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Fact Sheet on Republican Budget's Effects on Medicaid

Committee on Energy and Commerce
Minority Staff

On April 5, 2011, Rep. Paul Ryan introduced the Republican budget for FY 2012. This budget contains enormous cuts to the Medicaid program, endangering health care coverage for over 60 million Americans, including 9 million seniors and individuals with disabilities and 30 million children. This fact sheet summarizes the Republican budget's effects on Medicaid and its beneficiaries.

The Republican budget cuts Medicaid by almost \$800 billion over the next decade and in half by 2022. The budget proposes \$771 billion in Medicaid cuts over the next decade, with the cuts growing even more severe over time. According to the Congressional Budget Office (CBO), federal spending for Medicaid would be cut in half by 2022. These are extreme cuts. Former CBO and OMB director Alice Rivlin, who previously joined Chairman Ryan in proposing to turn Medicaid into a block grant, said the cuts in the Republican budget are "deeper than I think many of us feel is realistic or humane." When Republican Governor Haley Barbour testified before the Committee on Energy and Commerce earlier this year, he proposed cuts of \$90 billion over the next decade. The cuts in the Republican budget are over eight times this amount.

The Republican budget shreds the Medicaid safety net and shifts healthcare costs to states.

Medicaid is currently structured to provide more help when states need it most: when unemployment increases and citizens lose insurance coverage. The Republican budget restructures Medicaid into a block grant where states receive a capped amount of money for the program. This shifts all risks including future recessions, healthcare cost increases, and disasters to the states. The federal government would no longer be a partner responding to such changes. This is not a cost savings to the program, but a cost shift from the federal budget to states and Medicaid beneficiaries.

The Republican budget would increase the number of uninsured and underinsured, cutting benefits for seniors and children.

The Medicaid block grant would grow by only 1% per year. Inflation alone grows by 2.1% per year. In addition, the cap does not fully account for innovation in healthcare, enrollment growth, and more. The result would be inevitable cutbacks for beneficiaries and providers. According to CBO, "the large projected reduction in [federal] payments would probably require states to decrease payments to Medicare providers, reduce eligibility for Medicaid, provide less extensive coverage to beneficiaries, or pay more themselves." The effects of these cuts would be devastating. Coverage for one million nursing home residents would be at risk, and quality and staffing in nursing homes would likely degrade. Benefits allowing 3 million elderly and disabled individuals to remain independent and in their homes would be at risk. Benefits such as prescription drugs for patients with HIV/AIDS, early prevention, diagnosis, and treatment (EPSDT) for sick or disabled children, and behavioral therapies for autistic children could also be eliminated.

Republican budget cuts would force doctors, hospitals, and other health care providers to leave the Medicaid program entirely.

Provider payment cuts caused by the Republican budget would affect doctors, hospitals, nursing homes, and many others health providers. According to CBO, "given that payment rates for providers under Medicaid are already generally lower than they are under Medicare and private insurance, if states lowered payment rates even further, providers might be less willing to treat Medicaid enrollees."

The Republican budget repeals the Medicaid expansion and improvements in health reform.

Medicaid will serve as the foundation of health reform from 2014 on. The Republican budget repeals this expansion leaving 18 million people without access to Medicaid. It also repeals the increase in provider payments rates for Medicaid primary care services in 2013 and 2014. In total the repeal of the health reform expansions would increase the number of uninsured by 33 million people.

The Republican budget's Medicaid cuts would result in job losses. Every federal dollar cut from Medicaid means almost \$2 cut from the state economy because states match federal spending. Under current law, a cut of \$771 billion in federal spending would mean a total cut of nearly \$1.4 trillion in healthcare spending for state and local economies, causing a significant loss in healthcare jobs and investments.