CUT MEDICAID—INCREASE HEALTH DISPARITIES:

How Cuts to "Optional" Beneficiaries Will Affect Minority Health

Mandatory vs. Optional Enrollees: Is There a Real Difference?

The Medicaid law and regulations use the terms "optional" and "mandatory" to describe and categorize the men, women, and children enrolled in the program. Federal law requires that states provide Medicaid coverage to mandatory beneficiaries. For so-called optional beneficiaries, federal law gives states a choice of whether to provide health care coverage. However, the reality is that Medicaid beneficiaries in both groups have very low incomes and have serious health care needs, meaning that, in most cases, there is little real difference between mandatory and optional beneficiaries. Therefore, these two terms *wrongfully* imply differing needs for health care coverage.

In his Tuesday, February 1, 2005 speech before the World Health Care Congress, U.S. Department of Health and Human Services (HHS) Secretary Leavitt perpetuated the myth that so-called "optional" Medicaid enrollees have a greater ability to pay for health care and have fewer health care needs. He stated, in part, that

> *"Whether it's a lady in a nursing home or a boy in a wheelchair, we have a very special obligation to our neighbors who are elderly, low-income, or have disabilities. We met that obligation by providing a comprehensive package of benefits and services. Mandatory populations need the help. They must receive the help. The optional populations, on the other hand, may not need such a comprehensive solution. Most of them are healthy people who just need help paying for health insurance."*

Optional Enrollees: Who They *Really* Are

In spite of the rhetoric claiming that optional beneficiaries are "healthy people who just need help paying for health insurance", "optional" beneficiaries *actually are* people who have very low incomes, who have a tremendous need for medical care for catastrophic or chronic illnesses, and who *have no other source of health coverage*. When Medicaid enrollees are divided into "optional" or "mandatory" categories, several important factors—such as income levels, health care needs, and true ability to pay for health insurance and additional health care services—are obscured and often minimized. For example, a 73-year-old widow with arthritis, diabetes, and hypertension who lives in a nursing home and has an annual income of *only*

$6,800 is called an "optional" beneficiary under current law. In fact, according to the Medicaid law and regulations, this same 73-year-old widow would have to have an annual income that was *less than* $6,769 to be deemed a "mandatory" beneficiary.

More than half (56%) of all nursing home residents are "optional" Medicaid beneficiaries – that is, the states are not required to cover them under their Medicaid program. This group includes:

- 20 percent of the 25 million children in Medicaid, and another 5 million children in the SCHIP program;
- More than half (56 percent) of the 5 million seniors in Medicaid, including many senior citizens who live in nursing homes and who receive home- and community-based care; and
- More than 3.5 million adults and children with catastrophic medical expenses who do not meet the program's low income eligibility levels but who "spend down" to these very low income eligibility levels due to their high medical costs.

The proposed Medicaid cuts that target so-called "optional" enrollees—people who are economically and medically needy—will have an extremely harmful impact on their health status, health outcomes, and health care. This is particularly true for seniors and children. And because racial and ethnic minorities are disproportionately represented within "optional" Medicaid beneficiaries, the proposed cuts to state Medicaid programs have many minority health advocates concerned.

Why Medicaid Is Important to Minority Health

Medicaid, the nation's health care program for more than 50 million low-income children, seniors, working families, and people with disabilities, provides crucial comprehensive health care to individuals who would otherwise likely be uninsured. Medicaid is a particularly important program to many racial and ethnic minorities, who are disproportionately more likely than whites to rely on the program for health coverage.

- Medicaid provides crucial health insurance to 8 million Latinos, most of whom are low-income children and seniors, and people with disabilities.
- Roughly one in five non-elderly African Americans, Latinos, and American Indian/Alaska Natives, and one in 10 non-elderly Asian Americans, rely on Medicaid for health care.

Without this safety net, the number of uninsured racial and ethnic minorities, which currently stands at 23 million (more than half of all uninsured Americans), would undoubtedly be much higher. Numerous studies have documented that several factors, such as discrimination, bias, language barriers, and preferences about health care practices, contribute to racial and ethnic health disparities. However, *no single factor contributes more to disparities in health and health care than access to health care*.

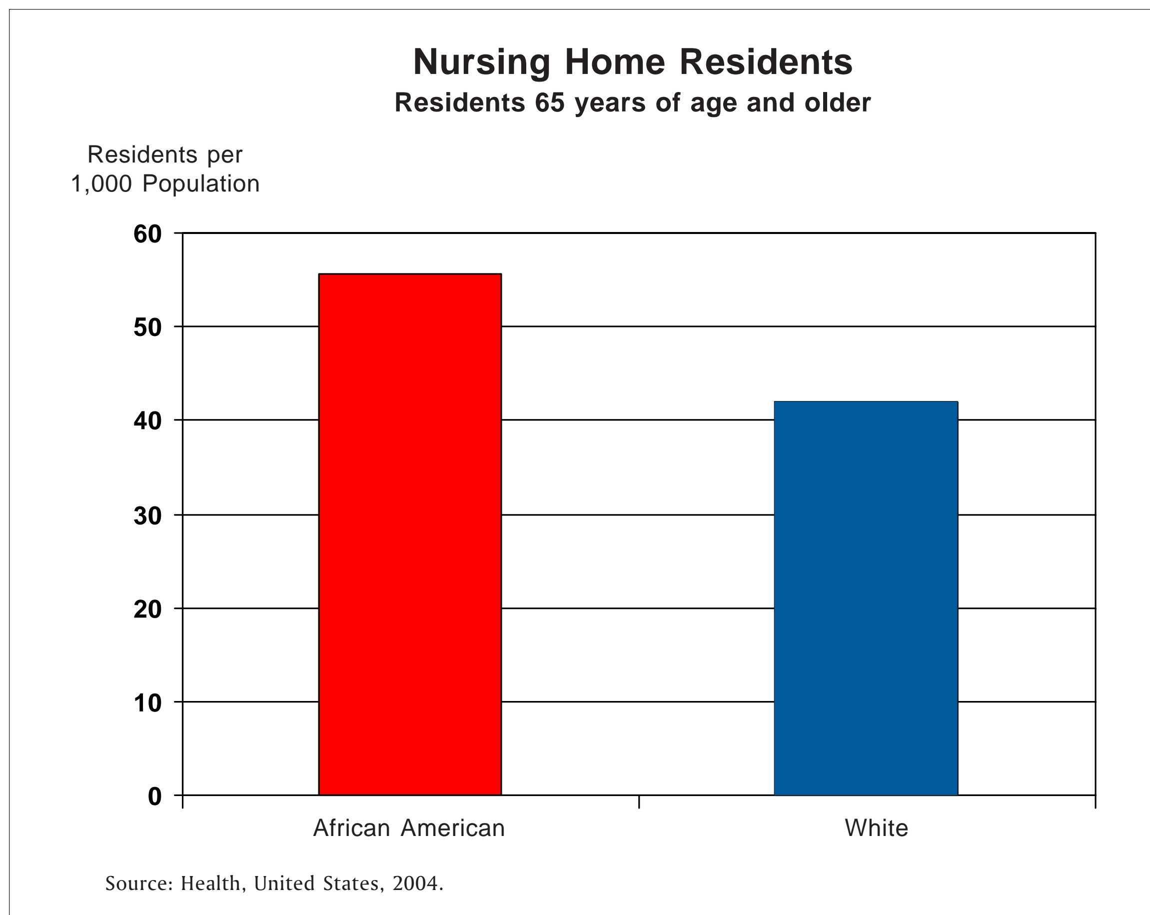
Cutting or capping Medicaid will increase the number of uninsured racial and ethnic minorities and diminish access to regular and adequate health care services, thus exacerbating racial and ethnic health disparities. What's more, many current proposals that claim to ensure that Medicaid programs serve "mandatory" populations while racially neutral, will likely worsen health disparities. While this is particularly true for *all* low-income racial and ethnic minority children and seniors, a recent study found that African Americans who are 65 years of age and older and living in Medicaid-certified nursing homes are particularly at risk.

Cuts to Optional Beneficiaries: How Will Older African Americans Be Affected?

Recent studies have found an overall increase in the use of nursing homes among African Americans. In fact, with the exception of women over age 85, a higher proportion of black men and women over 65 years of age are in nursing homes than their white counterparts.

While African Americans account for a higher overall proportion of nursing home residents 65 years of age and older, they also account for a significantly greater proportion of residents in facilities with high concentrations (85 percent or more) of Medicaid beneficiaries.

- Roughly 15 percent of all nursing home facilities in the United States have high concentrations (85 percent or higher) of Medicaid beneficiaries.
- Nationwide, 40 percent of African American nursing home residents, compared with just 9 percent of all white nursing home residents, live in nursing homes with high concentrations of Medicaid beneficiaries. These nursing homes are far more likely to be underfunded and to provide lower-quality care.
- According to a recent study of 140,000 non-hospital-based Medicare- and Medicaid-certified nursing homes funded by the Robert Wood Johnson Foundation, , ***African Americans are more than four times as likely as whites*** to live in nursing homes that are poorly funded and understaffed.



While many of these facilities are located in southern states, they also operate in economically distressed communities across the country. Many African Americans also live in these same communities. Undoubtedly, these factors together contribute to African American nursing home residents' greater likelihood of residing in facilities with larger Medicaid beneficiary populations and thus of being disproportionately affected by Medicaid cuts.

The Medicaid cuts that target "optional" beneficiaries will result in one of the following scenarios for many nursing homes and their vulnerable residents:

1. Without adequate funding, many of these facilities will close. This will leave some of the *most* vulnerable Americans with literally no place to go. Who will be left out in the cold? The vast majority of these people have very low incomes, have serious health care needs, and cannot afford coverage on their own, and many of them are racial and ethnic minorities.
2. The facilities will remain open but, because they are underfunded, they will only be able to provide substandard care. The unintended health consequences of this will likely be severe, particularly for racial and ethnic minorities. Senior citizens are

among the nation's most medically needy and vulnerable and often have chronic conditions that require regular care. Providing substandard care to those who need help managing chronic conditions will put many seniors' health at risk. And because racial and ethnic minority seniors disproportionately suffer from chronic conditions that require regular care and are more likely to live in Medicaid-certified facilities, substandard care would only exacerbate racial and ethnic health disparities.

Secretary Leavitt has laid out a dangerous proposal to cut the Medicaid program that will have serious implications for *all* Medicaid beneficiaries. However, the proposed cuts will have a disproportionate impact on low-income racial and ethnic minorities, especially seniors. The Secretary's proposed "solutions" to alleviating the current problems faced by Medicaid will create more inequities in our health care system and will only move to worsen—not eliminate—racial and ethnic health disparities.

For more information on this publication or on what you can do to get involved, please contact Britt Weinstock, Director of Minority Health Initiatives at Families USA, by e-mail at bweinstock@familiesusa.org or by phone at 202-626-0635.

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