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PRESIDENT'S MEDICAID PROPOSAL IS BAD FOR BENEFICIARIES AND BAD FOR THE STATES

President Bush's 2004 budget includes a proposal that would turn the Medicaid program into a block grant and eliminate all current program protections for over 11 million Medicaid beneficiaries, including nearly all nursing home residents and most individuals who receive long-term care services in the community, and many families with children.

While the proposal may have a superficial appeal to cash-strapped states, it is a bad deal that will leave states in the future without the help of federal dollars to meet increases in programs costs that result from increased need, improved but more expensive medical technology or downturns in the state's economy.

Here is how it works. The President's proposal offers states the short-term loan of a small amount of fiscal relief coupled with large amounts of program flexibility in return for the states agreeing to accept a capped amount of money and to pay back the loan later. States can choose one of two ways to proceed with their Medicaid programs. They can operate their programs as they are now under current law but without receiving any fiscal relief. Or they can choose to receive additional payments (above amounts projected as regular program costs) over the next seven years with the understanding that the amount they receive each year is capped. If they choose the second alternative, they will be allowed complete freedom to design their programs for all those populations and for all those benefits whose coverage is not mandated by law. Such flexibility would allow states to offer benefits in only parts of the state and to offer benefits in less than meaningful quantities, e.g., covering only one doctor visit per year. One third of Medicaid beneficiaries are in these so-called "optional" groups; two-thirds of all Medicaid expenditures are for optional services or optional groups.

The additional money for the first seven years is a loan; the states that choose this option will have to repay the money in the last three years of a ten year period. Moreover, the amount of money is not large. The single largest amount, $3.25 billion in the first year, would be divided among all states that choose the option. And, the additional money will not be a net gain to the states as other parts of the budget reduce revenues to the states through cuts in discretionary spending and the effects of federal tax relief. Nevertheless, the offer may seem attractive to the states since they are currently in desperate fiscal circumstances and virtually all states have made or are considering cuts to their Medicaid programs already.

The proposal is disastrous to Medicaid beneficiaries because it apparently strips away all current program protections. While details are sketchy, Secretary of Health and Human Services Tommy Thompson has repeatedly used the words "total flexibility" and "carte blanche" to describe the freedom states choosing the option would be accorded. Protections that states could eliminate include:

** the requirement that the same benefits be offered throughout the state;

** the requirement that benefits be sufficient in amount and scope to achieve their purpose;

** the prohibition against charging beneficiaries more than nominal co-payments;

** the requirement that anyone can make an application for benefits, that the application must be reviewed within a specified amount of time and the right to notice and hearing when benefits are reduced or denied;

** the requirement that all nursing homes receiving Medicaid money adhere to federal standards and accord all residents certain enumerated rights;

** the requirement that spouses of nursing home residents have income and assets set aside for their use;

** the requirement that families of nursing home residents on Medicaid cannot be made to supplement the payment to the nursing home;

** the prohibition against placing liens on Medicaid beneficiaries' property except in certain specific circumstances and the total prohibition against placing liens on the property of family members;

** the prohibition against recovering from the estates of Medicaid beneficiaries except in explicit circumstances and not while certain relatives are alive, and the total prohibition against recovering from the estates of family members.

As noted above, the proposal is also disastrous to states. Because the federal amount is capped in any given year, states could not count on receiving more federal dollars if their program costs increased. This is in stark contrast to the current program under which the federal government matches, at the rate of one to one or better, every dollar spent by a state for all program costs. This federal match allows for necessary adjustments during economic downturns, when new medical treatments change the way services are delivered, or when there are increases in the numbers of beneficiaries, regardless of the reason.

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