Written Statement for the Record by

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Subcommittee on Health Care, DC, Census and the National Archives

Hearing on Waste, Abuse and Mismanagement in Government Health Care

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Mr. Chairman, Members of the Subcommittee:

Thank you for inviting Families USA to participate in today's hearing on public health care programs. Families USA is the national organization for health care consumers. Our mission is the achievement of access to high quality, affordable health care for all Americans. I am pleased to be here this morning to offer testimony on the important role that the Medicaid program plays in the lives of the senior citizens, people with disabilities, and low-income families with children who rely on it for access to necessary health care services.

Medicaid is the backbone of the health care system for the most vulnerable Americans. In 2010, it covered 68 million people, including: 6 million seniors, 11 million people with disabilities, 17 million parents and pregnant women, and 33 million children.[1] The program is specially designed to meet the unique needs of these populations, who tend to be sicker and have more intensive health care needs than the general population.[2] Moreover, it will provide the platform for a significant expansion of health care coverage in 2014, when an estimated 15 million more low-income adults are expected to get coverage because of the Affordable Care Act. The budget proposal to be released by Representative Paul Ryan, Chair of the House Budget Committee,

today will include significant reductions in federal support for Medicaid as well as a proposal to "block grant" or cap federal funding for the program. Such a plan would cause significant harm for individuals who are covered in Medicaid as well as state economies.

Medicaid is Particularly Important for Seniors and People with Disabilities

Medicaid is the largest payor of long-term supports and services, comprising 33 percent of all nursing home expenditures and 36 percent of all home health expenditures last year.[3] Medicaid helps many of the estimated 52 million people who act as informal caregivers for family members, loved ones, and friends, by providing them with support that allows them to maintain jobs or simply rest when they need to. Medicaid also makes Medicare work: in 2010, Medicaid helped 9 million seniors and people with disabilities pay their Medicare premiums and copayments.[4] Although seniors and people with disabilities make up only 25 percent of enrollees, they represent 67 percent of Medicaid costs;[5] any proposals to drastically reduce federal Medicaid spending will have a disproportionate effect on America's seniors and people with disabilities.

Medicaid Also Helps Low-Income Children and Families

For low-income families with children, Medicaid serves as a gateway to primary and preventive care, ensuring that children receive age-appropriate services to make certain that they are thriving and developing on track as they grow. And, as witnessed through the national recession in the last few years, Medicaid provides a true safety net for working families who lose their jobs and with them, their job-based health coverage. Between 2008 and 2009, the height of the most recent recession, U.S. Current Population Survey data showed an increase in 5.1 million people (more than half – 2.8 million – were children) reporting Medicaid coverage.[6] Remarkably, because children are eligible for Medicaid or the State Children's Health Insurance Program with incomes up to twice the federal poverty level in nearly every state, the number of uninsured children remained stable in 2009, despite rising unemployment rates. Without Medicaid, many millions more families would have become uninsured in these difficult economic times.

Medicaid Helps Support State Economies

Medicaid is not only an important health care delivery system; it also plays a key role in supporting state economies. The federal government pays on average 57 percent of the cost of

Medicaid, but that amount differs dramatically according to the per-capita income in a state, ranging from 50 percent of the cost of Medicaid in relatively wealthier states to 75 percent in states where the population tends to have lower incomes. These federal funds help pay doctors, nurses, hospitals, nursing homes, home care workers, lab and x-ray technicians, physical therapists, psychiatrists and psychologists, dentists and dental hygienists. These funds ensure access to emergency rooms and community clinics. In turn, these healthcare workers spend money on rent, food, cars, clothes, and other goods, spreading money throughout a state economy that generates jobs, additional wages, and business activity. For example, $1 million of federal funding spent on Medicaid in South Carolina supports 24 jobs, $2.2 million in business activity, and $798,000 in wages in a year.[7] In Illinois, $1,000,000 of federal funding spent on Medicaid generates 22 jobs, $2.5 million in business activity, and $859,000 in wages. Likewise, a reduction in federal spending will cost jobs, wages, and business activity in each state.

People in Medicaid Have Better Health Outcomes

People enrolled in Medicaid are less likely than both the uninsured *and those with private coverage* to lack a usual source of health care or to have an unmet health care need.[8] A study published by the Kaiser Commission on Medicaid and the Uninsured in May this year found that people enrolled in Medicaid were less likely than people who were uninsured and people with private insurance to lack a usual source of care, not to have had a doctor's appointment in the last year, and to have had an unmet health care need due to costs. It also found that low-income women in Medicaid are more likely to have had a Pap test in the previous two years than low-income women with private coverage or low-income women who are uninsured (16 percent had NOT had a Pap test in the past two years compared to 20 percent of those with private coverage and 41 percent of the uninsured). [9]

Among low income children, a study published in the Journal of American Dental Association found that those with Medicaid coverage are more likely to receive an annual physician's visit and dentist visit than their uninsured counterparts.[10] Among the disabled, a study in *Health Affairs* found that two-thirds of uninsured people with disabilities reported postponing or forgoing care because of cost. In comparison, those covered solely by Medicaid were significantly less likely to postpone or forgo care.[11] And lastly, among the elderly, a study in the

American Journal of Public Health found that Medicaid-insured diabetic patients in community health centers had higher quality of diabetes care than those with no insurance.[12]

Medicaid is Efficient and Effective

Some claim that the Medicaid program suffers from inefficiencies due to waste, fraud and abuse by providers and consumers. This is simply not true. Medicaid, in fact, is actually *more efficient* at covering low-income people than private coverage. After controlling for health status (since Medicaid enrollees tend to have greater health care needs), it costs at least 20 percent *less* to cover low-income people in Medicaid than it does to cover them in private health insurance.[13] In this cost-conscious climate, it only makes sense to support the most cost-effective coverage wherever possible. The most cost-effective way to provide coverage for low-income uninsured people is Medicaid.

Both the federal government and states have taken steps in the last several years to improve oversight and enhance Medicaid program integrity to ensure that all of the resources supporting the Medicaid program are used to provide high-quality, comprehensive health care. The Affordable Care Act includes additional funding to improve even further on these efforts and gives federal and state governments new tools to fight waste, fraud, and abuse.

Drastic Medicaid Cuts Will Harm Americans

The House Budget Proposal released by Chairman Ryan this week by all reports will suggest cutting $1 trillion from the federal Medicaid budget over the next 10 years. According to the Congressional Budget Office, the federal government spent $273 billion on Medicaid in 2010. Costs over the next 10 years are anticipated to grow only an average of 7 percent per year. Such a sharp reduction in federal Medicaid spending as that proposed by Chairman Ryan – as much as 22 percent of all projected federal Medicaid spending over the next 10 years – would cause significant damage to the American health care system, and to the vulnerable people who rely on Medicaid. The harm is likely to be severe:

- Seniors and people with disabilities will lose access to nursing homes and home-based care;
- children and families will lose health coverage and become uninsured;

- individuals who would have gained coverage because of the Affordable Care Act's Medicaid expansion will be unlikely to get that coverage;
- states will lose an important source of economic support and the ability to flexibly respond to crises that create increased demand for health care services and fewer people with coverage or the ability to pay for such services.

A reduction in federal funding for Medicaid does not make the health care needs of Americans who rely on Medicaid disappear; it merely shifts the costs to states and to individuals to bear on their own.

Block Granting Medicaid Would Reduce State Flexibility and Put States at Risk

Chairman Ryan's 2012 budget proposal will suggest that the financing structure for the Medicaid program be changed to a block grant or a capped allotment. Today, Medicaid is financed through a partnership of the states and the federal government, where the federal government pays a fixed *share* of Medicaid costs in each state. Under a block grant or capped allotment, the federal government would pay a fixed *dollar amount* for Medicaid in each state, regardless of the health care needs of each state's vulnerable residents.

Although proponents of block grants argue that they give states more flexibility to design programs tailored to their residents, in fact, a block grant would drastically restrict state flexibility. A block grant would:

- Lock in current variations in state Medicaid spending, preventing states with less generous eligibility levels, benefits or provider payment rates from making future improvements to reduce inequities;
- Put states at risk to bear the full amount of any cost increase above the federal cap, limiting states' ability to respond to an increase in enrollment during a recession, an increase in health care demand because of an epidemic or natural disaster like a hurricane or earthquake, or respond to an improvement in health care treatment that necessitates investment in new technology or provide coverage of new pharmaceuticals.
- Force states to either cut services, reduce the number of people covered in Medicaid, or raise taxes to compensate for increased health care costs not shared by the federal government.

Conclusion

Medicaid plays a crucial and unique role in our nation's health care system. Chairman Ryan's budget proposal will put nearly more than 80 million Americans at risk of losing access to critical health care services provided by Medicaid. It will also put state economies at risk, jeopardizing our fragile economic recovery and shifting future healthcare costs to states. Although grappling with the federal budget deficit is an important task, it should not be accomplished by passing enormous health care costs onto America's most vulnerable citizens.

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[1] Medicaid and CHIP Payment and Access Commission, *Report to the Congress on Medicaid and CHIP*, March 2011.
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[3] Medicaid and CHIP Payment and Access Commission, *Report to the Congress on Medicaid and CHIP*, March 2011.
[4] Ibid.
[5] Kaiser Family Foundation, Stathealthfacts.org, *Distribution by Enrollment Groups FY 2007* and *Payments by Enrollment Group FY 2007*, available online at www.statehealthfacts.org, accessed on April 4, 2011.
[6] Carmen DeNavas-Walt, Bernadette D. Proctor, and Jessica C. Smith, U.S. Census Bureau, Current Population Reports, P60-238, *Income, Poverty, and Health Insurance Coverage in the United States: 2009*, U.S. Government Printing Office, Washington, DC 2010.
[7] Families USA calculations based on the Bureau of Economic Analysis Regional Input-Output Modeling System (RIMS II).
[8] Kaiser Commission on Medicaid and the Uninsured analysis of 2007 National Health Interview data
[9] *Medicaid As A Platform For Broader Health Reform: Supporting High-Need and Low-Income Populations*, Kaiser Commission on Medicaid and the Uninsured, May 2009
[10] Fisher, MA, & AK Mascarenhas. A Comparison of medical and dental outcomes for Medicaid-insured and uninsured Medicaid –eligible children. *JADA.* 140(2009): 1403-1412.
[11] Hanson, K.W, Neuman, P., Dutwin, D., & J.D. Kasper. Uncovering The Health Challenges Facing People with Disabilities: The Role of Health Insurance. *Health Affairs.* W3(552)(2003):
[12] Zhang, J.X. et al. Insurance Status and Quality of Diabetes Cares in Community Health Centers. *American Journal of Public Health.* 99(4) (2009): 742-747.
[13] Jack Hadley and John Holahan, "Is Health Care Spending Higher under Medicaid or Private Insurance?" *Inquiry* 40, no. 4 (Winter 2003/2004): 323-342; Leighton Ku and Matt Broaddus, "Public and Private Insurance: Stacking Up the Costs," *Health Affairs* 27, no. 4 (July/August, 2008): w318-w327.