

Medicaid Block Grants

What have we got to lose?

In light of the Bush administration's plans to privatize Social Security and to make federal tax cuts permanent while shrinking the national deficit in half¹ (all without raising taxes), most observers expect large cuts in domestic programs including Medicaid in the President's budget, due out February 7th. President Bush may also explicitly propose a major restructuring of the Medicaid program via a block grant, also referred to as "capped funding"².

Block Grants: a Lose, Lose, Lose Proposition

Beneficiaries Lose

- Current protections such as the right to apply, to have your application processed and to receive services if you are eligible could be lost for some or maybe all people.
- Reduced federal support would mean fewer people covered, fewer benefits and higher out-of-pocket costs.
- Rules that require the Medicaid program to be available across the entire state could be eliminated (an especially big problem for people in rural areas).

Providers Lose

- Hospitals could lose "Disproportionate Share Hospital (DSH) payments"³ (Hospitals that serve a disproportionate share of Medicaid and uninsured patients are eligible to receive supplemental Medicaid payments) Community Health Centers could lose the guarantee that their full costs are reimbursed.
- Providers would be locked in a "zero sum game"—any increase in rates would mean a decrease in the number of people covered and an increase in uncompensated care.
- Additional pressure on rates would undermine the financial stability of hospitals, nursing homes and mental health centers. Even if rates are not cut, cutbacks in enrollment would mean less reimbursement, more uncompensated care and result in reduced operating margins, causing many providers to lose money⁴

State Government Loses

- States would bear greater risk—federal support would be capped, but there would be no decrease in the need for medical care.

¹ The White House Website, Available online at: <http://www.whitehouse.gov/infocus/economy/>

² Families USA, Capping Medicaid Funding, How Block Grant would hurt states." December 2004. also available online at: http://www.familiesusa.org/site/DocServer/Capping_Medicaid_funding_2004.pdf?docID=5681

³ <http://www.healthlaw.org/pubs/200302.blockgrants.html>

⁴ Advancing health in America. Available online at: <http://www.aha.org/ahapolicyforum/trendwatch/content/tw2003vol5no2pt1.pdf>

- Federal Medicaid payments would no longer increase automatically during an economic downturn or an increase in demand for health care (such as during an epidemic).
- States would have less ability to innovate and expand coverage, since they would not get any additional federal funds to cover new populations.
- Lost federal financial support would also mean lost wages and economic activity and lost state tax revenue.

The General Population Loses

- Higher uncompensated care and financially weaker providers mean fewer nurses and other caregivers, more crowded emergency rooms and more cost-shifting onto private insurance, forcing premiums up.
- Block grants would mean less federal support for state economies as well as for state health care systems, reducing employment and economic activity.
- Cuts in Medicaid could lead to increased family spending on long term care for frail, elderly parents, putting extra pressure on the “sandwich generation”.

A federal block grant would make the current problems of our health care system worse. We would have more people uninsured, more emergency room crowding, more provider shortages. To find out what you can do to block block grants go to:

<http://www.communitycat.org/index.php3?fldID=192> to sign up for Community Catalysts alerts and updates

http://www.familiesusa.org/site/PageServer?pagename=Medicaid_Action to check out the latest news at Families USA’s Medicaid Action Center