



Improving the lives of older Americans

Implications of Medicaid Block Grants and Spending Caps for Seniors and People with Disabilities

May 6, 2011

Friday Morning Collaborative

With support from The SCAN Foundation, NCOA leads a coalition of national aging and disability organizations working to protect and strengthen Home and Community-Based Services.

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- Paralyzed Veterans of America
- Paraprofessional Healthcare Institute
- Service Employees International Union
- The Arc/United Cerebral Palsy
- United Spinal Association
- Volunteers of America

Webinar Overview

- Introduction
 - Joe Caldwell, National Council on Aging
 - Howard Bedlin, National Council on Aging
- Speakers
 - John Holahan, The Urban Institute
 - Edwin Park, Center on Budget and Policy Priorities
 - Patricia Nemore, Center for Medicare Advocacy
 - Tricia Roody, Maryland Department of Health and Mental Hygiene
- Questions and Answers
 - 15 - 20 minutes
- Closing Remarks



All Lines Will Be Muted During the Call
To Ask A Question Use the Chat Feature

Slides and Materials Will Be Available

Everyone who registered for the webinar will receive a follow up e-mail with:

- Link to archived recording
- Link to power point

The House Republican Budget (Congressman Ryan) Proposal for a Medicaid Block Grant

John Holahan

May 6, 2011



The Ryan Block Grant

- Repeal of the ACA, including the Medicaid expansion, will save over \$600 billion in federal dollars between 2012 and 2021
- The block grant is designed to yield \$750 billion in federal savings between 2012 and 2021
 - Will grow from a base year (undetermined) at CPI plus a measure of population growth
- Medicaid spending is projected to increase by almost 7%, not including years of health reform implementation; thus the block grant will mean a major reduction in federal spending

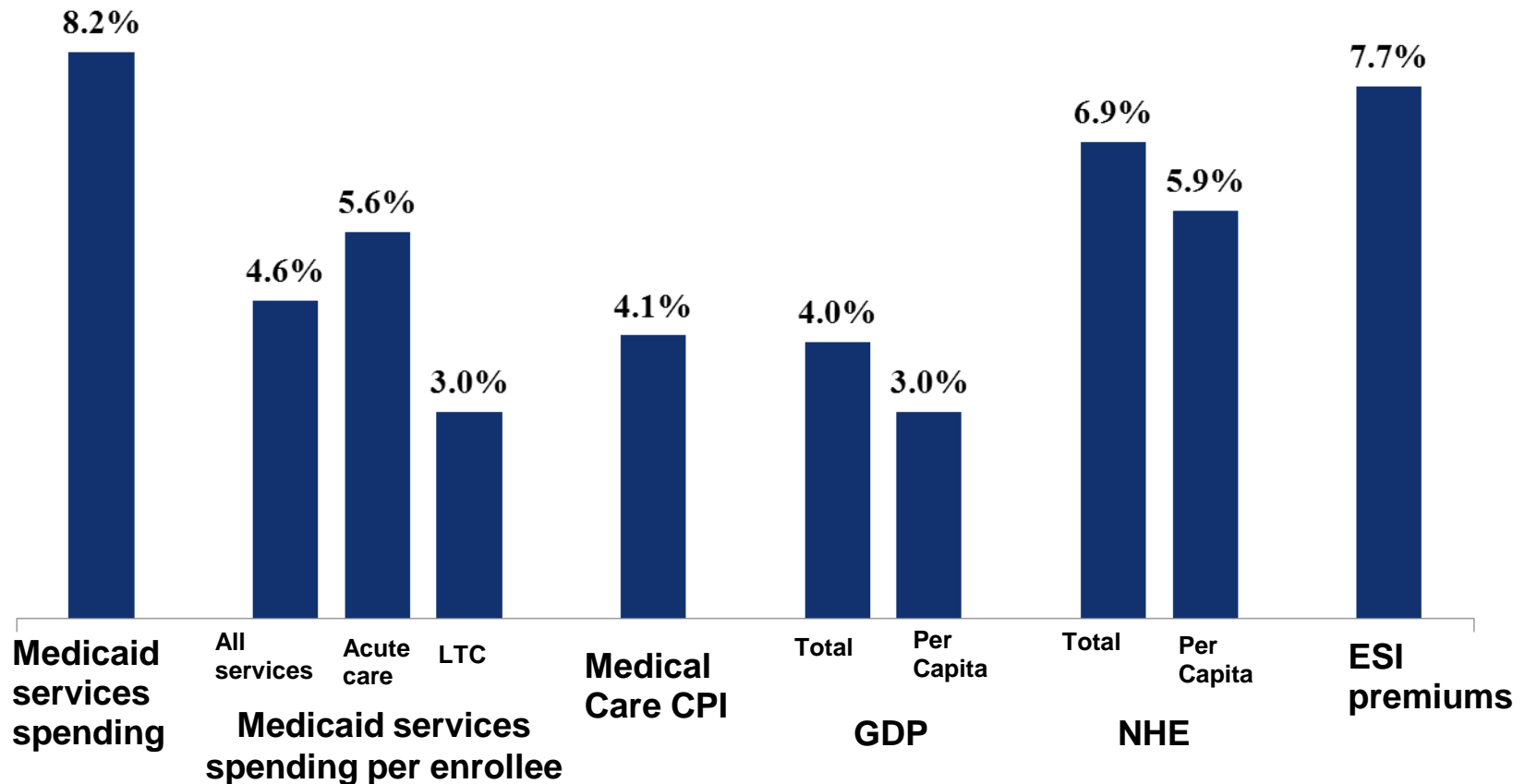


Block Grants Are a Very Crude Policy Tool

- Block grants lock in place a state's level of expenditures; any effort to expand coverage or benefits would have to be borne by states themselves.
- The federal government's block grant allocation to most higher income states would be greater than in most low-income states.
- Federal funding would no longer be sensitive to recessions
- States would have more flexibility but they have a great deal now; e.g. two-thirds of spending on aged and disabled populations represents optional benefits or optional groups.
- A block grant will end creative financing arrangements
- A block grant provides no policy guidance, assumes states "can figure it out."



Medicaid Has Actually Been Successful in Containing Spending Growth in Comparison with Other Payers



SOURCE: Urban Institute, 2010. Estimates based on data from the Centers for Medicare and Medicaid Services (CMS) Medicaid Financial Management Reports (Form 64).

NOTES: All expenditures exclude prescription drug spending for dual eligibles to remove the effect of their transition to Medicare Part D in 2006. Prescription drug spending for non-dual eligibles is included in acute care Medicaid spending per enrollee. LTC is long-term care. CPI is Consumer Price Index. NHE is national health expenditures.



The Ryan Cut is Quite Large

- The ACA repeal would cut federal spending by \$600 billion and cut 17 million beneficiaries as of 2021
- The block grant could result in reductions in enrollment at least as large
- The \$750 billion is a cut of 22% relative to the baseline; in 2021, the cut relative to the baseline would be about 30 %
- Depending on how much savings states can find from new flexibility, the balance must come from enrollment cuts or new state spending
- Most of those losing enrollment will become uninsured



Providers Will Experience Very Large Reductions in Revenues

- Hospitals will see a major cut in revenues at the same time the uninsured would grow
- Hard to predict where states will cut spending
- Optional acute care services are a good bet but states can cut them now; most are not costly and serve real needs for some groups and thus have proven hard to cut
- Likely to see significant increases in cost-sharing
- Effect on long-term care services is hardest to predict
- Block grants shift risk to states in ways many do not seem to appreciate; states are not well suited to bear such financial risks





Implications of Medicaid Block Grants and Spending Caps for Seniors and People with Disabilities

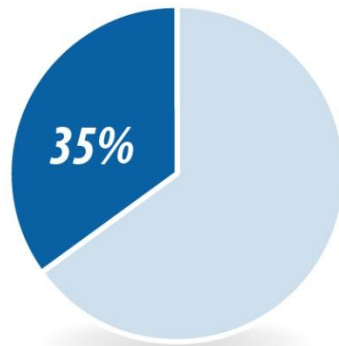
Edwin Park

Center on Budget and
Policy Priorities

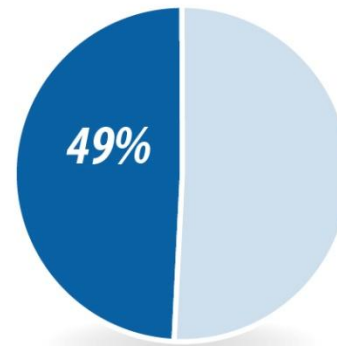
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Ryan Medicaid Block Grant

Ryan Plan Would Cut Federal Medicaid Funding in Half by 2030



Cuts by 2022



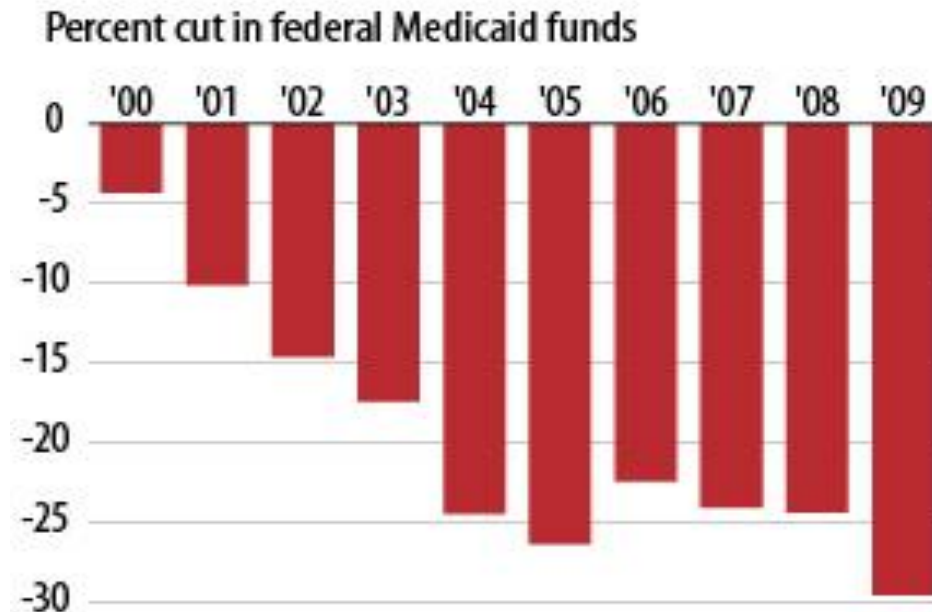
Cuts by 2030

Source: Congressional Budget Office

[Center on Budget and Policy Priorities | cbpp.org](http://cbpp.org)

What If Ryan Medicaid Block Grant Had Been In Place Starting in 2000?

Medicaid Cuts Would Have Grown Over Time Under Ryan Block Grant, 2000-2009



Source: CBPP analysis using actual federal Medicaid spending as reported in administrative data (CMS-64).

Center on Budget and Policy Priorities | cbpp.org

The Focus on Deficit Reduction Has Spurred Interest in Global Spending Caps

Congress is primarily focused on deficit reduction.

Intense ongoing discussions of how to reduce the deficit (e.g., Gang of Six, Biden summit, and House and Senate budget plans).

Spending caps on the table. Bipartisan support.

Debt ceiling as the likely vehicle for major provisions related to deficit reduction including spending caps. Deadline for raising debt limit is now August at the latest.

What is a Global Federal Spending Cap?

Limits total federal spending (including interest payments) to a percentage of the economy (GDP).

Exceeding the limit triggers automatic cuts to federal spending (sequestration).

Means all deficit reduction comes from spending, no revenues. Also, unpaid-for tax cuts that add to deficit and increase interest costs would lead to larger spending cuts.

Has the political advantage of not spelling out what program spending will be cut.

Corker-McCaskill Spending Cap (H.R. 245)

Starting in 2013, phases in a cap on federal spending set at 20.6% of GDP over 10 years.

Historical average between 1970 and 2008. Well below current spending and projected future spending levels.

Does not adjust for recessions.

Establishes formula for automatic across-the-board cuts in three areas: security discretionary, non-security discretionary, and mandatory. Areas with largest growth incur the greatest spending cuts.

Spending Cap Ignores New Federal Responsibilities and Long-Term Trends

New existing federal obligations: homeland security, veteran's benefits, Medicare Part D, higher interest payments resulting from costly tax cuts, and health reform. Does not account for future obligations: energy, infrastructure.

Historical average ignores aging of the population and rising health care costs. Seniors will rise as % of population from 13% to 20% by 2030. Health care costs will continue to rise faster than the economy, even though cost growth should moderate due to the Affordable Care Act.

Automatic Cuts Over the Next 10 Years under Corker-McCaskill Spending Cap

Table 1

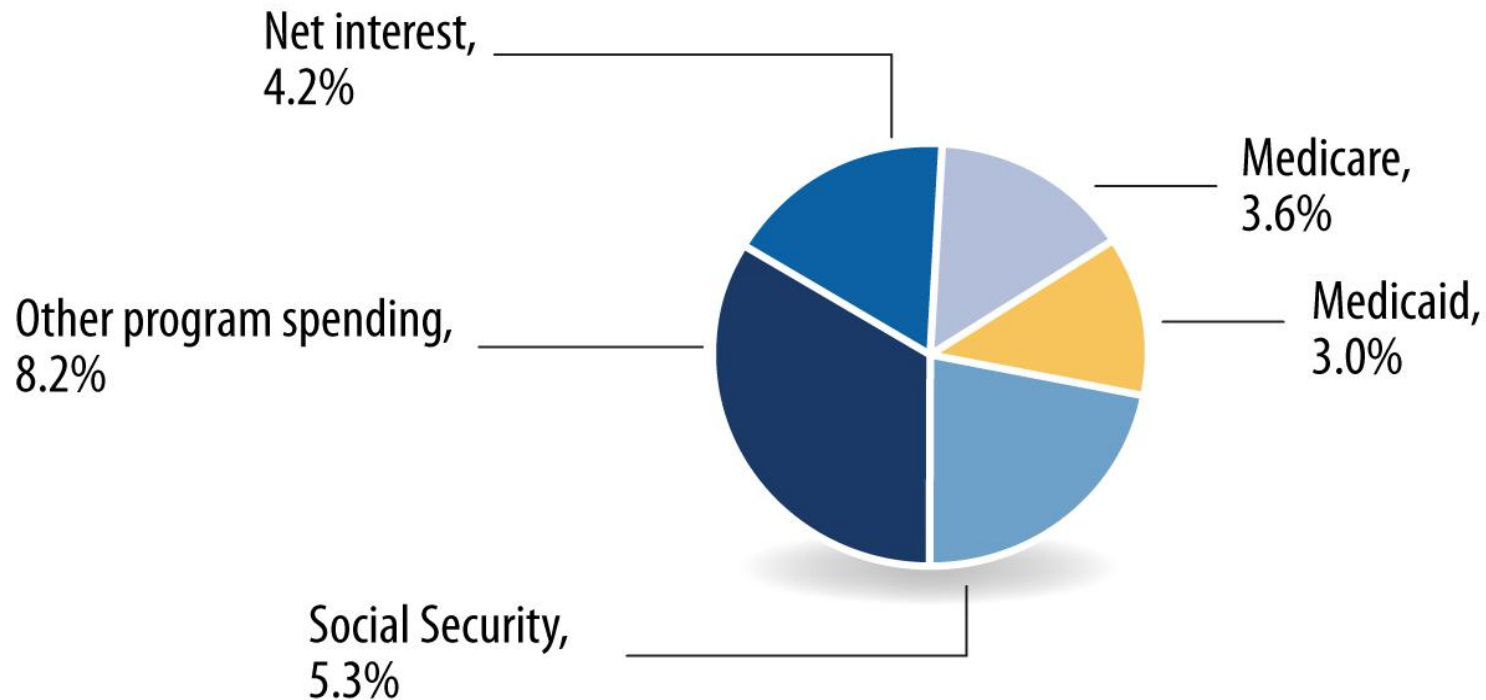
Cuts in Medicare, Medicaid, and Social Security Over Next Decade
Under Corker-McCaskill's Automatic Mechanism (in billions of dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2013-2021
Medicare	-28	-47	-66	-93	-97	-101	-122	-141	-161	-856
Medicaid	-14	-27	-41	-59	-64	-67	-80	-91	-105	-547
Social Security	-41	-71	-100	-138	-147	-157	-184	-210	-237	-1,285
Percentage Cut	-5%	-8%	-11%	-15%	-15%	-15%	-16%	-18%	-19%	

Source: CBPP analysis based on Congressional Budget Office data.

Medicare, Medicaid and Social Security Nearly Half of Federal Spending in 2021

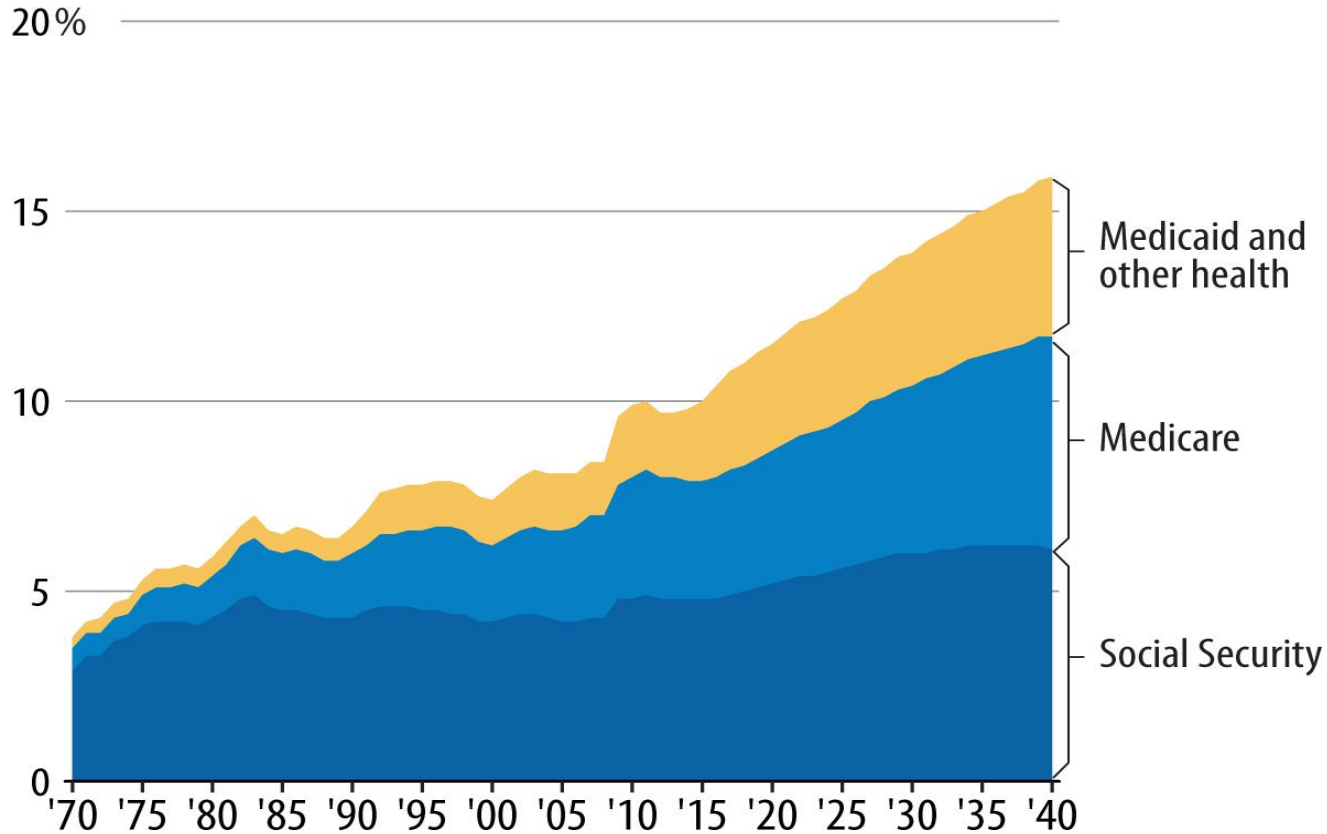
Outlays Under Current Policies, as a Percent of GDP, 2021



Source: Center on Budget and Policy Priorities based on data from the Congressional Budget Office.

Medicare, Medicaid and Social Security are Projected to Grow in Coming Decades

Outlays by Program as % of GDP



Source: Congressional Budget Office, June 2010. Beneficiary premiums are netted against Medicare outlays.

Implications of Global Spending Cap for Medicaid

Notably, Ryan budget plan doesn't even comply with the 20.6% cap in every year (for example, federal spending is 20.75% in 2030).

Spending cap would result in the same magnitude of deep Medicaid cuts included in the House budget plan. It's effectively the "backdoor" way to achieve the House budget's radical cuts to Medicaid (as well as to Medicare).

Medicaid block grant

Repeal of the Medicaid expansion and other health reform coverage provisions.

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**National Council on Aging
Webinar**

Friday, May 6, 2011

www.medicareadvocacy.org

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Medicaid's Role for Medicare Beneficiaries

- Paying Medicare Cost-sharing
- Paying for Services not covered by Medicare
 - Non-skilled Long-term Supports and Services
 - Dental services
 - Vision services
 - Hearing services
 - Transportation services

Medicaid's Role for Medicare Beneficiaries

- Establishing beneficiary protections and quality standards with respect to long-term supports and services
 - Protections against impoverishment of spouses
 - Protections against impoverishment and homelessness of family members
 - Nursing home quality standards

Paying Medicare's Cost-sharing: Medicare Savings Programs

- Qualified Medicare Beneficiary (QMB) 100% fpl
 - Income \$927.50/mo (2011)/limited resources
 - Benefit relieves QMB of all Medicare cost-sharing
- Specified Low-Income Beneficiary (SLMB) 120% fpl
 - Income \$1109/mo (2011)/limited resources
 - Pays Part B premium (standard: \$115.40/mo. in 2011)

Paying Medicare's Cost-sharing: Medicare Savings Programs

- Qualified Individual (QI): 135% fpl
 - Income \$1245.13/mo (2011)/limited resources
 - Pays Part B premium (standard: \$115.40/mo in 2011)
- Enrollment in QMB, SLMB or QI provides automatic enrollment into Part D low-income subsidy (estimated value: ~\$4,000 in 2011)

Paying Medicare's Cost-sharing

- Estimated value of MSP and LIS > \$5,000/yr in 2011 (LIS value + Part B premium only)
 - 45% of income of QMB
 - 38% of income of SLMB
 - 34% of income of QI

Paying for Services not Covered by Medicare

- Vision, Dental, Hearing, Transportation services
- Non-skilled long-term supports and services
 - Nursing facility care
 - Private pay rate ~ \$75,500 avg./yr (semi-private)
 - Home and community-based care
 - ~70% Medicaid spending for Medicare beneficiaries is for long-term care

Establishing Beneficiary and Family Protections

- Protection against spousal and dependent impoverishment
- Prohibition against requiring contributions from relatives
- Prohibition against asking for payment above the Medicaid payment
- Prohibition against liens and recoveries from property needed for family members

Establishing Quality Standards

- Standards for quality care in nursing facilities include:
 - Comprehensive assessment and care plan for each resident
 - Provision of all services needed to attain and maintain well-being of each resident
 - Respect for rights, including privacy, visitation, non-discrimination, protection of personal funds, process for transfer and discharge
 - Aide training and demonstration of competence

Effects of Block Grant or Global Cap

- Each aspect of Medicaid described here is authorized by current law and most are required. If Medicaid were repealed and replaced with a block grant, each of these elements is subject to renegotiation.
- A global cap with current Medicaid requirements would like result in all optional services and coverage groups disappearing.

Effects of Block Grant or Global Cap

- While it is likely that each state would retain some coverage for long-term supports and services under either a block grant or a cap, it would be more likely to be for nursing facility services and less likely that quality and financial protections would be retained.

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HEALTH AND MENTAL HYGIENE



Tricia Roddy

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Continue the Conversation Online

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www.NCOACrossroads.org/HCBS

- New online community!
- Join advocates nationwide to protect HCBS
- Easily share ideas and resources
- Access additional information and materials on block grants and spending caps.
- Access archives of previous webinars on state budgets and cost-effectiveness of HCBS.

Next FMC Webinar

Community First Choice Option and Balance Incentive Payments Program

Friday, June 3

2:00 - 3:30 PM ET

Registration Coming Soon!

Thank You

- You will receive a follow up e-mail next week with links to the archived recording of the webinar and additional resources.
- Please share with other advocates in your state.
- Please complete 3 question survey to give us feedback and suggestions for future webinars.