

## Medicaid

### Statements

*Introduction | Statements | News Articles | Links*

## Hearing on the Transformation of the Medicaid Program Subcommittee on Health and the Environment

June 8, 1995

### Opening Statement of Rep. Henry A. Waxman

This is the first of a historic series of hearings. This Committee has been instructed by the Republican majority to report out legislation by July 14 that cuts Federal Medicaid spending by a staggering \$187 billion over the next 7 years.

It is hard to overstate the severity of this cut. As you can see from chart #1, under the Republican cuts, in the year 2002, the growth in Federal Medicaid spending would be slashed from 9.3 percent to 1.9 percent. As a result, Federal payments to the States will drop from projected levels by nearly \$57 billion, or 32 percent, in that year alone.

In 1996--which happens to be an election year--the Republican cuts are relatively small. But as you can see from chart #2, they quickly explode to unmanageable levels.

Perhaps in order to mask the effects of these massive cuts, the Republican Budget Committee report stipulates that the remaining Federal Medicaid spending be distributed to the States in the form of a block grant.

Under a block grant, over 30 million Americans--more than half of whom are children--would lose their guarantee of health insurance coverage and join the ranks of the uninsured.

Over 10 million elderly and disabled Americans would lose their coverage for nursing home and other long-term care.

The Republican Budget Committee's purpose in block granting Medicaid is clear. They want to limit the Federal government's financial responsibility for health care and for long-term care. They also want a place in the Federal budget to go to in the future to get large savings for additional deficit reduction or additional tax cuts.

Anyone with any doubt about the fiscal destiny of the Republican Medicaid block grant need only look at the Budget Committee's recommendations with respect to the Maternal and Child Health Block Grant and the Preventive Health Block Grant. These two block grants were first established at the request of the Reagan Administration in 1981 and are currently funded at \$684 million. The Budget Committee wants them cut by \$421 million, or more than three fifths, next year, and then freeze them at that level.

Today's hearing will focus on problems in the current Medicaid program. We can all agree that the Medicaid program is not perfect. In fact, we in this Subcommittee spent the last two years unsuccessfully trying to improve it in the context of health care reform. So it is important that we continue to look closely at the existing program to see where improvements might be made.

But the real issue before this committee is not whether the current program has problems, or what those problems are. The real issue is how in the world the States are going to handle the loss of \$87 billion in Federal Medicaid funds over the next 7 years.

In short, what we should be holding hearings on is the specific Republican proposal to block grant the Medicaid program. Unfortunately, we have no concrete legislative proposal before us, even though we have only 5 weeks until we have to report out our recommendations.

Of course, any proposal to take this much Federal money away from the States, and to radically alter an insurer that covers so many Americans, will require careful scrutiny. I hope that the Chairman will reserve at least as much hearing time for his proposal as he has allotted to an examination of the current program.

There are some issues which we can start discussing today, even in the absence of legislative language.

We don't need legislative language to estimate the effect of the proposed cuts on coverage. The privately-funded Kaiser Commission on the Future of Medicaid, using the expertise of health care economists at the Urban Institute, has provided some valuable information on this point.

The Kaiser Commission analysis of the Medicaid cuts that the House Republican budget contains is summarized in chart #3. Under the Republican cuts, even if States hold the growth in spending per beneficiary to the rate of inflation, nearly 4 million Americans will lose Medicaid coverage in the year 2002 alone. In the States represented here this morning by Republican Governors, the numbers of Americans losing coverage would range from over 30,000 in Utah to over 115,000 in Tennessee. In the State represented by the Chairman, the number of residents losing coverage would be over 430,000.

Of course, there is no way to know who those 4 million Americans will be. That's the whole point of the block grant. It is a mechanism that leaves the States with the burden of deciding whose coverage to terminate. They can choose to eliminate coverage for the elderly, for the disabled, or for mothers and children, or all of the above. But regardless of how efficient they are, unless they replace the lost Federal Medicaid dollars with their own funds, they will have no choice but to cut back on coverage.

It is important to note that the Kaiser Commission analysis assumes that States would continue to spend their own funds in order to draw down Federal Medicaid matching funds, just as they are required to do under current law.

Of course, there is much opposition to that requirement among proponents of block grants. In fact, the policy that the House Republicans adopted in passing their welfare block grant earlier this year relieved States of any spending obligation.

But State spending is a critical part of Medicaid. Obviously if States are no longer required to spend their own funds in order to get Federal Medicaid dollars, and the Federal government is slashing its spending, then the total amounts available for health and long-term care for vulnerable Americans will shrink even faster.

The consequences for coverage are devastating. If we assume that States need only hold their own Medicaid spending at 1995 levels, then the number of Americans who will lose coverage in the year 2002 will not be just 4 million, but 9 million. Chart # 4 shows that, in the four States led by Republican Governors, the numbers losing coverage would range from 44,000 in Utah to 313,000 in Illinois. In the State from which our Chairman comes, 728,000 would lose coverage.

Obviously, if States decide to reduce their spending 1995 levels, the loss in coverage would be even greater.

The other issue we need to start talking about even in the absence of legislative language is the distribution of Federal Medicaid funds among the States.

I will strenuously oppose the dismantling of Medicaid by converting it from an insurer for 36 million Americans into a block grant. However, if the Republican majority prevails on this, we need to look very carefully at whether each State is treated fairly.

A Medicaid block grant would have almost nothing to do with health care or long-term care needs. It would be a fixed amount of Federal funds made available each year to the States--funds with which, as a practical matter, they will be able to do as they please.

What if the Federal Medicaid block grant dollars are distributed on the same basis as Federal Medicaid spending occurs now, and that distribution is frozen into the future? There would be huge variations in Federal payments from State to State, and no adjustments for changing circumstances, like economic downturns or contagious disease outbreaks.

In 1993, the latest year for which comparable data are available, the Federal government spent \$291 on Medicaid for every U.S. citizen. In the Chairman's State of Florida, it spent \$205 per person. In my State of California, it spent \$224 per person. And in the State of Tennessee, it spent \$367 per person.

There are 33 States, including Florida and California, where Federal spending per person was less than the national average. In the other 17 States, like Tennessee, Federal spending was above the national average.

As chart #5 shows, if Medicaid is block granted and if the Federal funds are distributed on a historical basis, then 33 States might as well be making annual transfers of billions of dollars to 17 States. A glance at the map (chart #6) shows clearly that the flow of funds would generally be from the West and Midwestern States to the Northeastern and Mid-Atlantic States, although there are exceptions.

This is not an academic point. Over the next 7 years, under the Republican block grant there would be a total of \$768 billion in Federal funds available for distribution among the States. This is potentially the largest resource transfer in the history of the Republic.

I look forward to hearing the views of our distinguished witnesses on these important questions