Georgetown University Health Policy Institute
Center for Children and Families

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# House Budget Bill Would Eliminate All Current Federal Medicaid Benefit Standards for Six Million Children and Other Vulnerable People

By Cindy Mann and Jocelyn Guyer

As part of the broader budget ("Reconciliation") bill, the House has proposed to eliminate all current federal standards governing the medical services Medicaid must cover for certain groups of beneficiaries. The changes fall most heavily on the six million children enrolled in the program who have incomes just over the federal poverty line and on adults with disabilities and chronic medical conditions at all income levels.

- **Current federal standards governing the scope of medical care that Medicaid must cover – including "EPSDT"– would disappear for millions of children and other affected groups.**

Children stand to lose the most under the proposal in part because the current federal benefit standard for children – known Early Screening Periodic Diagnostic and Treatment, or EPSDT– is particularly strong. Under EPSDT, children are guaranteed regular preventive care and the treatment services they need. The House bill also falls heavily on children because so many children would be subject to the new rules –about six million today and more over time.[1] The Congressional Budget Office (CBO) estimates that half of the people who would lose coverage under the new standards would be children.[2]

Without EPSDT guarantees, children are likely to lose coverage for a range of services, including mental health services, hearing aids, eyeglasses, and speech and physical therapy.[3]

Table 1
**Beneficiaries Who Would Lose Federal Benefit Guarantees**

| Groups[1] | Income levels |
|---|---|
| Children ages 6-17 | Incomes above 100% FPL ($1,340/month for a family of three) |
| Children under age 6 | Incomes above 133% FPL ($1,782/month for a family of three) |
| Adults with disabilities who are not also receiving Medicare | At any income level |
| Parents | At any income level |

**Notes:** Certain groups would be exempt, including pregnant women; people in hospitals or nursing homes under the Medicaid "spend down" category; certain groups eligible for long term care services; and people who are deemed "medically frail" or have "special medical needs " as defined by the Secretary of HHS. These terms are apparently not intended to include all people with disabilities since the Energy and Commerce Committee dropped an explicit exemption for people with disabilities from an earlier version of the bill. Poverty level equivalents are for 2005.

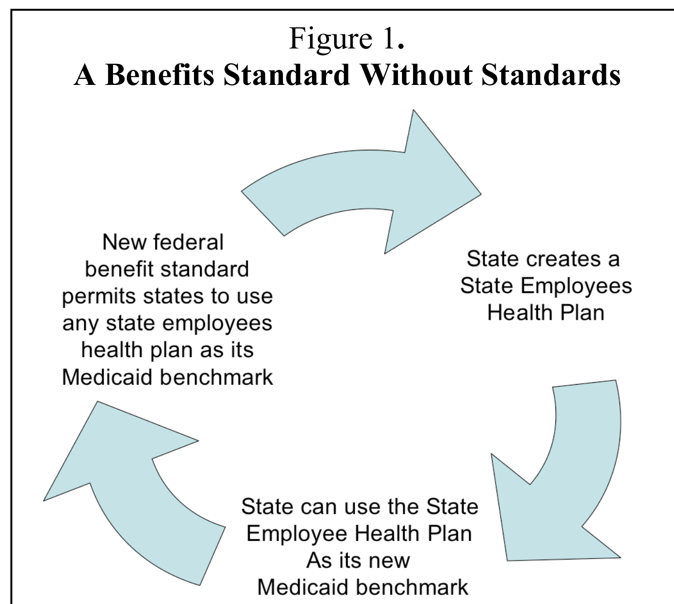
The bill also would abolish longstanding Medicaid standards regarding the breadth and scope of benefits that must be made available to adults, and it would allow states to favor some groups of children and adults over others based on criteria other than need. For the first time, states also would be permitted to offer different benefits in different parts of the state.

- **In place of current federal standards, the House proposal would provide states with virtually unlimited discretion to decide which medical services will be covered.**

The debate about federal Medicaid benefit standards often centers on whether Medicaid ought to look more like commercial plans. In the late 1980s, Congress strengthened the Medicaid benefit standard for children in response to concerns that the coverage provided to children under Medicaid fell short of their needs. Medicaid offers children coverage that can be more extensive than the coverage available under commercial plans, because, as a group, children covered under Medicaid have greater health care needs and fewer resources than the general population.

While the House appears to propose a more commercial-like standard to replace current Medicaid benefit standards, a close examination shows that the proposed standard is not much of a standard – commercial or otherwise. It has no "bottom line." States would be permitted to offer any one of three "benchmark" plans or another plan that is "actuarially equivalent" to a benchmark plan.[4] One of the benchmarks is any state employee health plan generally available to state employees– even one that few or even no state employees take up. States could essentially design their "federal" Medicaid benchmark. A bare bones or catastrophic coverage plan could qualify as a benchmark as long as a state offers such a plan to state employees. (Figure 1)

Figure 1.
**A Benefits Standard Without Standards**




- **The benefit changes account for the largest single source of federal savings under the House Medicaid proposal.**

The extent to which this proposal would result in the loss of medical care is shown by the high level of federal "savings" it achieves. CBO estimates that the benefits change will result in $18 billion in federal savings over ten years –twice as large as the savings attributed to drug

pricing changes and nearly six times greater than the savings achieved through provider tax reforms.[5] (Figure 2)

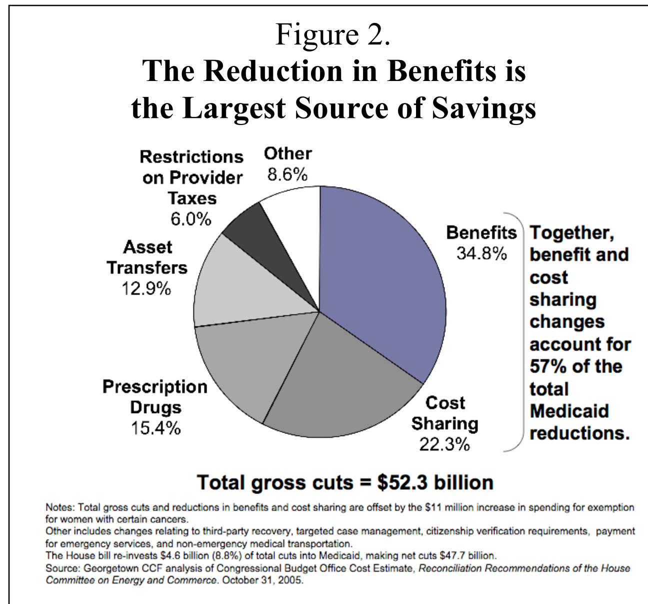



Figure 2.
**The Reduction in Benefits is the Largest Source of Savings**

Notes: Total gross cuts and reductions in benefits and cost sharing are offset by the $11 million increase in spending for exemption for women with certain cancers.
Other includes changes relating to third-party recovery, targeted case management, citizenship verification requirements, payment for emergency services, and non-emergency medical transportation.
The House bill re-invests $4.6 billion (8.8%) of total cuts into Medicaid, making net cuts $47.7 billion.
Source: Georgetown CCF analysis of Congressional Budget Office Cost Estimate, *Reconciliation Recommendations of the House Committee on Energy and Commerce*. October 31, 2005.

The actual loss of coverage that would result would be significantly higher than the dollar savings levels identified by CBO because CBO only considers *federal* spending. Federal funds are provided as a match to state spending; in order to achieve the estimated level of federal savings, *total* benefit-related reductions would be nearly twice as high –close to $32 billion over the ten-year period.[6] On a per person basis, CBO estimates that spending on medical care for the people affected –half of whom will be children– will be reduced by 15 to 35 percent.[7]

**Conclusion**

The House Medicaid benefits proposal is relatively straight forward: it saves federal funds by allowing states virtually unlimited discretion to cover fewer medical services for millions of children and adults, regardless of their health care needs. According to a consistent body of research, many of those who will lose coverage will not be able to get the care they need or, if they do get care, it may be in more expensive settings like hospital emergency rooms. Moreover, the groups of people who are affected by this proposal are largely the same groups who will be subject to new premiums and cost sharing under the House proposal. Together, these changes could undo the major advances achieved through the Medicaid program over the past few decades to provide children and others with access to needed health care.

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[1] CCF estimate, derived by applying the share of children classified as optional in 2001, according to an Urban Institute analysis of MSIS data prepared for the Kaiser Commission on Medicaid and the Uninsured, to CBO estimates of the total number of children expected to enroll in Medicaid in 2005.

[2] Congressional Budget Office, *Additional Information on CBO's Estimate for the Medicaid Provisions in HR 4241, The Deficit Reduction Act of 2005*, November 9, 2005. (hereafter CBO, November 9, 2005)

[3] Cindy Mann and Elizabeth Kenney, *Differences that Make a Difference,* CCF, October, 2005. http://ccf.georgetown.edu/pdfs/differencesoct2005final.pdf; see also, CBO, November 9, 2005.

[4] The new benefit plans cannot be applied unless individuals have access to services furnished through rural health centers or federally qualified health centers.

[5] Congressional Budget Office Cost Estimate, Reconciliation Recommendations of the House Committee on Energy and Commerce, October 31, 2005. The five-year savings is $3.9 billion reflecting CBO's projection that more states will replace current standards with the new rules over time. See also, Edwin Park, *Congressional Budget Office Estimates Reveal Severity of Medicaid Cuts in House Reconciliation Bill,* Center on Budget and Policy Priorities, November 2, 2005.

[6] CCF calculations; the average federal share of Medicaid costs for the nation is 57%.

[7] CBO, November 9, 2005.