

## GOVERNMENT POLICY

The largest proposed program cut in the omnibus budget bill is to Medicaid. But even if the bill doesn't eventually pass, we can still expect to see the program cut little by little via reductions in benefits to patients and pay to doctors and hospitals—as well as tighter eligibility standards. What, one wonders, is to become of lower-income patients, seniors, and the long-term disabled if the program is slowly but surely eviscerated?

# The State of Medicaid: *A Conversation with Ron Pollack*

by Ruth McCambridge

**Editors' note:** *The importance of Medicaid dollars in the nonprofit sector cannot be underestimated. Specific numbers are hard to come by, but a 2007 study from the Rockefeller Institute of Government suggests that Medicaid disbursed between \$42 and \$44 billion to nonprofit hospitals; \$11 billion to nonprofit nursing homes; as much as \$16.9 billion to nonprofit substance abuse and mental health providers; as much as \$13.8 billion to nonprofit managed care organizations; and up to \$20.9 billion to nonprofit home health care providers in FY2004. That means roughly one-third of Medicaid expenditures went to nonprofit health care providers. Steven Rathgeb Smith, Waldemar A. Nielsen Chair in Philanthropy at the Georgetown Public Policy Institute, describes Medicaid as a significant driving force behind the increase in government funding for nonprofits in recent decades.*

*With \$334.2 billion in expenditures in FY2008 (accounting for 14.2 percent of all national expenditures on health and 27.9 percent of all public sector expenditures on health), Medicaid is the primary health care program for lower-income Americans. The strength of the national and local nonprofit infrastructure is inextricably bound up with the state of Medicaid funding. As the founding executive director of Families USA, the national organization for health care consumers, Ron Pollack is well positioned to help nonprofits make sense of the importance of Medicaid and to give us a picture of the current state of play for the program at the national and local levels. Recently, NPQ editor in chief Ruth McCambridge sat down with Pollack to map out the critical policy issues that will affect Medicaid over the next few years and beyond.*

**Ruth McCambridge:** *What do you think is most at risk, at the national and the state levels, in terms of the Medicaid program now? What are the policy issues that are up in the air?*

**Ron Pollack:** Well, the most significant risk is that there are efforts, both at the national level and

at the state level, to cut the Medicaid program because of fiscal concerns, and we've seen a variety of manifestations of this. The most obvious manifestation that occurred at the federal level was when Congressman Paul Ryan, a Republican House member from Wisconsin who is chairman of the House Budget Committee, introduced a proposal that was an omnibus budget bill—but the biggest program cut in his proposal was to Medicaid.

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He proposed to convert Medicaid to a block grant, with \$771 billion less in funds provided to the states over the course of the next ten years. And, in succeeding decades, the reduction would be even worse, because with each passing year the federal government would be paying a smaller and smaller share of the costs of the program. Now, that proposal passed the House of Representatives on a partisan vote supported—essentially—by all Republicans, and opposed by Democrats. It did not pass in the Senate. It's not *likely* that the proposal will be adopted, at least through the calendar year 2012; however, depending on what happens during the elections in November 2012, it could very well pass [in 2013]. It would have a much greater chance of passing if there were a different president in the United States—if a Republican took President Obama's place, and the Republicans had control over both Houses of Congress.

Failing that, I think we will see incremental proposals that are not as draconian [as the Ryan plan] to cut back the program, and if the states receive less money, the states that are already concerned about their own fiscal situation will substantially cut back the program. Right now, they can cut back by reducing the benefits that are provided as part of someone's Medicaid coverage, and they can reduce the payment levels to health care providers that serve Medicaid patients—people like doctors, and hospitals. And, doctors and hospitals already get paid much less by Medicaid than they do by Medicare, which in turn pays less than private insurance. And, as a result, there are many providers of health care who refuse to see Medicaid patients because they feel they're getting paid too little. So, if you pay them even less, then you're exacerbating an existing problem.

What also could happen is that right now, under existing law, the states are prohibited from changing eligibility standards for Medicaid. There are some exceptions to that rule, but by and large there is a prohibition against states doing that. If the federal government provides less money to the states, I think that current provision in the law would likely be repealed. And, so, in addition to cutting benefits for those eligible, and reducing

payment levels to providers, we would likely see changes in eligibility standards that would mean fewer and fewer people would be eligible for coverage.

To complete that picture at the federal level, under the Affordable Care Act—the health reform legislation that passed last year—eligibility for Medicaid is supposed to significantly expand for adult populations. Right now, eligibility in the Medicaid program is miserly for adults. We have very different eligibility standards for children, as opposed to the parents of those children, as opposed to adults who are not parents. Children in virtually every state are eligible either for Medicaid coverage or the Children's Health Insurance Program (CHIP) if their parents' annual incomes are below 200 percent of the federal poverty level. Now, 200 percent of the federal poverty level is somewhere close to \$37,000 for a family of three. In some states, the eligibility standards [allow for] higher than that—New York goes up to 400 percent, New Jersey goes up to 350 percent. But in all but a few states [there are no] eligibility standards for either Medicaid or CHIP below 200 percent of poverty.

Now, on the other hand, for parents, eligibility is not predicated on their children's being eligible. And the income cutoffs are considerably lower. And, so, instead of having eligibility as it exists in virtually all states at—at least—200 percent of the federal poverty level, parents have a median income eligibility standard that is approximately 69 percent of the federal poverty level. So it's about one-third of what it is for the children. And, just to give you a sense of this (and this differs from one state to another): in Arkansas, the parents in a three-person household are ineligible for Medicaid if they have annual income above \$3,150, and in places like Indiana and Missouri if they have income above \$4,600; in Texas, \$4,800; in Pennsylvania, \$6,300. And, so, the income cutoffs for parents are a mere fraction of what they are for children. But, to make matters worse, childless adults—singles and couples—in forty-two states can literally—not rhetorically, *literally*—be penniless, and they're ineligible for Medicaid.

What the Affordable Care Act—the health reform law—does is, starting in January 2014, all

adults nationwide will be eligible if their household income is below 138 percent of the federal poverty level. So this is a huge improvement. Now, when you ask what's at risk and what's the danger, obviously there are a significant number of members of Congress on the Republican side who want to repeal the Affordable Care Act. And, so, this very important expansion could be eviscerated depending on what happens in the November 2012 elections.

**RM:** *In terms of the draconian measures that may be taken at state levels, are there strategies that have been taken by the states to reduce their Medicaid load?*

**RP:** Well, what I mentioned before—right now with some exceptions. I can go over the exceptions, but by and large states may not reduce eligibility, nor are they allowed to place impediments in the way of getting people enrolled beyond the impediments that existed before the health reform law was passed. So, they can't do that, but that provision of the Affordable Care Act is very much in jeopardy, and Republicans are very much attacking it. Governors would like to see that changed, and if that were changed then we would see one state after the other reducing eligibility.

**RM:** *You were talking about how the Ryan plan is trying to reduce the budget for Medicaid. How does that integrate with the repeal of the law? Can they do that when the law requires a certain level of funding?*

**RP:** Well, part of Ryan's Bill repeals the Affordable Care Act. But then he goes beyond that, and would cut back Medicaid from its current level. So it's not just eliminating the significant improvement and expansion that the Affordable Care Act establishes . . . it would also cause huge cutbacks from where we are today.

**RM:** *Can you name the populations that you think would be most at risk? I think you've done that in terms of income eligibility, but are there other populations you think are particularly at risk with that kind of policy moment?*

**RP:** Well, first of all, if the Affordable Care Act were repealed, adults would be at risk because, currently, they're affected by miserly eligibility standards. But if you ask overall which groups in the population are at greatest risk, it's of course people in communities of color, because they are disproportionately uninsured and they are less likely to have coverage through their employer, if they are employed. And, so, people in communities of color would be disproportionately harmed. Also harmed would be people—whether they are seniors or younger than seniors—who have major disabilities: people who need long-term care, people who need care in a nursing home or who need care at home or in the community.

What's important to understand, and what many people don't realize, is that the Medicaid program is by far the largest payer of long-term care. It pays for about half of the cost of nursing homes in the country. It is by far the largest payer for people who need care either in an institution like a nursing home or need care at home or in the community. And, so, if Medicaid were cut, it would obviously put seniors and people who have major long-term chronic disabilities very much at risk.

**RM:** *Are there ways that people should be involved right now—things that you would like to recommend?*

**RP:** With the "supercommittee" failing to reach a deficit reduction agreement, Medicaid is spared for the moment. However, deficit reduction will continue to be high on the Congressional agenda, and Medicaid will be a target for cuts. The fight to protect Medicaid is far from over. People need to keep telling members of Congress that Medicaid is important to citizens in their state. It provides critical health care and long-term care to seniors, children, and people with disabilities; it creates jobs; and it keeps state health care systems strong.

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