

# Preserve Medicaid Structure and Financing



## Issue

Under the guise of reform, fundamental changes in the financing and structure of the Medicaid program have been proposed that would convert it into a system of per capita funding allocations to the states. Every state would see a reduction in federal Medicaid funding from current levels.

These proposals for restructuring Medicaid represent bad ethics and bad economy. We oppose these proposals because:

- The major “insurance” plan for nursing home care and other long-term services and supports, by default, is Medicaid. Medicare covers relatively little of this kind of care and few seniors have private, long-term care insurance, which covers less than 5 percent of the cost of current services.
  - Two-thirds of Medicaid spending goes toward coverage of health care and long-term services and supports (LTSS) for people aged 65 and over.
  - LeadingAge members rely on Medicaid to meet the costs of recruiting, training, and retaining qualified staff as well as other essential operations that ensure high-quality, clinical care and quality of life for nursing home residents and home health clients.
  - Per capita caps are unnecessary to give states flexibility in the use of their Medicaid funding. The current system has enabled states to pursue a number of innovations in the delivery of health care and LTSS.
  - Under per capita allocations states would receive a fixed amount of federal Medicaid funding, as opposed to the increased federal allocation states now receive when their own spending rises. States would no longer be cushioned against the impact of recessions, epidemics, health care inflation, or growth in the senior population. The burden of increased costs would shift to the states and potentially to individuals and families.
- States would have limited options for absorbing federal Medicaid cuts:
    - Changing eligibility rules to reduce the number of eligible participants
    - Limiting or eliminating services covered by the program
    - Cutting payment rates to service providers, which is already happening in most states
  - Federal Medicaid regulations currently require coverage of nursing home care. Reduced financing jeopardizes coverage of the frailest seniors. Half of nursing home residents have dementia; half also have no family caregivers.
  - While Medicaid now requires coverage of nursing home care, coverage of home- and community-based services is optional. If states eliminate optional coverage, seniors will lose the opportunity to receive services in their homes; ultimately, these seniors could be forced to prematurely enter residential care settings.
  - A loss or reduction in Medicaid coverage would shift the burden of LTSS to seniors and their families. Family members currently provide a large share of LTSS on an unpaid basis, but they also have substantial financial responsibilities for raising and educating children and saving for their own retirement.

Seniors who receive services covered by Medicaid are the frailest and most financially vulnerable members of their communities. They have no other resources to cover the cost of essential services. Their needs will not disappear if they or the services they receive are cut from the Medicaid program.



## *Solutions*

To ensure the continued availability of essential long-term services and supports, LeadingAge urges Congress to:

- Maintain the current Medicaid program structure.
  - Resist any proposals to turn Medicaid into a block grant program.
  - Resist any proposals to convert the program to a system of per capita allocations.
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