

Medicaid Matters is a series of fact sheets concerning how Congressional proposals to change the Medicaid program will directly affect eldercare and disability services employers, consumers and their families, and the direct-care workforce.

Medicaid is a public health insurance program for low- and modest-income individuals and families that covers acute care and long-term services and supports. It is jointly funded by state and federal governments, and is managed by the states. For middle class families who spend down their assets paying for long-term care, Medicaid provides an essential safety net.

Medicare is an insurance program administered by the federal government, providing health coverage to people who are aged 65 and over or who are living with disabilities. Medicare covers only short-term nursing home and home health services as opposed to on-going assistance.

...in Super Committee Deficit Reduction Deliberations

The Deficit Reduction Agreement

On August 2, 2011, President Obama signed the Budget Control Act (BCA) of 2011. This last-minute agreement to raise the federal debt ceiling and avert a potentially catastrophic government default came at a high price—reducing the federal deficit by over \$2 trillion over the next decade *without any required revenue increases*.


Although three major middle-class safety-net programs—Medicaid, Social Security, and Medicare—were spared in the first round of \$917 billion in cuts, housing, community development, education, training, public health, medical research and other discretionary programs will have to absorb staggering cuts. After this first round, the BCA requires the enactment of at least \$1.5 trillion in further deficit reduction by the end of 2011. Achieving this target by savings alone, without substantial revenue increases, will be difficult without devastating the federal programs that provide health and income security for all Americans. Medicaid, one of the largest federal programs, is likely to be targeted.

The Super Committee


The BCA established a 12-member Joint Select Committee on Deficit Reduction (a.k.a. the Super Committee) made up of six senators and six members of the House of Representatives, divided equally between Democrats and Republicans (see box on page 3). By November 23, the Super Committee must make recommendations that will reduce the federal deficit by at least \$1.5 trillion over the next ten years. A majority vote is required in order for the recommendations to proceed to the full Congress for a vote. Congress must vote on any legislative language proposed by the Super Committee, without amendments or filibusters, by December 23.


If the Super Committee is unable to reach consensus, or if Congress doesn't approve its recommendations, the BCA mandates \$1.2 trillion in automatic spending cuts in both defense and other discretionary federal spending starting in 2013.¹ A number of programs, including Social Security and Medicaid, would be exempt from these automatic spending cuts.

Why Medicaid Is At Risk


 **Super Committee Mandate and Makeup:** The Super Committee can propose revenue increases and/or cuts to any part of the federal budget, including Medicaid, to reach the \$1.5 trillion target. Republican Super Committee members have made it clear that they oppose revenue increases and believe the government cannot afford current safety-net programs. Democratic Super Committee members have voiced support for spending cuts, if revenue increases are also included in the package. Any final compromise is likely to propose cuts to Medicaid, because it is one of the largest programs in the federal budget.

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 **House Proposed “Block Grant” for Medicaid:** In April, the House passed the Republican budget proposal, which included a proposal for providing each state with a Medicaid block grant. Under this proposal, each state would receive a fixed amount of federal Medicaid funding, rather than sharing increases with the federal government as state costs rise. Faced with diminished federal support, many states may be forced to eliminate optional coverage—i.e., coverage such as home and community-based services not required by the federal government. States would also be given increased flexibility in deciding Medicaid eligibility requirements and benefit packages, that, given state-level budgetary constraints, would allow them to limit access to care. This block grant proposal is likely to resurface in the Super Committee negotiations.

 **Prior Debt Commission Recommendations:** Several recent national commissions recommended Medicaid cuts. In 2010, the Bowles/Simpson National Commission on Fiscal Responsibility and Reform and the Rivlin/Domenici Debt Reduction Task Force both recommended numerous changes to Medicaid intended to increase efficiency and slow growth. It is not entirely clear how these proposals would impact eligibility or benefits, but reducing funding levels would likely, either directly or indirectly, reduce access to care. (The Kaiser Family Foundation offers a comparison of the Medicaid recommendations in previous deficit reduction proposals at www.kff.org/medicaid/upload/8129.pdf)

These proposals are likely to be reconsidered by the Super Committee, along with proposals to repeal the CLASS program – a public long-term care insurance program established by the Affordable Care Act (ACA). The CLASS program is estimated to *save* the federal government \$83 billion over ten years, but many in Congress oppose any new government programs. The potential repeal of the CLASS program is significant for Medicaid because CLASS benefits, paid for by enrollee premiums, are expected to reduce the demand for long-term care services through Medicaid.

 **Limited State Budgets:** Because Medicaid is one of their biggest expenses, dozens of states across the country are cutting their Medicaid programs following four straight years of budget shortfalls.² Many of the cuts are to provider payment rates and “optional” benefits, including home- and community-based long-term services and supports.

Because Medicaid is one of their biggest expenses, dozens of states are already cutting their programs.

Now states are requesting permission from the federal government to cut benefits further, including waiving the ACA “maintenance of effort” requirements.³ Under the ACA, states may not tighten their Medicaid eligibility rules prior to 2014, when they are required to expand their

programs to cover all individuals with incomes below 133 percent of poverty. With states already finding it difficult to fund their Medicaid programs, there will be pressure to reduce the Medicaid spending required by the ACA.



President Obama proposed a single federal Medicaid matching rate to states: To reduce federal Medicaid costs, the President has proposed a new method for reimbursing state costs. Rather than using a variety of matching rate formulas to determine reimbursement, each state would receive a “blended rate,” which would provide some states with less federal funding than under current law. A Center for Budget and Policy Priorities analysis of this proposal predicts that, rather than containing costs, it would shift costs to states, and that calculating each state’s blended rate fairly and accurately would be extremely difficult.⁴

Combined, these pressures suggest that the Super Committee has strong incentives to look to Medicaid for its debt reduction proposal. Moreover, support for Medicaid, as a means-tested program, tends to be less visible and vocal than support for programs like Medicare and Social Security that all working Americans have paid into throughout their careers. This makes Medicaid more vulnerable politically.

Medicaid, as a means-tested program, is vulnerable politically.

Why Medicaid Matters

Medicaid is a fundamental safety net for America’s working families:

- **It is the single most important public program for families struggling with the high cost of long-term services and supports.** Medicaid pays 62 percent⁵ of the cost of all long-term services and supports nationwide, providing crucial services for 3 million elders and people with disabilities. Without Medicaid, many families would be unable to save for the future and instead would be struggling to support the care needs of loved ones.
- **Under the ACA, Medicaid will provide coverage for half of newly insured Americans.** This includes expanded coverage for over 365,000 direct-care workers and their families who are currently uninsured.

Super Committee Members:

Senate:

Patty Murray (D-WA),
Co-Chair
Max Baucus (D-MT)
John Kerry (D-MA)
John Kyl (R-AZ)
Rob Portman (R-OH)
Pat Toomey (R-PA)

House of Representatives:

Jeb Hensarling (R-TX-5),
Co-Chair
Dave Camp (R-MI-4)
Fred Upton (R-MI-6)
Xavier Becerra (D-CA-31)
James Clyburn (D-SC-6)
Chris Van Hollen (D-MD-8)

- **Medicaid funds millions of direct-care jobs and fuels our nation’s economy.** Direct-care services are increasingly in demand as the population ages, but without Medicaid funding, many will not be able to afford the services they need. This will reduce job growth in our fastest-growing economic sector and place a drag on our economy as a whole as working Americans leave jobs and reduce hours to care for loved ones with chronic illnesses and disabilities.

What you can do...

If you are from a state with a member on the Super Committee (see box, Super Committee Members) please write or call immediately and tell them how important Medicaid is to seniors, people with disabilities, and direct-care workers in your state. Ask them to protect this vital program.

Representatives and Senators who are not on the Super Committee will be weighing in, too. Even if your legislators are not on the Super Committee, urge them to speak out on behalf of families, older adults and people with disabilities who rely on Medicaid for access to long-term services and supports.

Go to www.usa.gov/Contact/Elected.shtml to find contact information for your Congressional representatives.

Additional Resources:

Families USA: See two new facts sheets on the Super Committee: <http://familiesusa2.org/assets/pdfs/Threats-to-Medicaid-Continue.pdf> and <http://familiesusa2.org/assets/pdfs/Super-Committee-Profiles.pdf>

Kaiser Family Foundation: www.kff.org/medicaid/upload/8129.pdf

Endnotes:

- 1 Defense programs would be cut by \$55 billion each year from 2013–2021; non-defense by the same amount. Programs exempt from automatic cuts include Medicaid, CHIP, Social Security, SSI, most of Medicare, veterans' benefits, some other means-tested programs, and tax credits. For details, see www.law.cornell.edu/uscode/html/uscode02/usc_sec_02_0000905---000-.html
- 2 See D. Morgan, "Analysis: Medicaid Cuts May Limit Care for New 2014 Enrollees," Reuters, August 11, 2011. www.reuters.com/article/2011/08/11/us-usa-health-medicaid-idUSTRE77A5DB20110811
- 3 National Association of Medicaid Directors, letter to Deputy Administrator and Director of the Center for Medicaid, CHIP and Survey & Certification at the Centers for Medicare and Medicaid Services, DHHS, May 6, 2011. www.namd-us.org/images/stories/moeletter050611.pdf
- 4 See E. Park and J. Solomon, "Proposal to Establish Federal Medicaid 'Blended Rate' Would Shift Significant Costs to States," June 24, 2011, www.cbpp.org/cms/index.cfm?fa=view&id=3521.
- 5 National Health Policy Forum, "National Spending for Long-Term Services and Supports (LTSS)," March 15, 2011, www.nhpf.org/library/the-basics/Basics_LongTermServicesSupports_03-15-11.pdf.

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Learn more by going to the PHI PolicyWorks website (www.PHInational.org/policy). Here you'll find reliable information about emerging state and federal policies that impact our nation's direct-care workforce.

The logo for the Paraprofessional Healthcare Institute (PHI) consists of the letters "PHI" in a bold, white, sans-serif font, centered within a blue square.

PHI (www.PHInational.org) works to improve the lives of people who need home and residential care—and the lives of the workers who provide that care. Using our workplace and policy expertise, we help consumers, workers, employers, and policymakers improve long-term care by creating quality direct-care jobs. Our goal is to ensure caring, stable relationships between consumers and workers, so that both may live with dignity, respect, and independence.

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