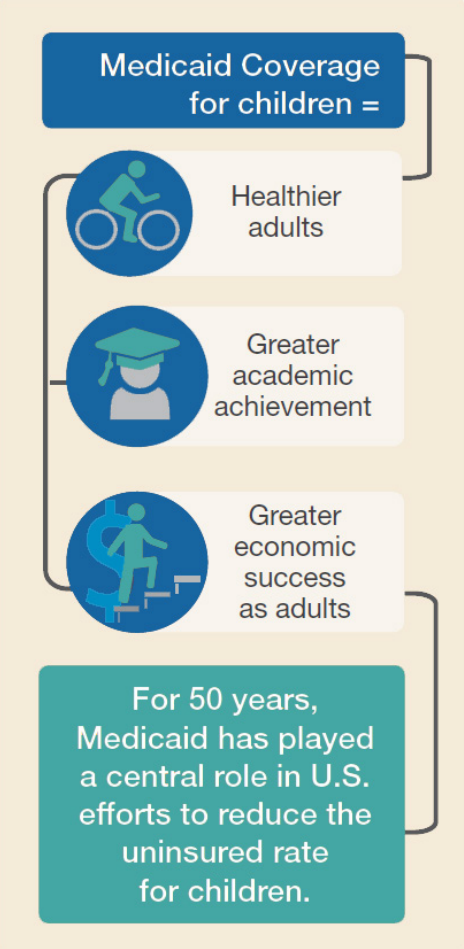
Radical Restructuring of Medicaid Would Harm Children and Families

Schuyler Center for Analysis and Advocacy

Over 43% New York's children, almost 2.2 million kids, rely on Medicaid for their health care. More than 37% of New York's Medicaid enrollees are children.[1] Medicaid's existing financing structure—a partnership between federal government and states—has helped communities respond to every economic downturn, natural disaster, epidemic, and public health emergency since the program was enacted in 1965.

Medicaid is a foundational source of health coverage for children, and an investment in their future. It is the pillar on which the successful Child Health Plus program and the Affordable Care Act (ACA) are constructed. Medicaid is a significant source of health coverage and financial protection for children and families. The benefits—better health, lower rates of mortality, educational attainment, and economic outcomes—last through adulthood.

Now the financial underpinning of this successful structure is under assault. Congress is proposing significant cuts to Medicaid, with the goal of saving money for the federal government and at a cost to states and communities. Ultimately, these proposals would erode health coverage for children and families in New York.



Medicaid Financing

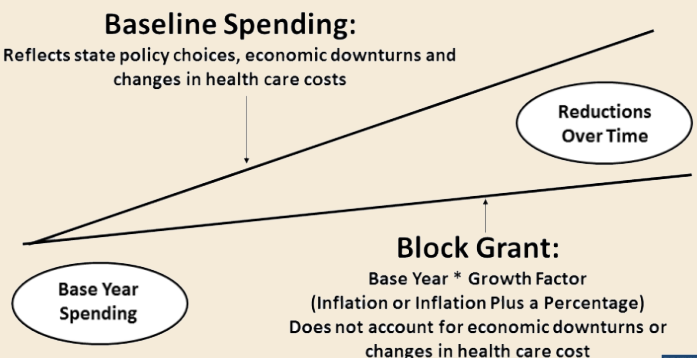
Currently, Medicaid is jointly funded by each state with a share contributed by the federal government based on a formula. Higher-income states pay more and lower-income states pay less. The program is administered by each state within broad parameters for eligibility and benefits. When state spending increases, due to an outbreak, financial downturn, or other disaster, federal funding increases too, to meet increased need.

Proposals being considered by Congress would upend this and radically restructure financing to shift the costs and risk to states, beneficiaries, and medical providers. These proposals are about saving federal dollars, but the impact will be felt by children, parents, people with disabilities, seniors, and state taxpayers.

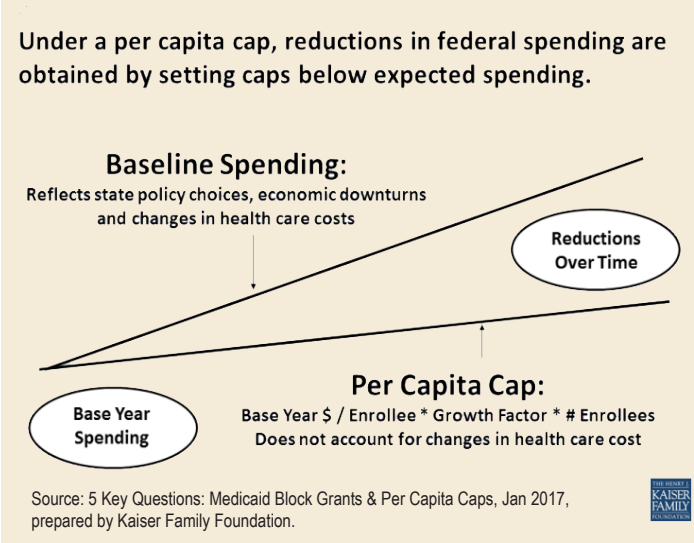
Under a **block grant**, states would receive a pre-set amount for Medicaid. There may be an adjustment—up or down—each year, but to generate federal savings this would be less than what would be expected under current law. Any increases in state spending above the grant would require states to increase state contributions, reduce the number of persons served or eliminate benefits.

Under a **per capita cap**, the amount provided to states would be based on a pre-determined amount per enrollee. This amount could be adjusted for

Under a block grant, reductions in federal spending are obtained by setting caps below expected spending.



Source: 5 Key Questions: Medicaid Block Grants & Per Capita Caps, Jan 2017, prepared by Kaiser Family Foundation.

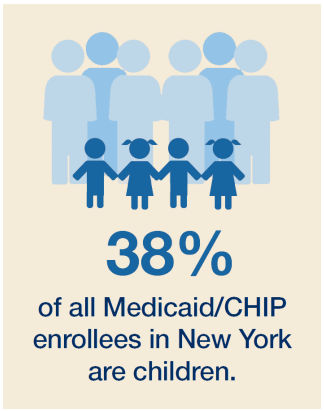


populations (children, elderly, persons with disabilities). The state total would be calculated based on the number of enrollees in each population by the amount for that population.

Flexibility, in this case, is shorthand for allowing states to restrict eligibility, eliminate covered benefits, and reduce payments to medical care providers.

The Risk Federal Caps Pose to Children and Families

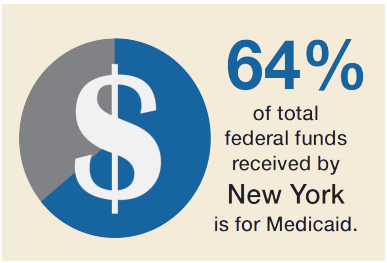
Both block grants and per capita caps would lock New York into current spending levels and reduce federal payments over time, leaving the State to assume the risk of unanticipated costs due to fluctuations in the economy or health care needs. Additionally, the formulas used to establish funding levels could re-balance the amount each state receives, meaning states like New York, which have historically supported the needs of their diverse populations, could see their funds shifted to states that have been more restrictive. For children, the risks could be great:



1. **Jeopardize the guarantee of coverage.** Capping federal payments puts states in the position of having to make cuts and/or find ways to increase revenue.
2. **Remove the guarantee of benefits**. This would include Medicaid's child-centered benefit package (EPSDT) that helps children meet developmental milestones.
3. **Put pressure on other children's programs in the state budget.** Forcing states to spend more state dollars on health care would put pressure on services such a child care, education, child welfare, juvenile justice, and family supports.
4. **Put New York families at risk during an economic downturn.** Without a reliable federal partner when tax revenues decline at the same time as families need health coverage, the State might need to scale back spending on other programs.
5. **Weaken New York's ability to respond to a public health crisis.** Caps would undercut an important tool New York now uses to respond to disasters (Hurricane Sandy) and public health crises (Zika, HIV/AIDS, opioid epidemic).
6. **Limit New York's options when drugs, new treatments and other health costs rise.** Unanticipated costs would not be recognized in a capped system. States would either have to bear the increased costs of critical drugs/devices (EpiPens) or treatment needs (autism), or deny treatment to children and families in need.

Restructuring Medicaid and the Myth of Increased Flexibility

While proponents promise to exchange what they label "increased state flexibility" for the massive budget cuts, the truth is that states already have broad flexibility to manage their Medicaid programs—and New York is a great example. New York has made good use of waivers to create a Medicaid program that has held growth to 5.1%—below the medical inflation rate—and continues to serve over six million enrollees without restricting eligibility. Flexibility without sufficient federal resources will not allow for new and innovative approaches; rather, it will force New York to face the prospect of making cuts to eligibility, benefits, or impose cost-sharing.



Endnote

[1] United Hospital Fund (July 2016). *Understanding Medicaid Utilization for Children in New York State, A Chartbook*.