

LEADERSHIP COUNCIL
of
AGING ORGANIZATIONS
James P. Firman, Ed.D., *Chair*

**PRESIDENT BUSH'S FY 2004 BUDGET PROPOSAL
LCAO COMMENTS AND CONCERNS
MEDICAID REFORM AND STATE FISCAL RELIEF**

LCAO Position: The LCAO believes that Medicaid is a critical program for America's seniors, providing essential long-term care, prescription drug coverage and Medicare low-income protections. We oppose any attempt to cap or block grant the program. LCAO supports greater flexibility for states in providing home and community services under Medicaid.

We are very concerned that state budget shortfalls could result in cuts in these programs this year. We support a significant increase in the federal funds provided to states for the Medicaid program. Medicaid-financed long-term care services are already chronically underfunded, and the current recession has exacerbated the long-term care-financing crisis. An increase in the federal Medicaid match is critically needed to ensure the health and well being of millions of vulnerable low-income Americans, particularly our senior citizens.

Another form of state Medicaid fiscal relief we support would be to federalize the Qualified Medicare Beneficiary (QMB) and Specified Low-Income Medicare Beneficiary (SLMB) programs, which provide low-income protections to seniors with incomes below 120 percent of poverty.

President's Budget: The President has proposed a dramatic change in the Medicaid program. States could choose to receive a short-term infusion of federal funds—up to \$3.25 billion in FY 2004 and \$12.7 billion for the first seven years. After year seven, the states would have to repay the entire \$12.7 billion, as their federal payments would be capped and reduced. States would accept two annual block grants— one for acute care and one for long term care. A state would be foreclosed from getting federal matching funds for any expenditure that exceeded its capped allotment. States would have a maintenance of effort (MOE) requirement based on their 2002 Medicaid spending. The MOE requirement would increase annually by the Medicaid Consumer Price Index (which has traditionally increased at a slower rate than actual Medicaid spending). Administration officials have said that states would have “carte blanche” flexibility to determine eligibility, services, cost sharing, and consumer protections for optional populations and services. The Administration's proposal does not include an increase in the federal Medicaid match to states or federalization of the QMB or SLMB programs.

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LCAO Response: LCAO has very serious questions and concerns about the Administration's Medicaid proposal. A Medicaid cap threatens our nation's long-term care safety net and jeopardizes program guarantees. The proposal would create incentives for states to underserve high cost enrollees, such as older Americans in need of long-term care. Persons needing the most expensive care, who are most likely to cause states to exceed their spending cap, would be at greatest risk of being targeted for potentially harmful cost containment strategies, such as limiting access or services. In addition, efforts to improve quality or benefits under Medicaid would be thwarted, particularly since Federal payments would be cut between 2011-2013.

An estimated 83 percent of Medicaid spending on seniors is for optional services or populations. Giving states "carte blanche" to ignore or significantly weaken federal Medicaid consumer protection standards for optional services or populations could be devastating for America's low-income seniors and their families. Would essential nursing home quality standards for optional groups be eliminated? Could a state choose to charge a 50% copayment for home and community services to a frail senior with income at the poverty line? For an optional beneficiary, could a state choose to eliminate current spousal impoverishment protections? Could a state require families of optional Medicaid nursing home residents to supplement the payment to the nursing home? Could a state choose to make recoveries against the estates of the family members of a deceased optional Medicaid nursing home resident? LCAO would strongly oppose eliminating critical federal Medicaid protections in these areas for frail seniors and their families.

We urge the Administration and Congress to support a temporary increase in the federal Medicaid match and to federalize the QMB and SLMB programs.

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