

WHY THE REPUBLICAN-RYAN PLAN FOR MEDICAID WOULD HURT THE MOST VULNERABLE AND PUT THE FIFTY STATES IN A BIND

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Republicans in Congress and beyond are enthusiastically backing a fiscal plan fashioned by Representative Paul Ryan of Wisconsin. To pay for huge new tax cuts tilted toward the wealthy, the Ryan Republicans plan major cuts in health care spending. All programs including Medicare would be cut back. The vital Medicaid program is slated for an especially radical overhaul.

In its current form, Medicaid is a partnership between the federal government and the states to share the cost of health care for the poor, disabled, and many frail older people who need special services. Medicaid is popular. More than half of all Americans have been helped or know someone who has. But the Ryan plan would slash the federal government's contributions and leave states with no-win choices between balancing budgets and helping the most vulnerable.

When Representative Ryan explains his plan, it sounds as if states will get more money and freedom to maneuver. "Let's block grant Medicaid back to the states," Ryan told Fox News. "Yes, it will still grow under the reforms we're talking about, but we will free the states to experiment and customize this benefit to the needs of their population."

So nothing to worry about? Not exactly. Compared to the current situation, Ryan's budget would lead to a dramatic reduction in Medicaid financing. Experience tells us that "block grants" give states less money to deal with growing problems. When states face tough budget choices, citizens with the lowest incomes and the most difficult health problems are the ones left to suffer. And state and local taxpayers end up paying extra costs.

Block Grants Reduce Funding – Especially in Economic Downturns

Ryan's block grant approach would slightly increase funding for Medicaid in future years – but not enough to keep pace with the rising cost of health care or cope with economic downturns:

- Over the next decade, according to the nonpartisan Center on Budget and Policy Priorities, Ryan's Medicaid block grant would cut funding by one-third (\$810 billion) compared to current law.
- Medicaid now adjusts to economic downturns and matches state decisions to increase or decrease funding, but Ryan's grants would remain at a fixed rate, no matter what.

To get a sense of what the Republican plan would mean, consider the recent Great Recession of 2008-09. With the states struggling in a time of lower taxes and rising job losses, the federal government increased Medicaid funding. Between December 2008 and December 2010, Medicaid enrollment increased about 15 percent – as 6.7 million more people got help – and the federal contribution to the states went up to offset the higher costs. But if the Ryan budget had

been in effect, federal Medicaid funds would have been slashed by over 35 percent. The Ryan plan saves money in a foolish way, by refusing extra help to the states during hard times.

Would States Really Have More Flexibility?

Would the Ryan block grants allow states to run a more efficient Medicaid program – let them do more with less? This is the GOP argument, but the evidence suggests otherwise.

The current Medicaid program (enhanced by the new Affordable Care law) allows state officials room to create more efficient systems for delivering care. States – not the federal government – determine how much and in what ways to pay doctors and hospitals. States – not the federal government – choose whether to contract with private companies to deliver Medicaid benefits.

Although national law specifies a basic set of Medicaid benefits, states have discretion about whether to include more than thirty additional kinds of benefits. Indeed, states now make decisions about how to spend sixty percent of total Medicaid money. For decades, both Democrats and Republicans have respected state choices and encouraged innovations to make Medicaid more efficient. For instance, states can provide dental care for poor children when they have multiple cavities and no access to care; they can offer community-based care for frail elderly to keep them out of expensive nursing homes; or they can offer in-home ventilator-assistance for severely disabled children who would otherwise be institutionalized.

To be sure, the federal government requires Medicaid coverage for the poor elderly and disabled, for children living in low-income families, and for some very poor adults. These are the federal requirements that Representative Ryan and most Republicans want to abolish. But let's not confuse slashing benefits with achieving "efficiencies." Under the Republican plan, states would be left with shrinking federal Medicaid funds – so the only new "flexibility" they would gain would be the right to make life more difficult for the most vulnerable.

State and Local Taxpayers Would Pay Extra

The Ryan-Republican approach would also leave state and local taxpayers worse off. People pushed off Medicaid will eventually turn up sicker in expensive emergency rooms – where, by law, they must get care, usually funded by state and local taxpayers. Under the Ryan plan:

- A poor child could be denied dental care – but her teeth may get worse until she needs an emergency root-canal or full tooth removal at a taxpayer funded hospital or clinic.
- States might be forced to drop home care for frail elderly people -- but an old woman living alone may fall and break her hip. After a trip to the emergency room, she will shuttle between expensive hospital and nursing home care, with taxpayers picking up the tab.
- States will be free to cut off home care for disabled people, including children, who need a ventilator to breathe. But a disabled child could soon end up in an institution, where his family (even a middle-income family) would not be able to cover the lifetime cost.

In sum, while block grant flexibility sounds enticing, no one benefits at the end of the day. Under the plans for radically revamping Medicaid supported by almost all Republicans, the states and American taxpayers would be worse off – while poor and very vulnerable people will suffer increased privation and new indignities.