



CENTER ON BUDGET AND POLICY PRIORITIES

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**STATEMENT BY ROBERT GREENSTEIN, EXECUTIVE DIRECTOR,
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ON DEPARTMENT OF HEALTH AND HUMAN SERVICES SECRETARY
THOMPSON'S ANNOUNCEMENT REGARDING MEDICAID REFORM**

Under the Administration's new Medicaid proposal, states would be confronted with a choice between two alternatives, both of which would substantially weaken health insurance for low-income children, parents, and elderly and disabled people. States could try to operate their Medicaid programs without any financial relief from the federal government to help them get through their current fiscal crises, a path likely to lead to deep Medicaid cuts in many states. Alternatively, states could receive some modest additional funding for the next few years, but only if they agreed to convert much of their Medicaid program into a block grant, under which federal funding no longer would automatically rise to meet increases in need due to recession, epidemics, or other factors that cause medical costs to increase. States electing this option would have to pay back the additional funding by the end of the decade.

Under the first approach, the likely consequence would be cutbacks now in the number of the low-income people whom Medicaid insures or in the medical services that Medicaid covers. Under the other approach, the likely consequence would be that such cuts would be instituted in the future and become an ongoing part of Medicaid, and that such cuts would deepen over time if, as seems likely, federal block grant funding did not keep pace with health care costs.

The Administration's proposal is billed as presenting states additional flexibility. Over time, the primary flexibility may be the flexibility for states to deal with inadequate federal Medicaid funding by imposing significant Medicaid cuts not currently allowed under federal law. Such cuts could include artificial caps on the number of needy families and individuals allowed to enroll, cost-sharing requirements that exceed what many of the poor can afford, and elimination of coverage for important medical services.

It is disturbing that at a time when states face their most severe budget crises in 50 years and are considering drastic cuts in Medicaid coverage for working parents, children, and elderly and people with disabilities — and are seeking temporary federal assistance to mitigate these cuts — the Administration would hold such aid hostage to a state's agreeing to accept changes that threaten to weaken health insurance for low-income families in the future.

A primary goal of this proposal appears to be to reduce federal Medicaid expenditures over time, even though millions of Americans remain uninsured. Such a strategy ultimately could place significant numbers of beneficiaries at risk of losing Medicaid coverage and joining the rank of the uninsured. An underlying strategy may be to offer inducements to states to elect an option that reduces federal expenditures over time in order to free up more room in the federal budget for large tax cuts that are heavily tilted toward high-income individuals.