

MEDICAID BLOCK GRANTS = DEVASTATING CUTS TO HEALTH CARE

A Medicaid “block grant” would seriously underfund Medicaid. The essential nature of the program would be changed.

- Medicaid was enacted in 1965 to provide states with matching federal funding based on their expenditures for the health care that low-income people need.
- If Medicaid were converted to a block grant, states would receive a fixed federal amount to spend. An underfunded block grant would mean that states would have to either limit enrollment during a recession or cover all costs associated with additional enrollees without help from the federal government.
- Recent Republican budget proposals to convert Medicaid to a block grant have proposed cutting federal Medicaid spending by **one-third** by 2022.¹

With inadequate federal funding, states will be forced to absorb additional costs or drastically cut enrollment and/or services.

- Medicaid was designed as a counter-cyclical program with the expectation that enrollment would increase during economic downturns.
- During the recent recession, Medicaid enrolled an additional 7.8 million people, providing vital health care to those who lost coverage when they lost their jobs.²
- Under a block grant, however, regardless of how many more individuals qualified for Medicaid, the amount of federal funding would be capped.

A block grant would mean devastating cuts to a program that provides cost-effective health coverage for our country’s lowest-income individuals.

- Block grant proposals shift costs and risks to states, providers and beneficiaries.
- The impact would fall most heavily on the most vulnerable—the elderly, people with disabilities, women and children.

For over 45 years, Medicaid has provided essential health services for over 60 million low-income people—half of whom are children.

- These benefits, which include home and community-based care and mental health services, are tailored to meet the needs of vulnerable populations and are often not covered by private insurers.

Congress created Medicaid with open-ended federal matching so that states could meet their residents’ needs.

- Through joint-funding, the federal government currently covers between 50-75% of each state’s Medicaid costs.

For millions of seniors and people with disabilities, Medicaid is a vital safety net.

- Medicaid provides access to services that Medicare does not cover, such as long-term care in the community or nursing facilities.
- Seniors and people with disabilities account for three-quarters of all Medicaid expenditures.

Over 30 million children rely on Medicaid's comprehensive pediatric benefit package.

- Medicaid Early and Periodic Screening, Diagnostic and Treatment Services (EPSDT) provide early detection and treatment of health problems affecting low-income children.
- Early intervention and treatment enables these children to grow up healthier and to lead more productive lives.

The past two budgets approved by the House of Representatives, drafted by House Budget Chairman Paul Ryan, include a Medicaid block grant proposal funded well below current Medicaid expenditures.

- The Congressional Budget Office estimates that federal Medicaid spending would be 35% lower in 2022 and 49% lower in 2030.³
- Because the Ryan block grant proposal's growth rate is tied to general inflation rather than increases in health care costs, the underfunding would worsen with each year, resulting in ongoing pressure on states. For example, over the past year, the general inflation rate was 1.4% while health care inflation rose by 4.1%.⁴
- According to the Urban Institute, the Ryan block grant proposal would lead states to likely drop between 14 million and 27 million people from Medicaid by 2021.⁵ (An additional 17 million people who would no longer gain coverage because of the Ryan budget's repeal of the health reform law's Medicaid expansion.)

States already have significant flexibility over their Medicaid programs.

- Proponents of the block grant say it will give states more "flexibility."
- States currently have considerable flexibility in defining the scope and amount of benefits, choosing delivery care models including managed care, and adjusting how providers and plans are paid.
- A block grant would give states "flexibility" to cap program enrollment, use waiting lists for eligibility and services, eliminate eligibility groups and services, and impose substantial cost sharing on low-income people.

Let's not confuse the issues: a block grant saves the federal government money by reducing care, shifting costs and risks to states, and giving states the cover to cut enrollees and services under the guise of flexibility.

¹ Center on Budget and Policy Priorities, *Ryan Medicaid Block Grant Would Cut Medicaid by One-Third by 2022 and More After That* (March 27, 2012), available at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3727>.

² Kaiser Commission on Medicaid and the Uninsured, *Medicaid Enrollment: December 2009 Data Snapshot*, September 2010, available at <http://www.kff.org/medicaid/upload/8050-02.pdf>.

³ Congressional Budget Office, *Long-Term Analysis of a Budget Proposal by Chairman Ryan* (April 5, 2011), available at http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/121xx/doc12128/04-05-ryan_letter.pdf.

⁴ For the year ending July 2012, compare Bureau of Labor Statistics, *Consumer Price Index Summary*, available at <http://www.bls.gov/news.release/cpi.nr0.htm>, to US Health Care Inflation Rate: 4.11% for Jul 2012, available at http://ycharts.com/indicators/us_health_care_inflation_rate.

⁵ Urban Institute, *Ryan's Rx for Medicaid Would Add Millions to the Uninsured and Underinsured* (March 20, 2012), available at <http://www.offthchartsblog.org/ryans-rx-for-medicaid-would-add-millions-to-the-uninsured-and-underinsured/>.