Summary of Medicaid Amendments in the Rule to Be Considered as Adopted to the Reconciliation Act of 2005

The new rule for the Reconciliation Act would reduce the Medicaid spending cuts from approximately $11.9 billion under the bill as reported by the Budget Committee to $11.4 billion over the next five years. About $350 million of the reductions in budget cuts would come from changes in the bill to allow seniors with home equity assets between $500,000 to $750,000 to be eligible for long-term nursing home care, with another $100 million coming from reductions in proposed cost-sharing increases. Reductions in cuts to pharmacy payments amount to about $40 million.

1. Under current law, copayments under Medicaid cannot exceed "nominal" amounts. The Reconciliation Act reported by the Budget Committee requires the Secretary to increase annually, starting in 2004, all nominal copayments by the medical consumer price index. In addition, the current law nominal value of $3 is raised to $5 by 2008.

   This new amendment requires the Secretary of the Department of Health and Human Services to increase nominal copayments beginning in 2006 and each year thereafter by the medical consumer price index, but without the initial jump from $3 to $5 by 2008. Given the rate of growth of medical products and services, which is partly what the medical consumer price index is based on, copayments would rise six times as fast as beneficiaries' incomes by 2010. In addition, these copayments continue to be applicable to those making less than $797 a month, including children, when it comes to prescription drugs and selected services received in an emergency room.

2. Under the Reconciliation Act reported by the Budget Committee, the home is made a countable asset to determine whether a person is eligible for Medicaid long-term care services and individuals with equity in their home in excess of $500,000 would be ineligible for such service. This new amendment raises this amount to $750,000. This change will reduce savings by $350 million over five years and $1.01 billion over 10 years according to preliminary estimates from the Congressional Budget Office.

3. A new provision is added giving the Secretary of the Department of Health and Human Services the authority to delay implementation of the new method provided in the bill for payment for covered outpatient drugs to pharmacies. The Secretary will have the discretion to impose up to a one-year delay if the Comptroller General finds that the estimated average payment amounts to pharmacies for covered outpatient drugs under the Medicaid program are below the average prices the pharmacies pay for acquiring such drugs based on a GAO study required under the bill. If the Secretary implements a delay, he shall submit to Congress recommendations for legislation to establish a more equitable payment system. Savings are reduced by $40 million over five years and $40 million over 10 years according to preliminary estimates from the Congressional Budget Office.

4. A new provision is added to a Government Accountability Office (GAO) study contained in the Reconciliation Act reported by the Budget Committee. This provision requires GAO to study whether the estimated average payment amounts to pharmacies for covered outpatient drugs under the Medicaid program are below the average prices the pharmacies pay for acquiring such drugs.

5. The Reconciliation Act reported by the Budget Committee contained a provision to allow the Secretary to make payments called "Medicaid Transformation Grants" to States for various permissible uses. This new amendment adds another permissible use. States that reduce covered outpatient drug expenditures in clinically appropriate ways, as defined by the Secretary, by increasing the utilization of generic drugs would now be eligible. This change will not change the score according to preliminary estimates from the Congressional Budget Office.