



CUTTING Medicaid: INEFFECTIVE AND HARMFUL

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As Congress prepares for budget negotiations that will set a path to deficit reduction, undoubtedly, some will point to Medicaid as a prime target for cuts.

But the fact is, there's little to cut in Medicaid other than health care that seniors, people with disabilities, and low-income children rely on. Cuts to Medicaid would translate into cuts in care for the most vulnerable Americans.

When it's held up as a program that's ripe for cuts, here are a few things to remember about Medicaid.

- **There's no administrative "fat" to cut in the Medicaid program.** Administrative costs in Medicaid are extremely low. More than 96 percent of federal Medicaid spending goes to pay for health care and long-term care for program enrollees, not overhead.¹
- **Provider payments are already low.** Payment rates for providers in Medicaid are already lower than rates for Medicare and private insurance. Cutting rates further could mean that more providers would be unwilling to participate in the program.² There is simply not room to make up for federal cuts by reducing provider payments. States can't afford to pick up the costs of lost federal funds. Cutting federal Medicaid funds would shift those costs to states. However, states, still struggling to recover from the recession, are not in a position to make up for lost federal funds.³

Federal Medicaid cuts will force states to make cuts to Medicaid services. Here's what those cuts would look like.

- **Cuts in health care for seniors and people with disabilities.** More than 15.6 million seniors and people with disabilities rely on Medicaid.⁴ They make up 25 percent of enrollees, and their care accounts for nearly two-thirds of Medicaid spending.^{5,6} They depend on Medicaid to give them access to services Medicare doesn't cover or that they otherwise could not afford. This includes long-term care and medical costs not paid by Medicare. Federal Medicaid cuts would force states to reduce services for millions of seniors and people with disabilities.
- **Cuts in long-term care for seniors and people with disabilities.** Medicaid is the largest payer of long-term care, including home- and community based care, in the country. Nearly a third of Medicaid spending is on long-term care for seniors and people with disabilities.⁷ For millions of Americans, Medicaid means access to care in the community or in a nursing facility, care that they otherwise could not afford. Cuts to Medicaid would force states to cut the long-term care Medicaid pays for.

- **Cuts in home- and community-based care for seniors and people with disabilities.** Most people who need long-term care would far prefer to stay in their homes or in the community, rather than in an institution. Medicaid helps millions of people do that. Nearly 45 percent of all Medicaid long-term care spending is for care that helps people stay out of nursing homes.⁸ Federal Medicaid cuts would force states to reduce these services and would place millions at risk of institutionalization.
- **Passing long-term care costs on to seniors, people with disabilities, and middle-class families.** Medicaid is not only a vital safety net for seniors and people with disabilities who need long-term care, but for their families, as well. Nursing homes cost more than \$78,000 a year, on average. Home health aide costs average \$21 an hour.⁹ Medicaid cuts would force states to reduce nursing home and home-care coverage, and that would shift a larger financial burden onto people who need long-term care and onto their families. That would place a further strain on our struggling middle class.
- **Cuts in health care for children.** Nearly half of all Medicaid enrollees are children.¹⁰ For one in three children in the United States, Medicaid helps them get the care they need to stay healthy. Better health means better performance in school and a brighter future.¹¹ Cuts to Medicaid would force states to reduce services for children, putting their health, and their success later in life, at risk.

Cuts to Medicaid will pass costs down to states that can't absorb those costs. That will mean program cuts.

Cuts to Medicaid will have an immediate impact on the groups that rely on Medicaid the most: seniors, people with disabilities, and children.

¹ Robert Greenstein, *Romney's Charge that Most Federal Low-Income Spending Goes for "Overhead" and "Bureaucrats" Is False* (Washington: Center on Budget and Policy Priorities, January 23, 2012), available online at <http://www.cbpp.org/files/1-12-12bud.pdf>. These numbers are for 2010. For combined federal and state spending, patient care is 95.4 percent of total.

² Congressional Budget Office, *Long-Term Analysis of a Budget Proposal by Chairman Ryan*, April 5, 2011, available online at http://cbo.gov/sites/default/files/cbofiles/ftpdocs/121xx/doc12128/04-05-ryan_letter.pdf.

³ Phil Oliff et al., *States Continue to Feel Recession's Impact* (Washington: Center on Budget and Policy Priorities, June 27, 2012), available online at <http://www.cbpp.org/cms/index.cfm?fa=view&id=711>.

⁴ Kaiser Family Foundation, statehealthfacts.org., *Distribution of Medicaid Enrollees by Enrollment Group, FY 2009*, available online at <http://statehealthfacts.org/comparemtable.jsp?typ=1&ind=200&cat=4&sub=52>, accessed on September 13, 2012.

⁵ Ibid.

⁶ Congressional Budget Office, *Medicaid Spending and Enrollment Detail for CBO's March 2012 Baseline*, available online at http://www.cbo.gov/sites/default/files/cbofiles/attachments/43059_Medicaid.pdf.

⁷ Kaiser Family Foundation, statehealthfacts.org., *Distribution of Medicaid Spending by Service, FY 2010*, available online at <http://statehealthfacts.org/comparetable.jsp?ind=178&cat=4>, accessed on September 13, 2012.

⁸ Ibid.

⁹ MetLife Mature Market Institute, *Market Survey of Long-Term Care Costs* (New York: MetLife, 2011).

¹⁰ Kaiser Family Foundation, statehealthfacts.org., *Distribution of Medicaid Enrollees by Enrollment Group, FY 2009*, op. cit.

¹¹ Centers for Disease Control and Prevention, *Health and Academics*, available online at http://www.cdc.gov/healthyyouth/health_and_academics/index.htm, accessed on August 3, 2012.