

BLOCK GRANTS: A Flawed Approach to Medicaid Reform

As a way of addressing the nation's deficit reduction needs, some have proposed turning the Medicaid program into block grants to states. This restructuring of Medicaid would be a serious mistake. Congress must not decimate this critical safety net for millions of older Americans, people with disabilities and their families.

How Is a Block Grant Different from Medicaid Financing Today?

Medicaid costs are shared by the states and the federal government. States receive between \$1 and \$3 from the federal government for each \$1 they spend on Medicaid; this is called the federal match system. States are guaranteed additional federal funds if their Medicaid costs increase. Under block grants, states would get a set amount of money. Because they would have limited federal funds; if their actual costs increased, states would have to make up any difference without federal assistance.

Block Grant is Code for Big Cuts

The cost of a block grant proposal over time is tied to a set growth rate; the smaller the rate of growth allowed, the bigger the cuts get over time. For example the Medicaid proposal in Paul Ryan's budget proposal, which was adopted in the House, would cut the program by \$810 billion over ten years, or about a third, and hold its growth rate to inflation, much lower than the expected cost of medical care.⁷ In response to such cuts states would have to make up the loss on their ledgers, unlikely with many states facing fiscal constraints, or make dramatic reductions in eligibility and benefits.

A Block Grant Would Reduce Program Flexibility and Shift Costs to States

States already have a great deal of flexibility under Medicaid. Two-thirds of spending on aged and disabled populations represents optional benefits or optional groups. In addition, Medicaid is an invaluable tool when economic crises or natural disasters hit. That's because it can expand to take care of additional people when needed. Under a block grant, Medicaid funding would not grow to match the increase in need. In fact, if tied to economic growth, Medicaid would *shrink* during a recession. Similarly, when Hurricane Katrina hit the South, Medicaid automatically accepted those left in dire need of assistance. Under a block grant, a state would likely be forced to reject such a large influx.⁸

Block Grants Put the Burden on Caregivers and Families

For the families of those who rely on Medicaid for long-term care, Medicaid cuts that would likely result from the Ryan budget proposal would increase both their caregiving responsibilities and their financial burdens. Of the estimated 42.1 million Americans who are family caregivers, many rely on Medicaid to help with their caregiving responsibilities.⁹ Medicaid covers things like care from home care workers, adult day programs, and respite care so that caregivers can take a break. For many caregivers, Medicaid's home- and community-based services make it possible for them to remain in the workforce. By helping working caregivers, Medicaid also helps businesses. Nationally, businesses lose an estimated \$33 billion each year due to employee family caregiving responsibilities.¹⁰ Cuts to Medicaid would hurt the families of those who need long-term care and the businesses where they work.

Medicaid: A Critical Resource for Middle and Lower Income Families and Seniors

- More than a quarter of all older Americans and people with disabilities depend on Medicaid.¹
- During the recession, Medicaid enrollment quickly grew, providing assistance to the many families now unable to afford health care.²
- 54 percent of adults with Medicaid rated their health plan a "9 or 10" on a 1 to 10 scale (with 10 being the highest), while only 39 percent of adults with commercial insurance rated their health plans that high.³
- Medicaid recipients have much better health outcomes than those without insurance.⁴
- Medicaid is the principal payer for long-term services and supports – it pays for 62 percent of all spending.⁵
- About 3.1 million people received Medicaid home and community-based services in 2008, and 1.7 million received Medicaid nursing home care.⁶

Block Grants are a Threat to Already Burdened Providers

Due to the large nature of the cuts, providers of care would feel the burden of a Medicaid Block Grant. Hospitals represent 25 percent of Medicaid spending and nursing homes, 18% percent. It would be extremely difficult to avoid cuts to these areas, and states would likely make cuts to already low reimbursement rates. One study of the 2011 Ryan proposal found that these providers could see cuts between 31 and 38 percent by 2021, up to \$84.3 billion. Such massive reductions would lead to job losses in the health care sector and worse access to care for Medicaid beneficiaries.¹¹

Cuts From Block Grants Would Hurt Medicaid's Most Vulnerable Populations

Low-income seniors eligible for both Medicaid and Medicare make up less than one out of six Medicaid beneficiaries yet more than a third of Medicaid spending.¹² This population has some of the most complicated and specialized needs. States will look to cut from the most expensive parts of the program, disproportionately hitting some of the patients that need it the most. With nursing home costs averaging about \$75,000 per year, it does not take long for middle class seniors to spend-down their life savings on to Medicaid. Many home- and community-based services are “optional” services under Medicaid, so would likely be first to be cut even though they have been shown to be more cost-effective than institutional care, which is a mandatory service under Medicaid.

Medicaid also pays Medicare premiums for almost 5 million low-income beneficiaries, who otherwise would not be able to afford Medicare, through two programs:

- The Qualified Medicare Beneficiary (QMB) program, which pays Medicare’s high premiums, deductibles, and copayments for beneficiaries with incomes below 100% of poverty (about \$11,000) and very low non-housing assets.
- The Specified Low-Income Medicare Beneficiary (SLMB) program, which pays premiums for those with incomes from 100% to 120% of poverty and low assets.

Cutting Medicaid would hurt our health care infrastructure.

Medicaid accounts for 16 percent of all U.S. health care spending and 17 percent of all hospital spending.¹³ It keeps health care providers in business and funds medical student training. Cutting Medicaid would force states to reduce payments to hospitals, doctors, home health agencies, nursing homes and other long-term care facilities and a host of other health care providers. That would strain America’s health care infrastructure, making it less able to serve all of us.

Loss of Federal Protections Would Make Beneficiaries Vulnerable

With no federal protections, states could charge low-income beneficiaries substantial premiums, deductibles and co-payments. Medicaid currently ensures that coverage is affordable for low-income people by not charging premiums and keeping cost-sharing charges modest; research has found that premiums and cost-sharing lead many low-income households to remain uninsured or to forgo needed care. Under block grants, however, states could begin charging substantial premiums, which could discourage enrollment. States also could begin requiring substantial deductibles and co-payments, which could prove unaffordable for some beneficiaries, including people with serious medical conditions that are costly to treat. This would reduce beneficiaries’ access to care.

States would also be free to reduce or eliminate important benefits and protections. They could make access to nursing homes more stringent or reduce the availability of home health care. Federal requirements currently ensure that Medicaid beneficiaries have access to a certain quality of care, but under a block grant, patients would have no such protections. For example, in order to receive federal Medicaid matching payments, states must:

- Implement nursing home quality standards.
- Not require recipients to pay unaffordable cost-sharing.
- Protect against spousal impoverishment, so that husbands and wives of those needing LTC are not forced into poverty.
- Not require children of nursing home residents to pay for their parents’ care.

| Estimated Federal Funding Lost By Existing State Medicaid Programs Under the Ryan Block Grant Proposal? (Dollar in Millions) ¹⁴ | |
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| State | 2013-2022 Cuts |
| Alabama | \$12,186 |
| Alaska | \$2,636 |
| Arizona | \$23,270 |
| Arkansas | \$10,448 |
| California | \$77,716 |
| Colorado | \$7,461 |
| Connecticut | \$10,202 |
| Delaware | \$2,392 |
| DC | \$4,570 |
| Florida | \$35,120 |
| Georgia | \$18,564 |
| Hawaii | \$2,719 |
| Idaho | \$3,449 |
| Illinois | \$28,488 |
| Indiana | \$14,314 |
| Iowa | \$7,153 |
| Kansas | \$5,369 |
| Kentucky | \$14,492 |
| Louisiana | \$16,839 |
| Maine | \$5,453 |
| Maryland | \$12,995 |
| Massachusetts | \$21,449 |
| Michigan | \$26,944 |
| Minnesota | \$13,944 |
| Mississippi | \$11,485 |
| Missouri | \$19,105 |
| Montana | \$2,351 |
| Nebraska | \$3,571 |
| Nevada | \$2,808 |
| New Hampshire | \$2,439 |
| New Jersey | \$18,796 |
| New Mexico | \$9,208 |
| New York | \$93,258 |
| North Carolina | \$24,871 |
| North Dakota | \$1,609 |
| Ohio | \$35,311 |
| Oklahoma | \$9,322 |
| Oregon | \$9,255 |
| Pennsylvania | \$37,808 |
| Rhode Island | \$3,718 |
| South Carolina | \$12,975 |
| South Dakota | \$1,886 |
| Tennessee | \$20,473 |
| Texas | \$57,180 |
| Utah | \$4,490 |
| Vermont | \$2,705 |
| Virginia | \$11,875 |
| Washington | \$13,066 |
| West Virginia | \$6,935 |
| Wisconsin | \$14,326 |
| Wyoming | \$1,003 |
| United States | \$810,000 |

¹Families USA, "Cutting Medicaid: Harming Seniors and People with Disabilities Who Need Long Term Care," May 2011. <http://familiesusa2.org/assets/pdfs/long-term-care/Cutting-Medicaid.pdf>

² ibid

³ Families USA, "Medicaid's Success: Good Care," August 2012. <http://familiesusa2.org/assets/pdfs/medicaid/Medicaid-Is-Good-Care.pdf>

⁴Sommers, Benjamin, Katherine Baicker and Arnold Epstein. New England Journal of Medicine, "Mortality and Access to Care Among Adults after State Medicaid Expansions," September 13, 2012. <http://www.nejm.org/doi/full/10.1056/NEJMsa1202099#t=articleDiscussion>

⁵ National Health Policy Forum, "National Spending for Long-Term Services and Supports," February 23, 2012. http://www.nhpf.org/library/the-basics/Basics_LongTermServicesSupports_02-23-12.pdf.

⁶Kaiser Family Foundation, "Medicaid Home and Community-Based Services Programs: Data Update," December 2011. <http://www.kff.org/medicaid/upload/7720-05.pdf>; E.F. Moody, "Nursing Home Statistics." <http://www.efmoody.com/longterm/nursingstatistics.html>

⁷Families USA, "Republicans Again Propose Slashing Funding for Medicaid, Medicare and Other Health Programs," April 2012. <http://familiesusa2.org/assets/pdfs/budget-battle/Republican-Budget-Slashes-Health-Programs.pdf>

⁸Lesley, Bruce. The Huffington Post, "'Acts of God' and Medicaid Block Grants Do Not Mix," August 30, 2012. http://www.huffingtonpost.com/bruce-lesley/acts-of-god-and-medicaid-_b_1841793.html

⁹ Families USA, "Republicans Again Propose Slashing Funding for Medicaid, Medicare and Other Health Programs," April 2012. <http://familiesusa2.org/assets/pdfs/budget-battle/Republican-Budget-Slashes-Health-Programs.pdf>

¹⁰ MetLife Mature Market Institute, "The Metlife Caregiving Cost Study: Productivity Losses to U.S. Business," July 2006. <http://www.caregiving.org/data/Caregiver%20Cost%20Study.pdf>

¹¹Kaiser Commission on Medicaid and the Uninsured, "House Republican Budget Plan: State-by-State Impact of Changes in Medicaid Financing", May 2011. <http://www.kff.org/medicaid/upload/8185.pdf>

¹²Kaiser Family Foundation, "Medicare's Role For Dual Eligible Beneficiaries," April 2012. <http://www.kff.org/medicare/upload/8138-02.pdf>

¹³ Department of Health and Human Services, "Medicaid Cost-Savings Opportunities," February 3, 2011. <http://www.hhs.gov/news/press/2011pres/02/20110203tech.html>

¹⁴ Families USA, "Republicans Again Propose Slashing Funding for Medicaid, Medicare and Other Health Programs," April 2012. <http://familiesusa2.org/assets/pdfs/budget-battle/Republican-Budget-Slashes-Health-Programs.pdf>