

Questions and Answers on Potential Medicaid Cuts

Q. What is happening in Washington?

A. There are many proposals being discussed in Washington to balance the budget. What these proposals have in common is that Medicaid spending would be dramatically cut in a short period of time. These proposals are:

- **Block Granting Medicaid**, which would give states a fixed amount of money for health care and long term services and would likely remove requirements (such as eligibility and service minimums and quality measures) for how the states spend the money.
- **Spending Caps, with automatic enforcement**, would set a limit on federal spending that is well below current spending and would likely result in a Medicaid block grant. Automatic enforcement mechanisms mean that, if a spending target is not met, cuts are made automatically without the need for further Congressional action.

In addition, Vice President Biden is leading a small group of six Members of Congress who are trying to find a way to cut the deficit. This group is working behind the scenes, and very little information about their negotiations is being made public. They are expected to reach agreements allowing Congress to move forward in resolving the debt ceiling debt debate by August 2.

What we do know is that cuts to Medicaid are on the table in all of these proposals, and that harsh fact alone requires us to act! Time is short.

Q. What happens if any of these proposals become law?

A. The cuts under any of the proposals for spending caps and automatic enforcement would be so drastic that a block grant would be the result for the Medicaid program (even if Congress does not immediately consider a straightforward proposal to block grant the program itself).

Q. What is the problem with block granting Medicaid?

A. One major problem is that the costs do not go away, but would be shifted to already cash-strapped states. If states do not make up for the federal cuts (the federal government pays 50 percent or more of the costs of every state's Medicaid program), the costs would shift again, to individuals and their families, to health care providers, to other federal programs or to local governments.

- There would be no more guarantees of health care services and waiting lists would grow even longer.
- The block grant would likely have few rules and states would be free to change eligibility, cut services, and manage their programs with very little federal oversight.
- We believe that block grants would force bad choices and cause real conflict as groups with diverse needs compete for scarce dollars.

Q. What “bad choices” might states make?

A. Since the services to people with disabilities and the elderly are significantly more costly than health care coverage for children, states could decide to serve fewer seniors and people with disabilities and focus scarce health care dollars on children. Here are some possible choices states might be forced to make:

- **Loss of home and community-based services (HCBS) and supports.** Nearly 600,000 people with intellectual and/or developmental disabilities (I/DD) receive long term services paid for by Medicaid, and most receive them at home. States could decide to stop providing these services or limit the number of people who could get them, increasing waiting lists.
- **Move people back to institutions.** With fewer requirements, people with I/DD may be forced back into institutions rather than community living. Under a block grant, rules for providing quality care could be more flexible and conditions in institutions could return to the way they were in the past.
- **Tightening of eligibility for services.** To be eligible for Medicaid, people have to fall under certain income levels. States could restrict health care services to only the very, very poor.
- **More out of pocket costs for individuals and families.** In order to get health care, people might have to pay more out of their own pockets. Since people using Medicaid have limited income resources to start with, requiring them to pay for

- their medical care or long term services and supports could be a significant barrier to care.
- **Reduction or elimination of critical services.** If funds become scarcer, states may decide to reduce or stop providing basic services, such as personal care, prescription drugs, rehabilitative services, or home and community based waiver programs.
 - **Less availability of doctors and providers for care.** It is already very difficult for people using Medicaid to find doctors and other health care providers willing to accept the low payment rates, particularly specialists. If states cut the amount they pay doctors and other providers, those professionals may quit serving people under Medicaid, making access to care even more difficult to secure.