House Republican Medicaid Proposals Would Harm Vulnerable, Low-Income Older Americans

Medicaid is a lifeline for 7 million low-income seniors and their families. It pays for over 60% of the nation’s long-term services and supports (LTSS) costs and covers 2 in 3 nursing home residents. With nursing home care costing an average of over $90,000 a year, it does not take long for seniors in need to spend-down their life savings onto Medicaid. Medicaid also provides premium and cost sharing assistance for low-income Medicare beneficiaries.

The House ACA repeal bill would cut the Medicaid program by $834 billion over ten years. The Administration also recently proposed to cut Medicaid by an additional $610 billion, which would cut Medicaid by about $1.3 trillion from 2017 to 2026 – a massive 45% cut in the last year when baby boomers begin turning 80 and will be more likely to need expensive LTSS under Medicaid. This would lead to unprecedented reductions in health and long-term care services and coverage for American families struggling to make ends meet.

Home and community-based services (HCBS), which also help struggling family caregivers to keep loved ones together, are at greatest risk of major cuts because they are optional under Medicaid while nursing home care is mandatory. The proposal would likely exacerbate Medicaid’s current institutional bias, under which more than half a million people were on waiting lists to receive HCBS in 2015.

Americans oppose cutting Medicaid spending. Kaiser Family Foundation (KFF) polling since 2005 indicates that the percentage of people who support cutting Medicaid spending has never exceeded 13%.

Medicaid cuts would largely be used to pay for tax cuts for wealthy Americans and corporations. Proposed $660 billion in tax cuts over ten years would benefit each of the 400 wealthiest families with tax cuts averaging about $7 million every year, while the Medicaid cuts would reduce health and long-term care services for Americans with incomes below about $17,000.

It is also important to note that Medicaid is an efficient program and has consistently contained per capita cost increases better than the private sector. According to CMS, between 1987 and 2014, average Medicaid per capita growth rates were 4.2%, while those for private insurance were 7.0%. Medicaid costs have also been growing more slowly than under private employer coverage.

The Impact of Medicaid Per Capita Caps on Older Americans

The House bill would impose strict per capita caps on federal contributions to Medicaid, which have nothing to do repealing the Affordable Care Act and would end the federal government's 52-year promise to cover a percentage of the actual cost of care. Under per capita caps, the federal government provides states with a fixed, limited payment based on a preset formula that ignores the real growth rate in health and long-term care costs. The KFF poll found that Americans oppose Medicaid per capita caps by a margin of over 2 to 1.

By simply dialing down or freezing Medicaid growth rates from year to year, federal cuts would result in major reductions in services, coverage, and already low provider payments. In fact, the proposed House growth rate has already been dialed down and up and down three times. It was first dialed down by over 21% when, in a February 10th draft the growth rate was set at 4.7%, and on February 27th when the bill was released the growth rate was reduced to 3.7%. It was then dialed back up to 4.7% on March 20th for the aged and disability enrollment groups. It was also dialed down to only 2.4% for states choosing a new block grant option for child and adult enrollment categories. The Congressional Budget Office (CBO) has projected actual Medicaid costs to grow at about 4.3%.
Additional reasons for opposing Medicaid per capita caps include:

**Targeting frail seniors for cuts in care.** Caps fail to adjust for increasing longevity, the growing aging population and the fact that seniors aged 85+ have 2½ times higher Medicaid costs than people aged 65-74. By 2026 when baby boomers begin turning 80, they will be far more likely to need expensive LTSS. This shift from young-old to old-old, and resulting higher costs per person, will dangerously stretch state budgets. Older, frail seniors with high cost needs that might cause states to exceed the spending caps would be the likely victims of cuts in services.

**Providing uneven, potentially unfair funding to states.** The preset capping formula would permanently lock-in a base allotment related to 2016 costs for each state for five separate enrollee groups. Because state health and long-term care spending and growth rates vary significantly across the nation, individual states would get very different federal contributions under a per capita cap. By locking in 2016 spending inequities, the formula would result in potentially harsh, unfair penalties for efficient states with low spending per person, and create major problems for states with higher than average growth rates, resulting in serious state losers and perverse incentives. For example:

- States with rapidly growing senior populations, like Nevada, Alaska, Arizona, and Utah
- States that spend less per person, like Colorado, Florida, Texas, and Georgia

**Reducing jobs and harming state economies.** Federal Medicaid matching dollars that flow into states create jobs and stimulate business activity and economic growth. This spending ripples through the economy as health and long-term care workers spend their wages. The drastic proposed Medicaid cuts will result in significant job losses, reduced wages and lower economic growth. Moody’s Investors Service recently concluded that the House Medicaid proposals would harm state finances and be a credit negative. Many of the almost 5 million nursing facility and home care workers Medicaid pays for would lose their jobs or have their salaries cut. This would particularly impact nursing home and home care aides, who are in short supply due to low wages and poor benefits. The cuts would cause even greater labor shortages, staff turnover and reduced quality for elder care services.

**Shifting risk to states and creating perverse incentives.** The House bill will force states to bear 100% of the risk of unexpected per capita cost increases, for example, due to public health crises such as the opioid or flu epidemics, an expensive new blockbuster drug, or a new disease outbreak like Zika. While growth rates tied to the CPI adjust for the price of services, they fail to account for the quantity of consumption, for example, an increase in the number of preventive screenings. Cuts and caps would also create perverse incentives for states:

- There will be strong incentives to freeze or reduce provider and plan payments, which will further reduce HCBS access since even fewer providers will participate in the program;
- Cuts and caps will thwart innovative reforms requiring up-front investments that can produce long-term savings, such as those for prevention, HCBS infrastructure and delivery system reforms; and
- There will be strong disincentives to improve covered services, such as emergency dental care or hearing aids.

**Other House Medicaid Provisions That Would Harm Older Americans:**

- Effectively ending the Medicaid expansion on January 1, 2020, which provides health security in 31 states to 11 million previously uninsured Americans, including about 1.5 million older adults between 55-64 years of age who struggle to find affordable coverage. According to the KFF poll, 84% of Americans believe it is important to make sure states that received federal funds to expand Medicaid continue to receive those funds.
- Reducing access to cost effective HCBS by repealing the 6% higher match under the Community First Choice program, which helps seniors and people with disabilities remain at home and avoid or delay expensive nursing home placement. The 8 participating states, such as Texas, would lose hundreds of millions of dollars per year, and states that have applications pending or prepared, such as Alaska and Colorado, could not participate.
- Eliminating retroactive eligibility, which provides coverage up to three months before the month an individual applies, and protects individuals from expenses incurred before they apply. It can be difficult for some individuals to promptly apply for Medicaid because they are struggling with an injury or illness resulting in an emergency room visit, hospitalization, or nursing home placement. Retroactive coverage ensures providers can get reimbursed for their costs and low-income Americans do not face severe medical debt or bankruptcy.

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