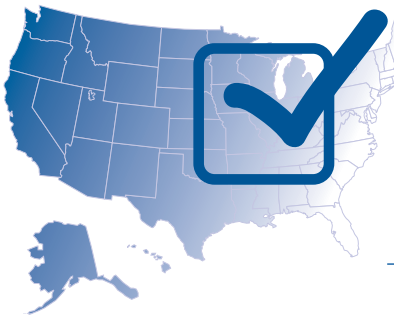

A Closer Look: To Build a Strong Affordable Care Act, Protect Medicaid

Families USA • September 2011

If you're working on implementation of the Affordable Care Act, you should be aware that threats to the Medicaid program could undermine your work. Right now, there are real threats to Medicaid and they are coming in several different, but interrelated, proposals:

- Cutting federal Medicaid funding;
- Converting Medicaid into a block grant;
- Creating a "blended rate" for federal matching funds.

Each of these proposals ultimately means less Medicaid money for your state, and that puts implementation of the Affordable Care Act at risk.

Medicaid: The Foundation for the Affordable Care Act

The Affordable Care Act's main objective is to expand health insurance coverage to Americans who are currently uninsured. Health reform's success will depend on how well the law achieves that goal. There are several ways the Affordable Care Act expands coverage:

Protecting Medicaid now

To begin with, the Act shores up the current Medicaid program. To make sure existing Medicaid coverage stays in place for people and remains a part of the strong foundation for the Affordable Care Act to build on, the Act includes a "maintenance of effort" (MOE) requirement: From the time the law was passed until 2014, states cannot reduce Medicaid eligibility or make enrollment more difficult.

Expanding Medicaid in 2014

Then the Act expands Medicaid in 2014 to cover all individuals under 65 with a family income of 133 percent of poverty or less (about $30,000 in annual income for a family of four in 2011).[1] That Medicaid expansion will do away with the current "categories" that are the basis of Medicaid eligibility today: For the first time, eligibility will be based on income alone. That will open the program to groups like adults without dependent children, who are currently excluded from Medicaid in most states. Eligibility will be consistent across all states and will extend to a higher income level than in most states today. Expanding Medicaid eligibility will provide access to health coverage to millions who are now uninsured. About half of the uninsured people expected to gain coverage through the Affordable Care Act will be getting that coverage through the Medicaid expansion.

- **Federal financial support for expansion**

  To make it easier for states to expand Medicaid, the federal government will pay all the costs of covering the "expansion population" until 2017; then the federal share will gradually drop to 90 percent, where it will stay. The expansion population is defined as individuals in a given state who are Medicaid-eligible under the Affordable Care Act but who would not have been eligible under the state's Medicaid program on December 1, 2009.[2]

- **Extending help through the exchanges**

  Where the Medicaid expansion ends, the law's premium tax credits pick up, providing assistance through the exchanges to individuals with incomes up to 400 percent of poverty. The goal is to have seamless eligibility determinations and enrollment processes for Medicaid and tax credits in the exchanges. The two programs are designed to work together to as a continuous, coordinated system of coverage.

The Super Committee Is the Battleground

But cuts to Medicaid—cuts that could undermine the Medicaid expansion—are likely to be on the table this fall as the super committee works on its deficit reduction plan. That committee, made up of 12 members of Congress appointed by congressional leadership, is tasked with developing a plan to reduce the deficit by between $1.2 and $1.5 trillion over the next 10 years. They are to submit their plan to Congress by Thanksgiving; Congress will vote on the plan by late December.[3] If a majority of the super committee members fail to agree to a plan—or if they agree to a plan that reduces the deficit by less than $1.2 trillion—automatic spending cuts will be triggered and should reach the $1.2 trillion mark.[4] But Medicaid is exempt from these automatic cuts. By contrast, in their deficit reduction plan, the super committee can consider *anything,* from spending cuts to program restructuring to raising revenue. No programs are off the table. Cuts to Medicaid will likely be debated heavily in this setting.

Proposals That Could Damage Medicaid

We don't know what types of Medicaid cuts the super committee will consider, but the cuts and program restructuring that have been proposed this spring and summer give a clue. These include:

- **Cutting federal Medicaid spending**

  Congressman Paul Ryan's (R-WI) budget proposal included dramatic cuts to federal Medicaid funding. The recent congressional proposal to cap federal spending would also significantly cut Medicaid funding. Either approach—a straight cut or a cap on spending—would mean less money for states. Severe cuts would necessitate converting Medicaid to a block grant, because that would be the only way the federal government could reliably stay within a much lower Medicaid budget.

- **Converting Medicaid into a block grant**

  Medicaid has always been an entitlement program, open to everyone who meets a state's eligibility requirements. States' federal funding automatically goes up if enrollment rises, such as during an economic downturn. Turning Medicaid into a block grant would end this traditional flexibility by arbitrarily capping the federal contribution. And because the super committee's goal is to reduce the *federal* deficit, any block grant proposal would surely include a reduction in federal funding—probably well below current projected levels.

- **Moving to a single "blended" federal matching rate (FMAP)**

  Today, the federal government has a different Medicaid match for different programs and services. For example, a state gets one matching rate for Medicaid health care costs, another for the Children's Health Insurance Program, another for administrative costs, and, in 2014, another for the expansion population. A "blended FMAP" would replace those different rates with a single state rate. The President presented this idea initially in his April budget framework, and it is part of his September 19th plan for economic growth.[5]

  Under the single matching rate plan, matching rates would stay the same as they are under current law from 2014 through 2016, so the federal government would still fund all of the initial costs for the Affordable Care Act's Medicaid expansion to new populations not covered under current state law. That is meant to encourage states to engage in aggressive Medicaid enrollment. However, beginning in 2017, each state would be given a new single uniform matching rate for every person on Medicaid. Because this proposal is designed to produce *federal* savings (estimated at $14.9 billion over 10 years), it would leave states with less overall federal financial support for Medicaid.[6] Even though the rate would be structured to go up in tough economic times when Medicaid enrollment is higher, the reason it can reduce federal costs is that it shifts costs to states—a cost-shift that states cannot afford and that will undermine their commitment to expanded Medicaid enrollment and their support for the Affordable Care Act in general.

What Any of These Could Mean for the Affordable Care Act

Each of these proposals it a cost shift to states. Each means less Medicaid funding for your state. Less money for Medicaid puts the Medicaid expansion—and the Affordable Care Act's success—in jeopardy. At the least, states won't engage in strong outreach and enrollment. But much more could happen. With less federal funding for Medicaid, political support would erode and opposition would increase. Governors would pressure Congress, and the White House, to roll back the Medicaid expansion, make it a state option, or

both. And they might succeed. Because without adequate funding, support for Medicaid and the expansion could very easily vanish, and with it, the very foundation upon which the Affordable Care Act is built could start to crumble.

What You Can Do

While we don't know what the super committee might ultimately include its plan, we do know that the six Republican members of the super committee all voted for Congressman Paul Ryan's budget plan, which repealed the Affordable Care Act, made deep cuts to federal Medicaid funding, and converted Medicaid to a block grant.

Presumably the six Democrats on the super committee, who voted for the Affordable Care Act, will not support a super committee plan that repeals that Act. However, the fate of Medicaid is less certain. That's why it's important for advocates to make sure that super committee members who supported the Affordable Care Act understand the link between a strong Medicaid program and successful implementation of the Affordable Care Act.

Our message to the super committee is twofold:

1. **Don't cut Medicaid**, and
2. **Do make revenue increases a significant part of the deficit reduction plan**. Including revenue is the only way we'll tackle deficits without cutting programs that low-income and middle-class people rely on.[7]

Advocates who have a senator or representative who is on the super committee should let that member know that the super committee should not cut Medicaid and that revenue should be a significant part of deficit reduction.[8]

Advocates who don't have a senator or representative on the committee can still make your voices heard. You can work through your senators and representatives to get the message to those on the super committee—members of Congress have sway with one another. You should urge your members of Congress to let super committee members know that Medicaid cuts should be off the table and deficit reduction should include revenue increases.

You can also contact the super committee directly through their website, at http://deficitreduction.senate.gov/public/index.cfm/contact.

Whether you have a member on the super committee or not, it's important to help raise public awareness about the importance of Medicaid. The threats to Medicaid and the Affordable Care Act are real, and the public needs to understand what's at stake.

The Bottom Line

Cuts to Medicaid threaten the Affordable Care Act and put the goal of expanding affordable health insurance coverage to all Americans in 2014 in serious jeopardy. Deficit reduction should not be accomplished by asking vulnerable Americans to sacrifice their newly won—and desperately needed—access to affordable health care. The members of the super committee should get two messages clearly: Don't cut Medicaid. And increased revenue has to be a substantial part of any deficit reduction plan.

A Note on the Medicaid Maintenance of Effort Provision

Republican governors have been pressuring the White House to lift the Medicaid maintenance of effort requirement in the Affordable Care Act. If Medicaid funding is reduced, that pressure will only grow. Lifting the maintenance of effort requirement would allow states to reduce Medicaid eligibility until 2014, when eligibility rises to 133 percent of poverty for all groups in every state. At that time, states would have to reinstate populations with incomes below 133 percent of poverty that they had cut. Those reinstated, however, would not count as new populations under the Affordable Care Act, and states would not be reimbursed for them at the higher matching level promised for expansion populations. To put it another way, if the maintenance of effort is removed, and states lower Medicaid eligibility, the cost of the required expansion in 2014 will be greater for states who have to "catch back up" after letting eligibility slide down. Even though the extra costs would be due to choices that states made to lower eligibility, we can expect this would increase state opposition to the Medicaid expansion. Removing the maintenance of effort requirement would be just one more step to weakening Medicaid and increasing opposition to the expansion.

Endnotes

[1] The law extends Medicaid eligibility to 133 percent of poverty. However, the calculation used to arrive at an individual's modified adjusted gross income disregards a certain amount of income, essentially making income eligibility for Medicaid 138 percent of poverty in many states. States have the option of extending Medicaid eligibility beyond that; however, they would not get the higher Medicaid expansion federal match rate for higher income individuals.

[2] The federal government will pay 100 percent of the health costs for the Medicaid expansion population for the first three years, gradually reducing to 90 percent in 2020, where it will remain. The "expansion population" includes those under 65 with a family income up to 133 percent of poverty who were not eligible for Medicaid as of December 1, 2009.

[3] For a list of super committee members and a discussion of their positions on health care issues, see *The Super Committee: Where They Stand on Medicaid, Medicare and the Affordable Care Act* (Washington: Families USA, September 2011), available online at http://familiesusa2.org/assets/pdfs/Super-Committee-Profiles.pdf.

[4] For a more detailed discussion of the super committee process, see *Medicaid, the Budget, and Deficit Reduction: The Threats Continue* (Washington: Families USA, September 2011), available online at http://familiesusa2.org/assets/pdfs/Threats-to-Medicaid-Continue.pdf. Medicaid and the Affordable Care Act's premium tax credit are among programs that would be exempted from automatic cuts, but that could be cut in the super committee process.

[5] That plan, entitled *Living Within Our Means and Investing in the Future*, is available online at http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/jointcommitteereport.pdf.

[6] There would be some administrative cost savings, however, those are projected to be modest, less than the estimated $14.9 billion in savings that this proposal is designed to generate.

[7] For a more detailed discussion of why revenue has to be part of deficit reduction, see *A Message to Congress and the Super Committee: Don't Just Cut Programs—Raise Revenues* (Washington: Families USA, September 2011), available online at http://familiesusa2.org/assets/pdfs/Medicaid-Message-to-Super-Committee.pdf.

[8] For a list of super committee members and a discussion of their positions on health care issues, see *The Super Committee: Where They Stand on Medicaid, Medicare and the Affordable Care Act* (Washington: Families USA, September 2011), available online at http://familiesusa2.org/assets/pdfs/Super-Committee-Profiles.pdf.

Acknowledgments

This brief was written by:

Dee Mahan
Director, Medicaid Advocacy
Families USA

The following Families USA staff contributed to the preparation of this brief:

Kathleen Stoll, Deputy Executive Director, Director of Health Policy

Peggy Denker, Director of Publications

Nancy Magill, Senior Graphic Designer

A Closer Look: To Build a Strong Affordable Care Act, Protect Medicaid

This publication is part of a series of guides and briefs for advocates and is available online at www.familiesusa.org.

A complete list of Families USA publications is also avaliable at www.familiesusa.org/resources/publications.

FamiliesUSA
The Voice for Health Care Consumers

1201 New York Avenue NW, Suite 1100 ■ Washington, DC 20005
Phone: 202-628-3030 ■ Email: info@familiesusa.org
www.familiesusa.org