



Policy Analysis: Medicaid Reform — Impact of Bush Administration and Governors' Proposals

Information for this Policy Analysis is based upon media reports from the New York Times, Washington Post, Kaiser Foundation's Daily Health Policy Report, and other analyses of the Bush Administration's and Governors' Proposals.

A bipartisan group of Governors, in reaction to President Bush's proposal to change Medicaid, is close to an agreement on a proposal that will change the states' commitment to providing services to the elderly and people with disabilities and other vulnerable populations.

Generally, the Bush Administration's proposal and the Governors' proposal are similar, in that they both create block grants for optional population groups in Medicaid, including seniors and people with disabilities. This could have a devastating affect on the services provided to vulnerable populations.

Bush Administration Proposal

States will be given the option to combine SCHIP and Medicaid funding, in a single federal payment, to provide States with two individual allotments: 1) long term care and 2) acute care. States will be given the ability to transfer 10% of their funding between each allotment.

The size of each State's allotment will be determined by FY 2002 expenditure levels, increased annually using a trend rate. The State will be expected to contribute maintenance of effort (MOE) based upon State FY 2002 expenditures.

States will be given significant flexibility within the allotment to design health insurance options for their uninsured populations. State will be encouraged to seek private sector solutions to insuring their Medicaid populations including premium assistance programs and coordination with any federally enacted health tax credit.

Bush's FY 2004 budget proposal would allot states \$3.25 billion in additional Medicaid funds to alter their programs, and an additional \$12.7 billion over seven years, but federal funding would decrease for the next three years, resulting in no increased costs over the ten years for the federal government.

Analysis: Although the mandatory population groups comprise two-thirds of Medicaid caseload, they only represent one-third of expenditures under Medicaid.



The optional population groups, specifically seniors and people with disabilities, represent only one-third of the Medicaid caseload, but two-thirds of expenditures.

The proposal gives states the opportunity to eliminate coverage for the optional groups, and to cut option benefits for mandatory populations.

National data show that 65% of Medicaid spending is optional services for mandatory groups (21%) and mandatory and optional services for optional population groups (44%).

In Optional spending, the vast majority of these funds went toward coverage of services for seniors and people with disabilities.

Long Term Care comprised the largest share of optional state spending (58%). Prescription drugs (10%), other acute care (32%) accounted for the remaining optional spending.

According to Families USA, of those enrolled in Medicaid, 56% of seniors, 22% of people with disabilities, 20% of children and 43% of parents, are covered at State option.

Governors' Proposal

States would continue the open-ended entitlement for the two-thirds of beneficiaries that are federally mandated.

States would be offered a fixed annual allotment (spending cap/block grant) for the other individuals, seniors and people with disabilities that are covered at the discretion of the States. The allotments would be increased to cover unexpected costs that result from increases in unemployment, natural disasters, outbreaks of disease or the development of expensive new medical technology. The allotment would be reviewed every few years to determine its adequacy.

The federal government would pay the cost of providing care to seniors who are dually eligible for Medicare and Medicaid (approximately \$40 billion a year). These individuals comprise approximately 12% of Medicaid beneficiaries and account for 30% of Medicaid spending.

Analysis: Similar to the Bush Administration's proposal, this proposal would maintain the Medicaid entitlement for the mandatory two-thirds of beneficiaries who comprise only one-third of expenditures.

The most vulnerable of Medicaid beneficiaries – seniors, people with disabilities — would lose their Medicaid entitlement and would instead be provided services at the discretion of the State.

The proposal would allow States to cut optional benefits like prescription drug coverage, home care and rehabilitation services to seniors and people with disabilities.



**BACKGROUND INFORMATION ON MEDICAID
EXAMPLES OF OPTIONAL BENEFICIARIES AND OPTIONAL SERVICES**

<i>Optional Beneficiaries</i>	<i>Optional Services*</i>
Children above mandatory income levels (Age 6 and over with family incomes more than \$15,260 in a family of three)	Prescription drugs
Children under age 6 and pregnant women with annual incomes above 133% of poverty level (\$20,755 for a family of three).	Physical Therapy
Working Parents above mandatory levels	Home health care (for those <u>not</u> eligible for nursing home care)
Elderly and persons with disabilities with annual income above the SSI income limit (74% of poverty level)	Home and community based services
Medically Needy (individuals with catastrophic medical expenses, including those needing nursing home care).	Prosthetics and durable medical equipment
	Vision and dental services

** Optional for populations other than children*

- Optional services could also be cut from the mandatory beneficiaries listed below.
- There are numerous other optional services including respirator care for ventilator-dependent individuals, benefits for individuals with disabilities who work, clinic services and other rehabilitative services.

**BACKGROUND INFORMATION ON MEDICAID
EXAMPLES OF MANDATORY BENEFICIARIES AND MANDATORY SERVICES**

<i>Mandatory Beneficiaries</i>	<i>Mandatory Services</i>
Children under age 6 and pregnant women below 133% of poverty	Hospital services
Children ages 6–18 below 100% of poverty	Physician services
Parents with incomes below their State’s AFDC income limit prior to welfare reform	Nursing home care (for those age 21 and higher)
Elderly and persons with disabilities on SSI	Early periodic Screening and diagnosis Treatment (EPSDT) for children
Foster care children	Laboratory and x-ray services

Source: Mann, Nathanson and Park, Administration’s Medicaid Proposal would shift Fiscal Risks to State, Georgetown University Institute for Health Care Research and Policy and the Center on Budget and Policy Priorities (Revised April 22, 2003) and Families USA Health Policy Memo June 4, 2003.

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