

### **PROTECT MEDICAID AND VULNERABLE POPULATIONS**

- **Reject Medicaid block grant proposals**
- **Exempt Medicaid from global spending caps**
- **Keep the *Maintenance of Effort* requirement**

**Background:** Medicaid is an essential safety net program for many low-income Americans, the large majority of whom have significant health care needs and no other source of health coverage. Jointly financed by the federal government and participating states, Medicaid allows for significant state flexibility under basic federal guidelines. All residents who meet established categorical eligibility requirements are entitled to enroll. While the majority of individuals served by Health Care for the Homeless projects historically have been ineligible for Medicaid in most states, the Affordable Care Act of 2010 expands coverage to all low-income adults in 2014.

#### **Quick Facts about Medicaid:**

- Medicaid covers 60 million low-income individuals, mostly children, seniors, pregnant women, and individuals with disabilities.
- The program insures 45% of those under the federal poverty level, one in three children, four in ten births, eight million individuals with disabilities, and 70% of nursing home residents.
- Medicaid is a primary source of revenue for community health centers.
- Medicaid spending accounts for 44% of all federal funding to states.
- Approximately 7% of federal spending and 16% of state spending goes to the Medicaid program.
- Health care costs increase at a lower rate in Medicaid than in other health care sectors.
- Medicaid generally responds to downturns in the economy. Higher unemployment and loss of private health coverage drive increased Medicaid enrollment and cost.

**Issues:** Efforts to reduce the federal deficit include proposals to change Medicaid into a block grant program, impose spending caps, and repeal the Maintenance of Effort provision contained in the Affordable Care Act. **These changes do little to reduce the growth of health care costs, will not generate overall savings, and will simply shift costs to States, beneficiaries, and providers.**

#### **Growth in Medicaid Acute Care Spending vs. Private Health Spending 2000-2009**

Employer Sponsored Premiums:	7.7%
National Health Expenditures:	5.9%
<b>Medicaid:</b>	<b>4.6%</b>

**Source:** Kaiser Commission on Medicaid and the Uninsured, 2011.

**Medicaid Block Grant:** The FY12 House Budget Resolution calls for the conversion of Medicaid from an entitlement into a block grant program. A pre-determined amount of funding would be allocated to states regardless of enrollment patterns or patient needs. Proponents suggest that the move would permit greater state flexibility, though considerable flexibility already exists in the Medicaid program. The block grant proposal would cut \$750 billion from federal

# National Health Care for the Homeless Council

## Medicaid Position Paper

Medicaid spending over the next 10 years and would harm states, beneficiaries, and providers in the following ways:

- Medicaid enrollment would be significantly reduced (see figure). Likely results include loss of coverage, wait lists, unaffordable cost sharing, or very low provider reimbursement.
- The House Budget Resolution calls for an annual increase in the block grant that is 1.5-2.0% less than the current rate of health care cost growth. This would create an increasing shortfall in federal spending and leave states with fewer resources to address growing need.
- Currently, increased enrollment resulting from economic and public health crises brings additional federal support. A block grant structure would not respond to such situations and would leave states with no additional assistance.

### Global Spending Cap:

Another cost-containment measure under consideration by Congress, a Global Spending Cap is little more than a block grant in disguise: it limits overall federal spending to a designated amount. This cannot be accomplished without drastic cuts to social programs like Medicaid.

The proposed targets are not sustainable. Based upon on historic spending levels, they do not take into account the growth in health care costs,

future events, or recent federal initiatives such as homeland security, tax cuts, and Medicare Part D.

All past deficit reduction efforts have exempted Medicaid and other programs for low-income Americans. Current efforts should do the same.

**Maintenance of Effort (MOE):** The Affordable Care Act requires states to maintain current eligibility standards until January 1, 2014, when the program will be expanded to cover all adults earning at or below 133% of the federal poverty level. Proposals to remove this requirement in order to address state budget shortfalls promote a short-sighted change that would reduce enrollment and significantly weaken the Medicaid program before its planned expansion in 2014. Though it may achieve illusory savings, the move would raise public costs in other ways by increasing uncompensated care, emergency room visits, the volume of patients at health centers, and the costs of untreated medical conditions that prevent people from working.

**We cannot balance the budget by increasing the number of uninsured Americans. Protect the Medicaid program and the people it serves by opposing block grants, global spending caps, and the repeal of MOE requirements.**

