

June 4, 2003

The National Governors Association Medicaid Block-Grant

Very soon, the nation's governors are expected to weigh in on a plan to radically restructure the Medicaid program. This plan, being developed by a 10-governor task force, is modeled after a similar plan proposed by the Bush Administration on January 31, 2003.¹ The National Governors Association (NGA) plan, if adopted by Congress, would drastically reduce the amount of money available for state Medicaid programs and cause millions of people to lose access to vital health care services. The description and points made below are based on our best understanding of the draft proposal under consideration as of May 29, 2003.

The NGA proposal under consideration would entice states into accepting what is, in essence, a block grant—a cap on the amount of federal money they receive for Medicaid. It would also provide them with significant new authority to change Medicaid coverage and services with limited federal oversight. This plan protects federal and state Medicaid budgets at the expense of the seniors, people with disabilities, and children who rely on Medicaid for health coverage.

■ **The NGA Medicaid proposal would allow up to two-thirds of Medicaid spending to be transformed into a block grant**

Like the President's plan, the NGA proposal would allow states to opt for a funding cap on federal payments for all so-called "optional" people and services. The term "optional" is misleading. Of those enrolled in Medicaid today, 56 percent of seniors, 22 percent of people with disabilities, 20 percent of children, and 43 percent of parents are covered at state option. These low-income people are very much in need of health care. Similarly, the term "optional" services encompasses a range of benefits that most people would consider necessary, services such as prescription drug coverage; vision, hearing, mental health care; and rehabilitation services. Taken together, these "optional" people and services account for fully two-thirds of Medicaid spending today.

Who is considered "optional" in Medicaid?

- ✓ seniors and people with disabilities with annual incomes over \$6,624
- ✓ parents with average annual incomes over \$5,300 for a family of three (varies by state)
- ✓ children age six and over with annual family incomes over \$15,260 for a family of three
- ✓ children under the age of six and pregnant women with annual family incomes over \$20,775 for a family of three

- **The NGA Medicaid proposal will drastically reduce the amount of money available for Medicaid, forcing states to scale back coverage**

The proposed funding cap would freeze state programs at a time when states have already reduced Medicaid coverage and services in order to close budget gaps. The caps would inhibit states from restoring recent cuts when the economy recovers and would mean fewer federal funds for states to help with future economic downturns. Additionally, to induce states to opt into the new capped funding system, the NGA proposal—like the Bush Administration’s plan—would reduce the amount of money states need to spend on Medicaid. Over the next 10 years, this would take nearly \$500 billion out of Medicaid. As a result, millions of seniors, people with disabilities, and children would lose access to necessary health care.

- **The NGA Medicaid proposal would reduce health care coverage and services for seniors, children, and people with disabilities who have low incomes**

This proposal gives states unprecedented authority to alter the coverage provided to people who are “optionally” eligible for Medicaid. States could provide different levels of coverage and services to people in different parts of a state; limit the number of people who can enroll; reduce the services covered; or change premiums, deductibles, and copayments virtually *without any federal limits*. These changes will jeopardize access to even the most basic health care services, including in-patient hospital and specialty physician care, basic screening and tests for children, and long-term care services for seniors and people with disabilities.

- **The NGA Medicaid proposal would put health care at risk for even the lowest-income people in Medicaid**

States would still be required to cover the lowest-income seniors, people with disabilities, children, and parents, but these individuals would not be guaranteed access to the same critical benefits and coverage they get today. States would have no requirement to provide vital services such as prescription drugs, rehabilitative services, prosthetic devices, or dental, vision, or hearing care. If they do provide these services, there would be no limit on the amount states can charge people for them. Moreover, because these services would be subject to the cap on federal Medicaid payments, states would be very likely to reduce that coverage, provide it only in some parts of the state, or charge high copayments that would be unaffordable for low-income people.

- **The NGA Medicaid proposal would pit states against one another in competing for limited federal funds**

The plan would require individual states to negotiate with the Administration every three years to determine the amount of money they would receive. This plan forces states to compete for limited federal funds, pitting the needs of individuals in each state against those in other states. Additionally, although the plan includes mechanisms for states to get emergency federal funds if they encounter extreme and uncontrollable circumstances, this additional money would come from a fixed pot of federal funds, so that any increase for one state would create a shortage of Medicaid funds in other states.

¹ For more information about the Bush Administration’s plan, see Rachel Klein, *Preliminary Analysis of the Bush Administration’s Plan to Block Grant, Medicaid* (Washington: Families USA, February 12, 2003). Available online at (www.familiesusa.org).