Scenarios Under Medicaid Cuts

Medicaid is safety net coverage for millions of the most vulnerable Americans. Without Medicaid coverage, poor elderly, persons with disabilities, infants, children and mothers would either have to forego essential care or bear the burden of prohibitive health care costs.

Republicans propose to cut Federal Medicaid assistance by $182 billion over seven years—that amounts to almost 30% reduction in 2002 alone. Reducing Federal contributions to Medicaid passes the Federal share of responsibility onto States to either pick up the difference or to make tough decisions on deep cuts in coverage eligibility, benefits and provider payments.

These cuts don't just affect Federal and State budgets. They affect people. In fact, cuts will hurt the most vulnerable individuals. Here are some possible scenarios of how Medicaid cuts in eligibility, benefits or provider payments would affect individuals.

CUTS COULD RESULT IN COVERAGE REDUCTIONS

- **The coverage safety net will not be there in times of recession.** When a recession occurs, the number of people without work that would qualify for Medicaid rises dramatically. However, without an individual entitlement to Medicaid coverage, no additional Federal money will be available to cover these individuals in this difficult period. States will be forced to expand their spending or leave people without coverage.

- **Poor children covered under expansions may lose their coverage guarantee.** Current Federal law covers all poor children born after 1983. For these children, coverage is at risk. To adapt to budget caps, States may limit children's eligibility to very low income levels or by age.

  Lester Alverson from Odenville, Alabama suffers from severe arthritis and receives Medicare and Disability Insurance. His family's income is $18,000, just above the poverty level. Three of his four children are covered by Medicaid, one of which has brain injury and receives SSI assistance. His third child and wife, Linda, are uninsured. With less Federal assistance, the State of Alabama may need to limit coverage only to its poorest residents. For Lester and Linda, this could mean their three children receiving Medicaid benefits now will lose coverage. (Families USA).

- **Restricting transitional eligibility will discourage welfare recipients from seeking work.** If Medicaid only can cover the most needy families, parents may be less likely to seek work if they know they will lose health care coverage. The same may be true for those persons with disabilities receiving SSI benefits.

Gary and Shellie Caughhorn of Toledo, Ohio have a 9 year old child with disabilities—who, at one point, lost Medicaid coverage when Mr. Caughhorn received a $1/hour raise. [Jimmy, their son, currently receives coverage under the Katy Beckett waiver program.] As coverage eligibility is restricted, more families like the Caughhorns will be at risk of losing coverage. Budget cuts could leave families with tough choices between coverage for their children and work. (Families USA).

- **Low-income Medicare beneficiaries could lose Medicaid coverage of Medicare cost-sharing coverage.** Without Medicaid coverage for Medicare cost-sharing, poor Medicare beneficiaries will have to pay monthly Part B premiums (physician care), deductibles and copayments. Out-of-pocket costs for Medicare beneficiaries with one hospitalization are *at least* $1,808 (not including the costs of the services uncovered by Medicare, such as prescription drugs, long term care and several other services). For individuals with incomes below poverty, this amount constitutes almost one-fourth of their annual income—their entire income for three months.

- **Working families with parents who need nursing home care will face the heavy burden of large bills—which cost around $38,000 a year.** Because it accounts for one-third of Medicaid spending, long term care coverage will likely be reduced. States may not be able to continue the "spend down" program, which provides coverage for some families with high medical expenses. Budget cuts may mean that middle class and near-poor families have to pay for nursing home care for aging parents out of their own pockets with no assistance from Medicaid.

  Moises Avila from Fairfax, Virginia has a son who suffered a severe head injury and is now in a nursing home. Mr. Avila had to work two jobs and spent his savings to pay his son's nursing home bills, and is currently assisted by Medicaid. Without the spend-down program in his State, he would not be able to afford the bills. (Families USA).

CUTS COULD RESULT IN BENEFIT REDUCTIONS

- **Disabled children losing community-based long term care coverage may have to leave home for a nursing home for Medicaid coverage.** Katy Beckett's story convinced the Reagan Administration to allow disabled children to stay at home and retain Medicaid coverage through the SSI deeming provisions of Katy Beckett waivers.

  Marilyn Cooper of Atlanta, Georgia has a child with severe disabilities, who receives Medicaid coverage for specialized services, such as therapeutic services. She said that Federal Medicaid cuts would jeopardize her son's coverage and devastate her family as well as her son's health and future outlook.(Her son qualifies under the Katy Beckett waiver). "There are

families like mine that would never give my child away and would go bankrupt and live on the streets before I ever considered handing him over to strangers. ....We love our special children and we want to take care of them in our own homes, nurture and teach them to become productive and happy citizens." (Letter to Senator Nunn and Representative Lewis, cc: Families USA, April 28, 1995)

- **Persons with disabilities may lose coverage for specialized needs.** Limiting coverage to a barebones benefit package would exclude special services essential to persons with disabilities, such as rehabilitative services and special mental health services for the severely mentally ill.

  Ashley Normand from Bunkie, Louisiana is 10 years old and has Spina Bifida. Medicaid in her State covers part of her care, while her mother, Gaye, tries to care for Ashley at home. Ashley received surgery to allow for daily catheterization and receives routine specialized Spina Bifida orthopedic, neurological and urological services. Gaye feels that a limit on benefits would hurt persons with disabilities, like Ashley, first due to limits on specialized service coverage. Gaye and Ashley receive $6,288 a year. She had to spend down all savings including her daughter's college savings to pay medical bills. (Families USA).

- **Losing Early Periodic Screening, Diagnosis and Treatment (EPSDT) benefits would leave infants and children vulnerable to preventable diseases and without intensive treatment.** Uniform national benefits for children's preventive care will not be guaranteed under a block grant design. Without current Federal assistance levels, States may not be able to afford treatment for illnesses discovered in this screening. Moreover, eliminating Federal standards may jeopardize access and the quality of care for Medicaid beneficiaries.

  The EPSDT program has helped the H family of Columbus, Ohio immeasurably. When 9-year-old Jennifer's Warrdenberg's Syndrome (congenital deafness) was discovered through EPSDT in 1988, she, as well as her siblings, began to receive much needed services for multiple medical problems, which were previously not identified. For example, Jennifer's club foot has been surgically repaired and she walks normally. Jennifer's sister and brother, Stephanie and Verl, were mostly deaf. Today, they all have hearing aids and now have some speech. It was also discovered that Verl has Hirschsprung's disease, an abnormality of the large colon. Through surgical repair and treatment, Verl no longer has to wear a colostomy device. (Columbus Children's Hospital, Ohio)

- **Without standard protections, cuts may send the spouse of a nursing home resident into poverty.** Medicaid rules protect the spouse living in the community from poverty, by allowing the community spouses to maintain some income while their loved one is in a nursing home. States may choose to shift more of the costs of nursing home care from Medicaid to these community spouses [In the past, this has been an important Medicaid issue for Republicans. Particularly big in New Mexico].

  Mr. and Mrs. Wilson are both 82 years of age with a net worth, excluding home equity, of $60,000 and a monthly income of $1,150. Under current law, if Mr, Wilson were to go into a nursing home, Mrs. Wilson would be permitted to keep $30,000 in assets and $1,150 in monthly income while Mr. Wilson applied for Medicaid coverage. These amounts would be necessary for her to maintain her home and meet her other basic living expenses. Mr. Wilson would have to spend about $28,000 in assets to meet the financial eligibility criteria for Medicaid.

  If a State chose to eliminate spousal impoverishment protections, <u>both</u> Mr. <u>and</u> Mrs. Wilson would lose their entire life savings within about two years. Moreover, current federal law would not count the value of the Wilson's home in determining Mr. Wilson's eligibility for Medicaid and would prohibit the State from placing a lien on the home while Mrs. Wilson was still living there. Under a block grant, if a state chose to eliminate these protections, the Wilson family could lose their home. (AARP Case Study, "Unprecedented Medicaid Reductions Would Harm the Most Vulnerable—Children, Older and Disabled Americans," May 1995).

- **Limiting prescription drug coverage would leave the poor to face the choice between buying food and purchasing needed medicine.** States may need to limit prescription drug benefits. Elderly are particularly at risk of high out-of-pocket costs because they are the single largest users of prescribed medications, paying 2 1/2 times the amount incurred by those under age 65. Poor Medicare beneficiaries currently receiving Medicaid drug coverage may face high out-of-pocket costs as much as $3,500 a year ($292/month). They will not receive the rebates and discounted prices but, instead, they will have to pay the ever-increasing retail prices—sometimes a ten-fold difference from discounted prices.

PROVIDER PAYMENT REDUCTIONS

- **Cutting already-low provider payments will further jeopardize access.** Cutting provider payments affects the viability of hospitals and clinics serving uninsured and Medicaid beneficiaries. Moreover, such cuts also have harmful effects on individuals. Lowering payment rates even further would leave some providers unable to care for Medicaid beneficiaries.

Many more mothers may face access problems like Sherri of Tennessee (Families USA Foundation, The Human Impact of Health Reform: Clinton v. Cooper v. Chafee). In late 1990, although she qualified for Medicaid, she had great difficulty finding a provider willing to provide her with prenatal care. She was finally able to schedule her first doctor visit in her seventh month of pregnancy. Before her appointment to begin prenatal care, Sherri went into labor. Her daughter, Cassandra, suffered brain damage and was hospitalized for months. Cassandra will need special education and ongoing physical therapy. According to one of Cassandra's doctors, Sherri's pregnancy was "complicated by a lack of prenatal care."

USA Today; 8-15-95

Medicaid's middle-class payoff

If you think the program is a handout to the able-bodied poor, think again. When the middle class sees what's at stake, cuts will be tough.

Congress is finally out for its recess, with members fanning out across the country to take up their positions on Medicare and to brace for the firestorm to come in September and October.

Up until now, the political community's assumption has been that the major battleground will be Medicare — an icon for most Americans. Pundits and journalists have predicted political blood all over the floor.

In contrast, there have been few public broadsides or political predictions about Medicare's junior cousin, Medicaid. The assumption has been that the Medicaid program, focusing as it does on the poor, won't be so controversial — with no strong political constituency to rally against cutbacks and little interest in what the repercussions might be. It will go down with a few whimpers at most.

By Norman Ornstein, resident scholar at the American Enterprise Institute.

Think again. Medicaid, one of the most misunderstood programs in government, may in the end be more explosive politically than Medicare — and it may have fewer sensible options for policy change or reform. Start with a few facts:

▶ **Medicaid is largely a program for the elderly, blind and disabled.** Think of it as a program for the poor — meaning largely young and middle-aged, able-bodied people in poverty? Wrong. Nearly two-thirds of funds are spent on recipients who are blind, elderly and/or disabled.

▶ **Almost half the Medicaid expenditures for the elderly, blind and disabled go to nursing home care for the elderly.** Over two-thirds of the residents in nursing homes are on Medicaid. The dependence of nursing homes and their residents on Medicaid is not just a subsidy for the elderly poor — it is a subsidy for their middle-class children who otherwise would have to pay out of their own pockets for their parents' care. And in many cases, Medicaid coverage has had another bonus for them — to qualify for Medicaid, their parents first divest themselves of their assets, giving money to their children before they would otherwise inherit it.

▶ **Non-disabled, non-elderly poor adults make up a minuscule portion of Medicaid's expenditures.** This group, the able-bodied adult poor, are the most politically vulnerable. But they comprise barely more than 10% of Medicaid's outlays. What about poor children? Though they make up 50% of Medicaid recipients, children account for only 15% of expenditures. (The rest of the Medicaid money, incidentally, goes largely to hospitals.)

▶ **Most growth in the program is coming from among the disabled and elderly population.** The over-85 group is growing as fast as any other age group. And advances in medicine and science, including in neonatal care, mean that more fetuses and babies with disabilities are surviving, as are more disabled adults. So in the future, the pressures on Medicaid assistance to these populations will be great.

There is another important area of Medicaid growth as well: AIDS patients. Facing high prescription drug costs and other prohibitive medical expenses as their illnesses intensify, most AIDS victims run out of assets and rely on Medicaid for medical services. As many as half those with AIDS are on Medicaid.

Now consider the politics of Medicaid and the budget. Medicaid has grown explosively over the past decade, making it currently a $100 billion program, and it is projected to grow even more in the next. The House and Senate Republican budget plans take roughly $1 trillion out of the federal spending stream over the next seven years; nearly a fifth of that comes from Medicaid. Budgeteers take aim at Medicaid because that is where the money is. But within Medicaid, they will also have to go where the money is — and that means taking most of the dollars from the part of the program benefiting the elderly, blind and disabled.

How will voters react when they see the impact of budget changes on the populations we view as the most vulnerable and deserving — and not, like stereotypical welfare recipients, able-bodied people, many of whom have chosen to go on welfare and are capable of handling the consequences of cutbacks themselves? How will elderly voters react if cuts in Medicaid growth come significantly from nursing home care — and how will their middle-class, middle-aged children handle it? And if we can't or don't target the elderly, blind and disabled for the cuts in Medicaid growth, what will happen when we focus the cuts disproportionately on the one-third of the program left, including care for children?

To be sure, there are areas where Medicaid can and should be reformed and where savings can be made. Finding ways to encourage home health care as an alternative to nursing home care is one. Looking much more carefully at the categories of "disabled," which have expanded sharply in recent years, and reducing at the same time the fraud that is substantial in this area, could make a major difference. Perhaps more managed care and more state flexibility will bring serious savings as well.

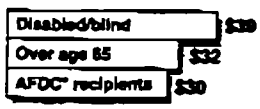
But all these things combined will not change the basic realities above: Cut back on the growth of Medicaid spending, and you have to cut back the benefits that are provided to elderly, blind and disabled people first, and AIDS patients and poor children next.

The politics are interesting — and more deadly than anyone imagines.

Medicaid spending

Where Medicaid dollars go

Most of the money goes to the elderly, blind or disabled — many of whom were formerly of the middle class. Who would pay the health-care bills for these recipients if Medicaid didn't exist? Their middle-class children. A breakdown on where most Medicaid money went in 1993 — the most recent figures available (in billions):

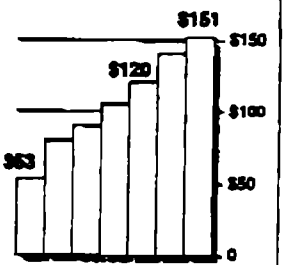


*Aid to Families with Dependent Children

Source: U.S. Health Care Financing Administration

How Medicaid spending has grown

Federal spending on Medicaid is expected to triple by the end of this decade, according to public and private projections (in billions):



Source: Public Opinion Strategies and Mellman & Lazarus, Public Citizen Health Research Group, CMS, Families USA

By Dave Merrill, USA TODAY

> How will elderly voters react if cuts in Medicaid growth come significantly from nursing home care — and how will their middle-class, middle-aged children handle it?

N.Y. Times; 8-15-95

Jane Roe Recants — or Does She?

That Norma McCorvey was the Jane Roe of Roe v. Wade, the landmark 1973 Supreme Court decision that gave American women the constitutionally protected right to abortion, was a matter of chance. Roe v. Wade was a class action suit that had been a long time in the making, and Ms. McCorvey was coincidentally desperate for an abortion just when the lawyers needed a case to litigate. Had she not chosen to be "Jane Roe," another woman is certain to have taken the challenge.

Norma McCorvey said last week that her greatest sin, greater even than her sins of selling drugs, cheating people and being an abusive alcoholic, was to be "the plaintiff in Roe V. Wade." In repentance, she has been baptized by a fundamentalist minister and joined the militant anti-abortion group, Operation Rescue.

As it turned out, Norma McCorvey never did have an abortion. The court decision came down only after the birth of her third child, [illegible] she gave up for adoption, like her first two. She would have remained unknown she not [illegible] to identify herself in 1989. She then sold her story for a TV movie and wrote a book titled "I am Roe." Given those two bids for attention, Ms. McCorvey's cry that she has been "exploited enough to last me a lifetime" rings more than a bit thin.

Norma McCorvey, a self-described street kid, ex-alcoholic and ex-drug addict, never was much of a poster girl for choice. She was a desperate woman who wanted an abortion, not a committed crusader for the right to choose. But neither is she much of a poster girl for pro-life. Ms. McCorvey still believes in a woman's right to choose "a safe and legal abortion," provided it is in the first trimester.

If Ms. McCorvey symbolizes anything, it is a hard-knock life in which, however inadvertently, she made history. Making history was not enough, however, not when "the respect that I thought I deserved" from pro-choice leaders did not come with it. Ms. McCorvey's switch, being only partial, says little about how she truly feels about a woman's right to make reproductive choices. it speaks volumes wounded [illegible]gs. the for affection and the anguish of having "people think that . . .

Substitute pages 1

Medicaid: An Overview
Health Insurance for Low-Income Families

Children and their families comprise about three quarters of Medicaid enrollment.

In 1995, Medicaid will cover over 18 million children, representing one out of every children in the nation.

Children are eligible for Medicaid if they are poor, or are receiving welfare. By the year 2000, all children in poverty will be eligible for Medicaid.

Over 90 percent of children with AIDS are covered by Medicaid.

EXAMPLE

Medicaid: An Overview
Health Care for People with Disabilities

Medicaid is the primary insurer for people with disabilities, since private insurance is not affordable for people with pre-existing conditions. [is "pre-existing conditions" too technical?] Medicaid will cover 6 million people with disabilities in 1995.

People with disabilities qualify for Medicaid if they receive cash assistance as a result of their disability, or they have large medical expenses that qualifies them as "medically needy".

EXAMPLE

Medicaid: An Overview
Long-Term Care and "Medigap" for the Elderly

Although most elderly are covered by Medicare, its benefits are limited. Medicaid helps low-income and disabled elderly pay for Medicare premiums and cost sharing, and covers long-term care.

Over 4 million elderly will be covered by Medicaid in 1995.

Medicaid covers the elderly who have spent most of their income and assets on long-term care. Medicaid also pays for the services not covered by Medicare for the aged receiving cash assistance, and pays for premiums and cost-sharing for all elderly at or near the poverty threshhold.

EXAMPLE

Medicaid: An Overview
Medicaid Coverage and Spending

States and the Federal government will spend an average of $ on Medicaid in 1995. However, given the different people and types of coverage in the program, spending varies. Medicaid will spend $1,400 per child, $8,800 for a person with disabilities, and over $10,000 for an elderly recipient in 1995.

Because health care costs for the elderly and disabled are much more expensive than costs of adults and children, most of Medicaid spending is for the acute and long-term care for the elderly and disabled.

- ~~The elderly and people with disabilities comprise only~~ 27 percent of enrollment, ~~but~~ account for 67 percent of the spending[1].

~~Conversely, adults and children represent the a high percentage of the recipients but low percentage of the dollars.~~

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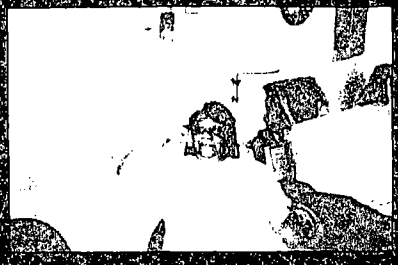
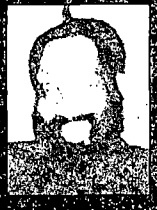
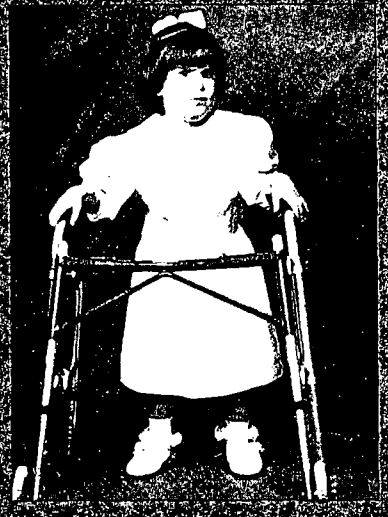
HURTING REAL PEOPLE

The human impact of Medicaid cuts.




FAMILIES USA REPORT TEN DOLLARS