **Medicaid covers comprehensive services for low-income populations.** Federal law requires every state Medicaid program to cover critical categories of "mandatory" benefits, including hospitalization and physician services, to ensure that Medicaid coverage meets the needs of vulnerable enrollees.⁴ States are specifically required to cover important screening and treatment services for children under the age of 21.⁵ These services are uniquely tailored to correct and ameliorate the health conditions of children living in poverty, such as serious developmental problems associated with living in poverty, without coverage limits that might apply to adult populations. Medicaid also requires coverage of critical benefits such as long-term care services for the elderly and persons with disabilities, as well as family planning services for men and women. Medicaid also covers non-emergency medical transportation, case management services, and a wide range of mental health benefits for most enrollees.
- **Medicaid allows states to provide critical "optional" services to address unique needs of specific populations.** Federal law gives states the flexibility to provide a wide range of optional services. For example, states have the option of funding home and community-based services to help the elderly and persons with disabilities remain in their homes and support their daily living, which prevents unnecessary and costly institutionalization.⁶
- **Medicaid requires services to be sufficient in amount, duration and scope to achieve their purpose.**⁷ States cannot set arbitrary limitations on the utilization of services.⁸ This helps ensure that vulnerable populations can promptly and adequately access the care that they need.

How funding caps threaten Medicaid services:

- **Funding caps threaten Medicaid’s mandatory services.** Block grants and per capita cap proposals shift significant costs onto states. To reduce these costs, states may seek to weaken federal standards for mandatory services. Any reduction of mandatory services would negatively impact the health of vulnerable populations, including children, pregnant women, seniors, and persons with disabilities.
- **States would likely reduce or eliminate optional services.** Because funding caps would shift costs onto states, they would likely lead to cuts in optional services. For example, states may eliminate or limit many home and community-based services that the elderly and individuals with disabilities depend upon. This would force some individuals to be placed in more expensive institutions such as nursing homes.
- **States would likely use more utilization controls to restrict or delay access to services.** Where states do not entirely eliminate services, they might enact more requirements, such as service caps or cost sharing, to reduce access to services. States might also enact more prior authorization requirements, which delay, and sometimes totally prevent, access to care. Onerous service limits or delays would lead to low-income individuals forgoing needed services and the deterioration of their medical conditions.
- **States would not be able to pay for new services related to new epidemics, technologies, or treatments.** The onset of epidemics, such as the HIV/AIDS epidemic, causes states to experience significant and unexpected increases in medical costs.⁹ Innovations in expensive technology (such as MRIs) and treatments (such as the Hepatitis-C drug Sovaldi) also lead to large, unplanned cost increases for states. With a federal funding cap, funding is set in advance and states would have to bear the new costs of such epidemics, technologies, and treatments with no additional federal support. States would struggle to provide the health services needed to treat all individuals, leading to poor health outcomes, increased public health risks, and diminished quality of life.

⁹ Harvey W. Kaufman et al., *Surge in Newly Identified Diabetes among Medicaid Patients in 2015 within Medicaid Expansion States under the Affordable Care Act*, 38 DIABETES CARE 833 (2015) (Medicaid coverage improves diabetes screening and treatment initiation); DAVID W. BROWN ET AL., NAT’L BUREAU

OF ECON. RESEARCH, MEDICAID AS AN INVESTMENT IN CHILDREN: WHAT IS THE LONG-TERM IMPACT ON TAX RECEIPTS? 20 (2015), <http://www.nber.org/papers/w20835> (Medicaid improves long-term outcomes for children); Thomas C. Buchmeuller et al., *Effect of the Affordable Care Act on Racial and Ethnic Disparities in Health Insurance Coverage* 106 AM. J. PUB. HEALTH 1416, 1420 (2016) (Medicaid expansion reduced health care disparities).

² TERESA COUGHLIN ET AL., KAISER COMM'N ON MEDICAID & THE UNINSURED, WHAT DIFFERENCE DOES MEDICAID MAKE? 4, 7 (2013), <http://kaiserfamilyfoundation.files.wordpress.com/2013/05/8440-what-difference-does-medicaid-make2.pdf> (Employer-based coverage would cost 28% more than covering the same low-income individual with Medicaid).

³ CONG. BUDGET OFFICE, DETAIL OF SPENDING AND ENROLLMENT FOR MEDICAID FOR CBO'S MARCH 2016 BASELINE (2016), <https://www.cbo.gov/sites/default/files/51301-2016-03-Medicaid.pdf>. Though 97 million individuals enrolled in Medicaid over the course of 2015, the average monthly enrollment was 76 million. *Id.* This underscores the importance of Medicaid as a source of coverage for individuals who temporarily lose coverage, such as individuals between jobs.

⁴ 42 U.S.C. §§ 1396a(a)(10)(A), 1396d(a).

⁵ *Id.* §§ 1396a(a)(43), 1396d(r).

⁶ *See, e.g., id.* § 1396n(c).

⁷ 42 C.F.R. § 440.230(b).

⁸ *Id.* § 440.230(c).

⁹ EDWIN PARK, CTR. ON BUDGET AND POLICY PRIORITIES, MEDICAID BLOCK GRANT WOULD SLASH FEDERAL FUNDING, SHIFT COSTS TO STATES, AND LEAVE MILLIONS MORE UNINSURED (November 30, 2016), <http://www.cbpp.org/research/health/medicaid-block-grant-would-slash-federal-funding-shift-costs-to-states-and-leave>.