

Tom Joe and Julie Farber

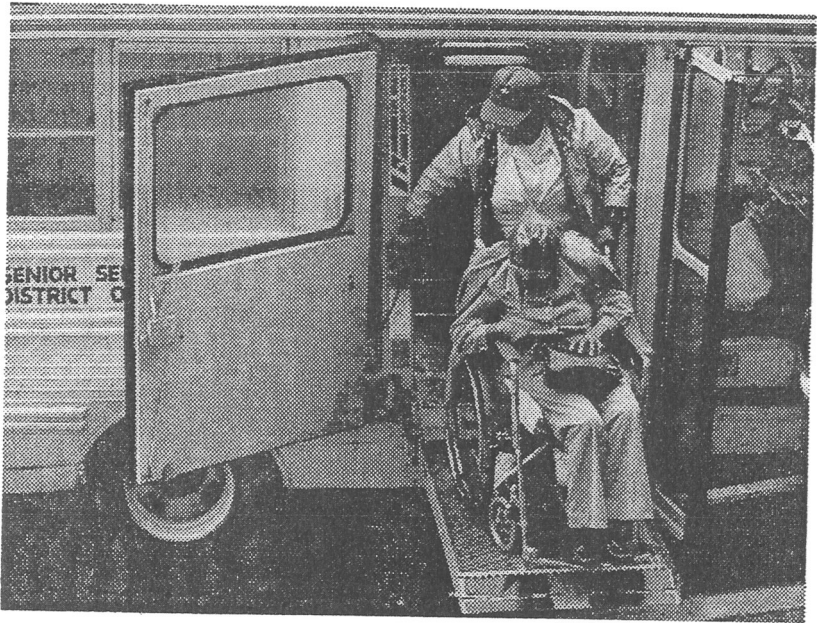
Post 7/6/95

Shortsighted Medicaid Fix

The states will be left holding the bag.

Until recently, the welfare reform debate centered around the Aid to Families with Dependent Children (AFDC) program, which provides cash assistance to low-income children and families. Propelled by the determination to cut welfare spending and by images of baby-making, couch-sitting, television-watching women and their many children, members of Congress designed legislation to cut federal welfare spending by block-granting and capping federal funds for AFDC. Although the congressional debate is far from over, some governors, drawn in by these politically seductive images, are now champing at the bit for the legislation to be passed.

Now Congress, realizing that the most rapid increases in welfare spending are actually in the Medicaid program, wants to cut costs even more by selling the states a Medicaid block grant, wrapped in the same package as the AFDC block grant. And some governors are again



BY RICH LIPSKI—THE WASHINGTON POST

eager to buy.

They should look twice at this deal. Closer inspection of states' Medicaid beneficiaries and expenditures will show governors that the punitive and stereotypical rhetoric that gave birth to the AFDC block grant simply does not apply to Medicaid.

It's true that Medicaid serves almost 25 million poor women and children, many of whom are AFDC recipients. But Medicaid also serves approximately 9 million elderly, blind and disabled persons who consistently account for more than two-thirds of Medicaid expenditures. And these folks aren't going anywhere. They're not getting jobs or getting healthier. If anything, they're getting older, sicker and more expensive. Even if AFDC "reform" is successful beyond our wildest dreams, the needs of low-income elderly, blind and disabled persons will continue to grow steadily. The burden on states to provide for their care will only increase as the baby boomers age, swelling the ranks of the elderly.

Governors clamoring for a Medicaid block grant should reconsider their position in light of the following facts:

- Although elderly, blind and disabled persons make up approximately one-third of Medicaid recipients, these groups have consistently accounted for more than two-thirds of Medicaid expenditures since the 1970s.
- The population of elderly, blind and disabled Medicaid recipients is growing. Between 1988 and 1993, this population grew by 32 percent from 6.6 million to 8.7 million beneficiaries.
- Medicaid expenditures for this group are growing even faster—by 96 percent during the same time period. Obviously, per capita expenditures for these beneficiaries are increasing, as long-term care for the elderly and disabled becomes ever more costly.
- The nation's general population of el-

derly, blind and disabled persons is projected to grow dramatically over the next 25 years; this growth will further increase the demand on states for medical assistance. The number of people age 85 and older is expected to grow by 72 percent by 2018 (from 3.6 million in 1993 to 6.2 million in 2018). Improvements in acute, prenatal and neonatal care are likely to increase the number of persons living with disabilities.

Even without federal cutbacks, it is hard to imagine how states will respond to these demographic pressures and their attendant costs. But under the budget plan recently approved by Congress and a bill proposed by Sen. John Ashcroft (R-Mo.), the crisis facing states becomes much worse. These proposals would block grant and cut Medicaid by at least \$180 billion over seven years, forcing states to choose from the following morally and politically unpalatable options:

- **Further restrict program eligibility.** Under these proposals, even if states succeeded in holding down costs to the rate of inflation, they would still have to cut 4 million of the nation's most vulnerable citizens from the Medicaid rolls; if these cuts were distributed proportionally, they would affect 400,000 elderly persons, 600,000 disabled persons and 3 million families by 2002. Cutting Medicaid beneficiaries would shift costs to localities and to the private sector.
- **Cut payments to providers.** Medicaid payments to providers are already significantly lower than those in the private sector. There is evidence that Medicaid beneficiaries experience limited access to services and, sometimes, poor quality services because of low provider payment rates. Additional cuts to provider payments would reduce Medicaid patients' already limited health care access as the number and quality of providers

willing to serve Medicaid patients would further decline.

- **Raise revenue for Medicaid through taxes or cuts to other areas of the state budget.** If states choose to continue the same level of care to the elderly and disabled, they would have to pursue the politically unpopular strategy of raising revenues through new taxes.

Clearly, none of the options for covering the shortfall of funds is politically or programmatically desirable. The "block granting" of Medicaid is nothing more than a cost-shift to the states, which would inevitably become a cost-shift to localities and the private sector. Even if reform of the AFDC program saves some money by removing some adults and children from the AFDC and Medicaid rolls, the numbers of poor elderly, blind and disabled state residents needing medical coverage for expensive acute and long-term care will remain. Capped federal funding will severely limit state capacity to meet the medical needs of this most vulnerable population and removes the federal government from any more responsibility for this group.

Given these facts, it is impossible to conceive why governors would support the elimination of the entitlement structure of Medicaid, which guarantees federal funds for every person served. States will be left holding the bag for current expenditures with a predictable future of cost increases ahead. Low-income families may be at risk of losing access to necessary health care. Many elderly and disabled persons will face even more uncertain prospects for adequate care. Nobody wins under this scenario except those elected officials who somehow see it as a victory to reduce federal responsibilities regardless of the consequences.

Tom Joe is director of the Center for the Study of Social Policy. Julie Farber is an associate at the center.