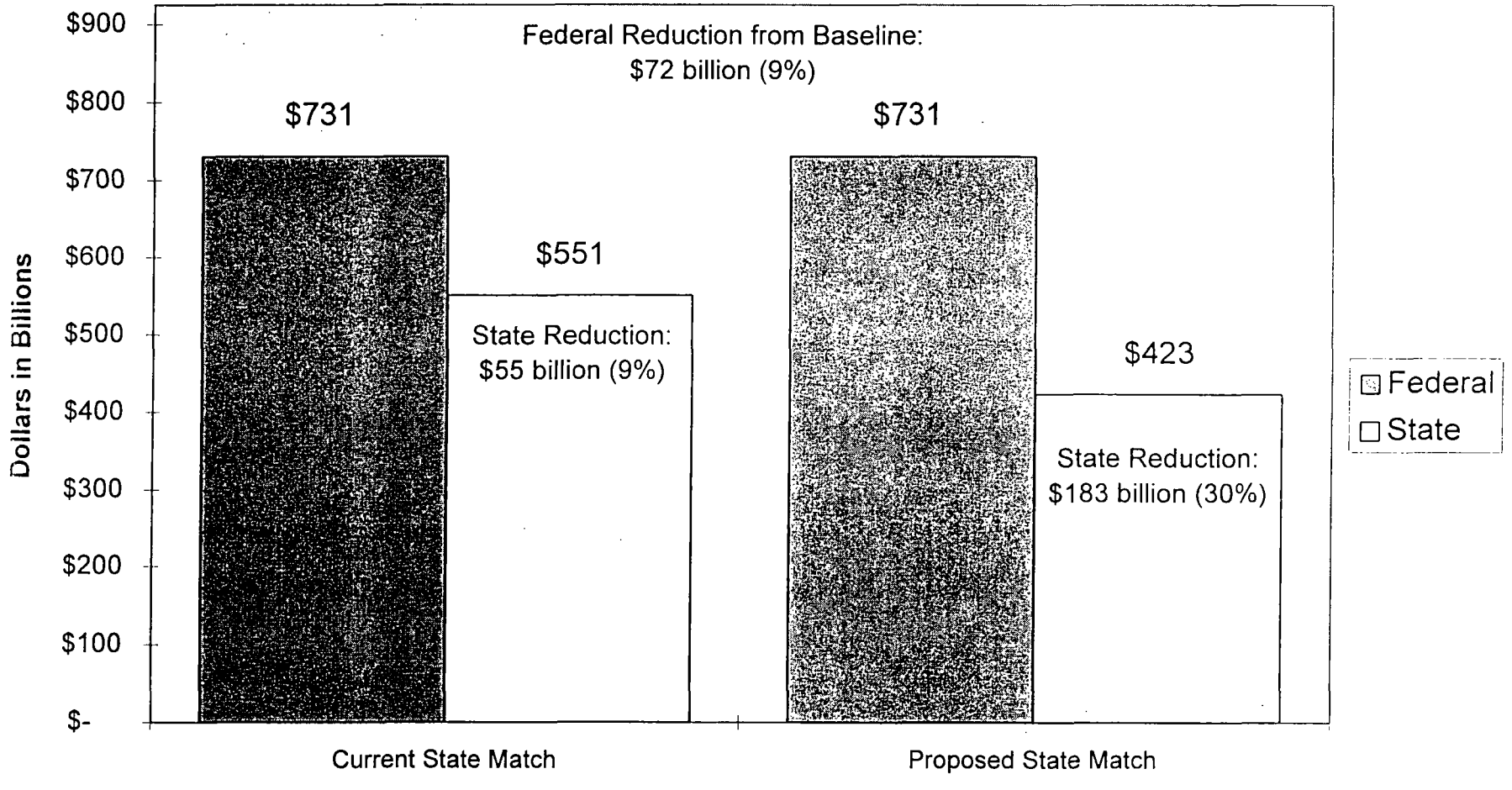
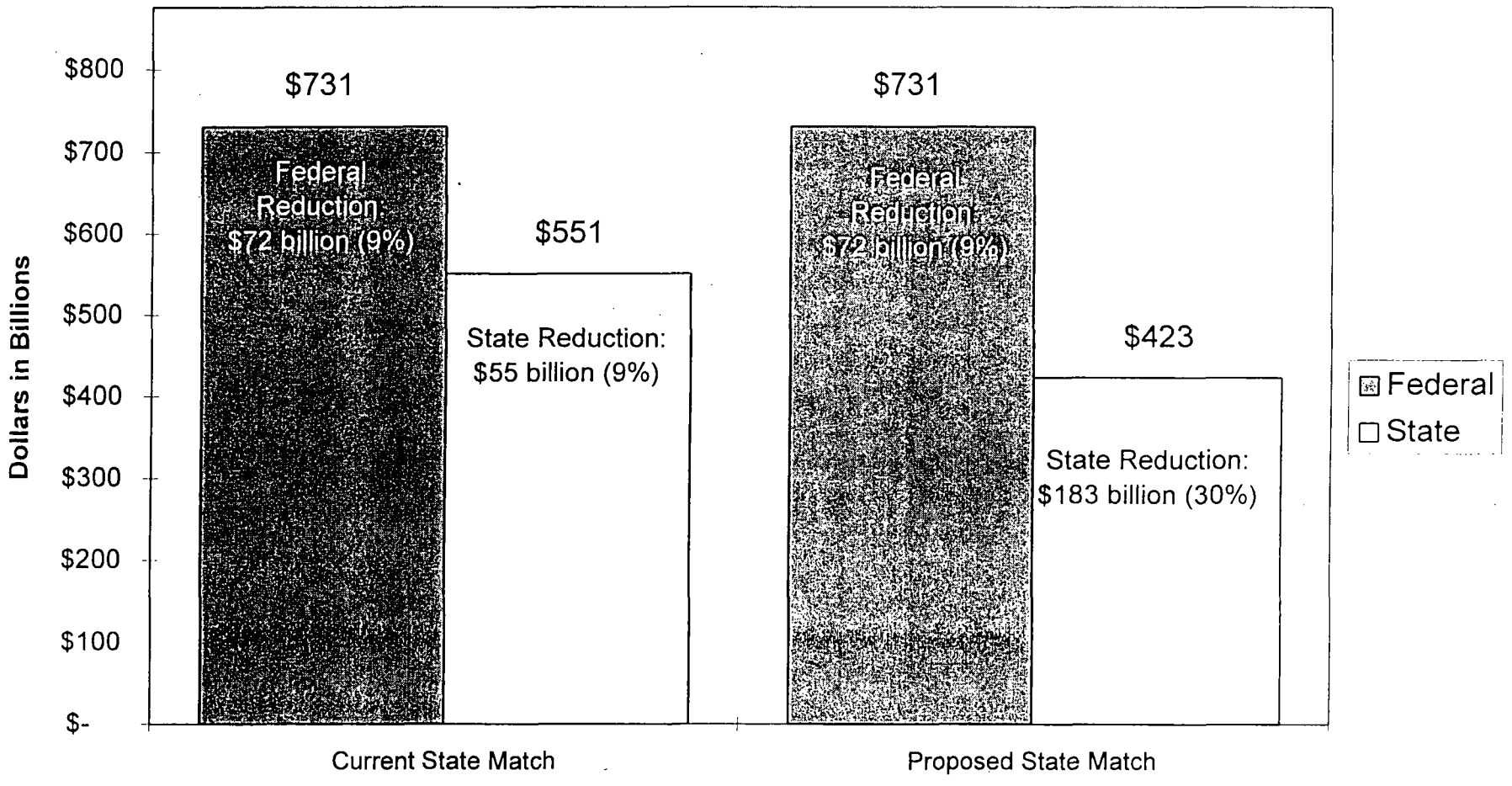
Medicaid Spending under the Commerce Plan: 1997 - 2002
Effect of the State Matching Rate Reduction



Assumes that the minimum Federal match is raised from 50% to 60%. Assumes that states spend enough to draw down their full Federal allotment. Numbers may not sum to totals due to rounding. Source: Center on Budget and Policy Priorities

Medicaid Spending under the Commerce Plan: 1997 - 2002
Effect of the State Matching Rate Reduction



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Medicaid Spending under the Commerce Plan: 1997 - 2002
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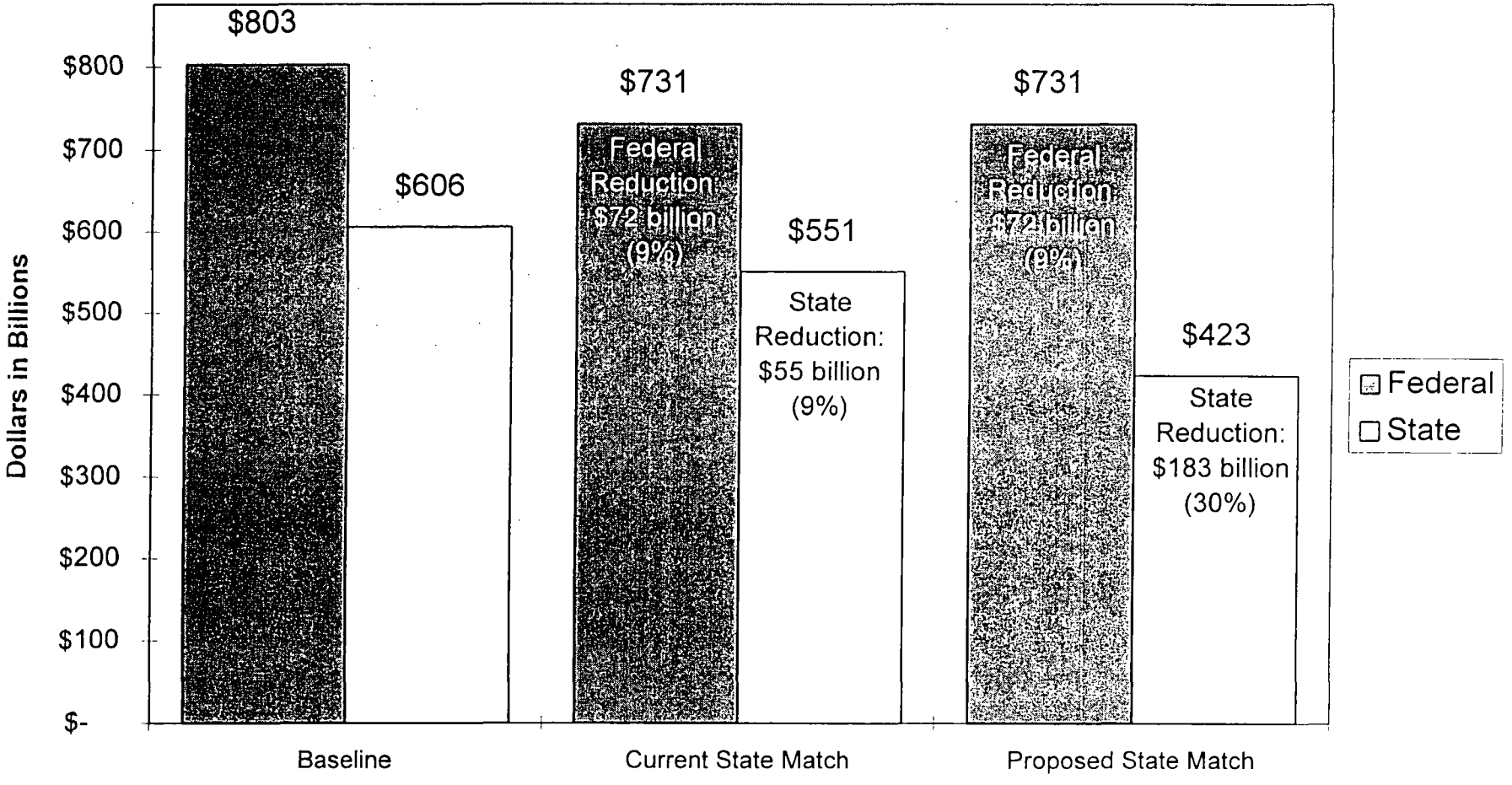

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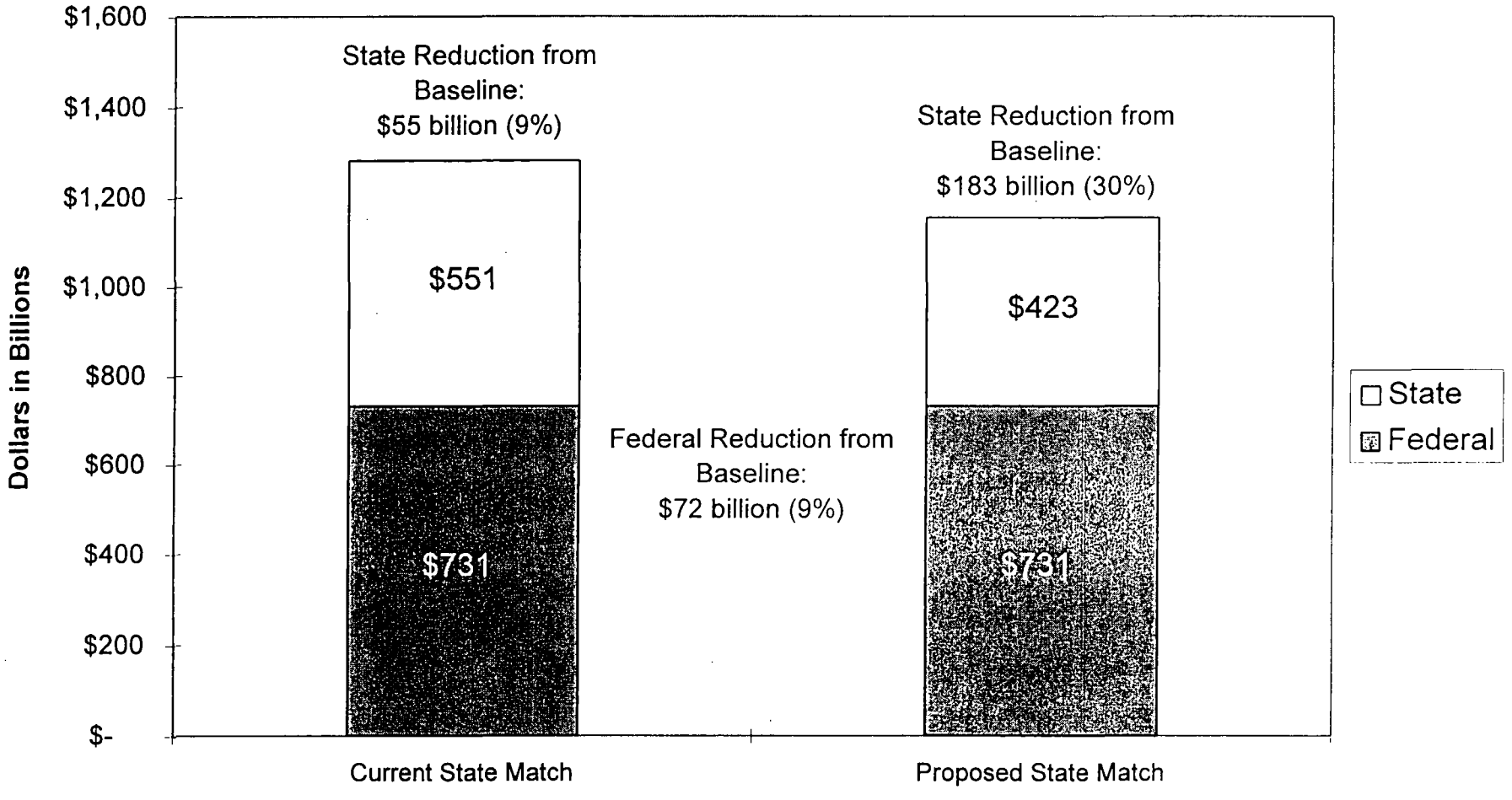
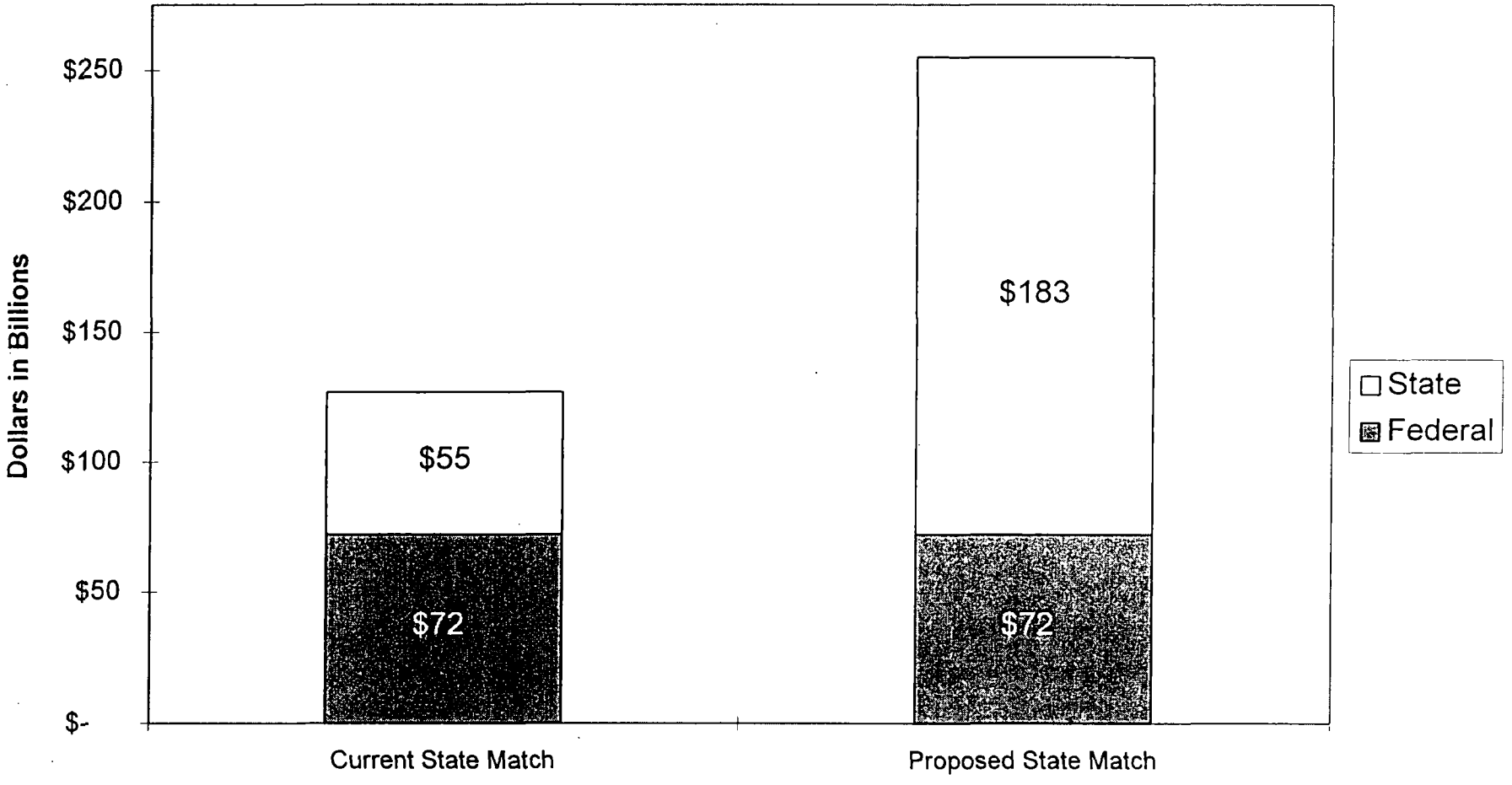
Medicaid Spending under the Commerce Plan: 1997 - 2002
Effect of the State Matching Rate Reduction



Assumes that the minimum Federal match is raised from 50% to 60%. Assumes that states spend enough to draw down their full Federal allotment. Numbers may not sum to totals due to rounding. Source: Center on Budget and Policy Priorities

Medicaid Spending Reductions in the Commerce Plan: 1997 - 2002
Effect of the State Matching Rate Reduction



Assumes that the minimum Federal match is raised from 50% to 60%. Assumes that states spend enough to draw down their full Federal allotment. Numbers may not sum to totals due to rounding. Source: Center on Budget and Policy Priorities

Rev Medicaid Allocations, 7 Yr Funding $797 B, Const'd Program Need, Relative Ceilings (133/150),Floors (3.5, 3, 2.5, 2.25, 2)

State	Base Allotment FY 1995	Base Allotment FY 1997	% Differ-ence	Base Allotment FY 1998	% Differ-ence	Base Allotment FY 1999	% Differ-ence	Base Allotment FY 2000	% Differ-ence	Base Allotment FY 2001	% Differ-ence	Base Allotment FY 2002	% Differ-ence	Base Allotment FY 1996 [illegible]
Alabama	1,517,652,207	1,654,240,906	9.00	1,760,207,826	6.41	1,872,982,321	6.41	1,992,939,813	6.41	2,120,802,778	6.41	2,256,443,523	6.41	13,175,0[illegible],171
Alaska	204,933,213	212,105,875	3.50	225,692,871	6.41	240,150,217	6.41	255,533,666	6.41	271,902,543	6.41	289,319,970	6.41	1,699,[illegible],356
Arizona	1,385,781,297	1,510,501,613	9.00	1,607,260,738	6.41	1,710,218,021	6.41	1,819,770,502	6.41	1,936,340,852	6.41	2,060,378,008	6.41	12,030,[illegible],031
Arkansas	1,011,457,933	1,102,489,147	9.00	1,173,111,987	6.41	1,248,258,717	6.41	1,328,219,189	6.41	1,413,301,737	6.41	1,503,834,409	6.41	8,780,[illegible],158
California	8,946,838,461	9,752,053,923	9.00	10,456,595,211	7.22	11,212,036,385	7.22	12,022,054,728	7.22	12,890,593,191	7.22	13,821,879,586	7.22	79,102,[illegible],286
Colorado	757,492,879	825,667,020	9.00	874,770,369	5.95	930,806,090	6.41	990,431,304	6.41	1,053,076,875	6.33	1,105,046,070	4.94	6,537,[illegible],378
Connecticut	1,463,011,835	1,514,217,042	3.50	1,559,643,553	3.00	1,598,634,642	2.50	1,634,603,921	2.25	1,667,296,000	2.00	1,700,641,920	2.00	11,138,[illegible],713
Delaware	212,327,763	219,759,235	3.50	233,836,487	6.41	248,815,493	6.41	264,754,020	6.41	281,713,629	6.41	299,756,425	6.41	1,760,[illegible],653
District of Columbia	501,412,091	518,961,515	3.50	534,530,360	3.00	547,893,619	2.50	560,221,226	2.25	571,425,650	2.00	582,854,163	2.00	3,817,[illegible],624
Florida	3,715,624,180	4,050,030,357	9.00	4,342,626,524	7.22	4,656,361,427	7.22	4,992,762,241	7.22	5,353,466,475	7.22	5,740,228,940	7.22	32,851,[illegible],144
Georgia	2,426,320,602	2,644,689,456	9.00	2,799,631,829	5.86	2,978,969,556	6.41	3,169,795,228	6.41	3,370,267,308	6.33	3,536,616,753	4.94	20,928,[illegible],731
Hawaii	323,124,375	334,433,728	3.50	344,486,740	3.00	353,078,408	2.50	361,022,673	2.25	368,243,128	2.00	375,607,989	2.00	2,459,[illegible],639
Idaho	278,329,886	303,379,357	9.00	325,297,128	7.22	348,798,358	7.22	373,997,444	7.22	401,017,048	7.22	429,988,696	7.22	2,460,[illegible],716
Illinois	3,467,274,342	3,779,329,032	9.00	3,942,973,980	4.33	4,180,805,351	6.03	4,434,419,517	6.07	4,626,429,882	4.33	4,850,124,277	4.84	29,281,[illegible],381
Indiana	1,952,467,267	2,128,189,321	9.00	2,220,039,819	4.33	2,318,480,637	4.33	2,416,784,249	4.33	2,521,431,007	4.33	2,630,608,969	4.33	18,180,[illegible],308
Iowa	835,235,895	910,407,125	9.00	949,827,754	4.33	990,955,295	4.33	1,033,883,680	4.33	1,078,629,958	4.33	1,125,334,633	4.33	8,924,[illegible],917
Kansas	713,700,869	777,933,947	9.00	811,618,487	4.33	846,781,567	4.33	883,426,343	4.33	921,678,704	4.33	961,587,392	4.33	5,916,[illegible],309
Kentucky	1,577,826,832	1,719,833,427	9.00	1,830,001,848	6.41	1,947,227,394	6.41	2,071,962,129	6.41	2,204,687,073	6.41	2,345,914,059	6.41	13,697,[illegible],762
Louisiana	2,622,000,000	2,622,000,000	0.00	2,622,000,000	0.00	2,622,000,000	0.00	2,622,000,000	0.00	2,789,959,056	6.41	2,968,677,167	6.41	18,866,[illegible],223
Maine	694,220,790	716,516,516	3.50	740,074,073	3.00	756,575,925	2.50	775,643,863	2.25	791,156,761	2.00	806,979,896	2.00	5,285,[illegible],947
Maryland	1,368,689,847	1,476,674,058	7.82	1,540,622,705	4.33	1,607,540,328	4.33	1,677,146,824	4.33	1,749,767,261	4.33	1,825,532,205	4.33	11,247,[illegible],248
Massachusetts	2,870,346,882	2,970,609,002	3.50	3,059,933,272	3.00	3,136,431,604	2.50	3,207,001,315	2.25	3,271,141,341	2.00	3,336,564,168	2.00	21,852,[illegible],566
Michigan	3,485,182,886	3,777,048,346	9.00	3,940,595,583	4.33	4,111,223,371	4.33	4,289,239,343	4.33	4,474,983,407	4.33	4,668,729,322	4.33	28,728,[illegible],259
Minnesota	1,793,776,356	1,856,558,528	3.50	1,912,255,284	3.00	1,960,061,666	2.50	2,004,163,054	2.25	2,044,246,315	2.00	2,085,131,241	2.00	13,656,[illegible],444
Mississippi	1,261,781,330	1,375,341,650	9.00	1,474,703,793	7.22	1,581,244,398	7.22	1,695,482,071	7.22	1,817,972,895	7.22	1,949,313,121	7.22	11,155,[illegible],256
Missouri	1,849,248,945	2,015,881,350	9.00	2,102,980,352	4.33	2,208,908,653	5.04	2,342,804,483	6.07	2,444,352,257	4.33	2,582,540,129	4.84	15,526,[illegible],178
Montana	312,212,472	340,311,595	9.00	358,985,129	4.90	379,852,743	6.41	404,185,202	6.41	429,750,239	6.33	450,959,149	4.94	2,674,[illegible],529
Nebraska	483,900,417	497,103,045	7.16	518,627,607	4.33	541,084,163	4.33	564,513,128	4.33	588,956,546	4.33	614,456,365	4.33	3,780,[illegible],291
Nevada	257,898,453	281,107,134	9.00	301,415,839	7.22	323,191,754	7.22	346,540,880	7.22	371,576,874	7.22	398,421,803	7.22	2,280,[illegible],538
New Hampshire	560,000,000	579,600,000	3.50	596,988,000	3.00	611,912,700	2.50	625,680,738	2.25	638,194,350	2.00	650,958,237	2.00	4,263,[illegible],624
New Jersey	2,854,821,241	2,954,532,984	3.50	3,043,168,974	3.00	3,119,248,198	2.50	3,189,431,282	2.25	3,253,219,908	2.00	3,318,284,306	2.00	21,732,[illegible],303
New Mexico	634,756,945	691,885,070	8.00	741,870,602	7.22	795,467,359	7.22	852,936,237	7.22	914,556,878	7.22	980,629,537	7.22	6,612,[illegible],730
New York	12,901,793,038	13,353,355,795	3.50	13,753,956,468	3.00	14,097,805,380	2.50	14,415,006,001	2.25	14,703,306,121	2.00	14,997,372,244	2.00	98,222,[illegible],048
North Carolina	2,587,883,806	2,820,793,352	9.00	2,642,933,704	4.33	3,070,362,733	4.33	3,203,309,440	4.33	3,342,012,736	4.33	3,486,721,890	4.33	21,451,[illegible],987
North Dakota	241,168,563	262,873,733	9.00	274,256,166	4.33	286,131,458	4.33	298,520,950	4.33	311,446,907	4.33	324,932,568	4.33	1,999,[illegible],037
Ohio	4,034,049,690	4,397,114,162	9.00	4,587,509,205	4.33	4,786,148,354	4.33	4,993,388,578	4.33	5,209,602,303	4.33	5,435,176,083	4.33	33,443,[illegible],375
Oklahoma	911,198,775	993,206,864	9.00	1,064,961,303	7.22	1,141,899,885	7.22	1,224,398,929	7.22	1,312,854,008	7.22	1,407,701,703	7.22	8,056,[illegible],166
Oregon	1,088,670,440	1,186,650,780	9.00	1,238,032,758	4.33	1,291,639,577	4.33	1,347,587,571	4.33	1,405,917,248	4.33	1,466,793,465	4.33	9,025,[illegible],035
Pennsylvania	4,454,423,400	4,760,087,193	6.86	4,966,198,968	4.33	5,181,235,384	4.33	5,405,582,879	4.33	5,639,844,614	4.33	5,883,841,226	4.33	36,291,[illegible],082
Rhode Island	545,686,282	584,785,281	3.50	581,728,839	3.00	596,272,060	2.50	609,888,182	2.25	621,881,945	2.00	634,319,584	2.00	4,154,[illegible],155
South Carolina	1,621,021,815	1,766,913,779	9.00	1,880,098,054	6.41	2,000,532,643	6.41	2,128,681,985	6.41	2,265,040,267	6.41	2,410,133,336	6.41	14,072,[illegible],379
South Dakota	282,804,959	286,457,405	9.00	298,861,011	4.33	311,801,693	4.33	326,015,059	4.56	340,132,137	4.33	356,578,005	4.84	2,182,[illegible],968
Tennessee	2,519,934,251	2,746,728,333	9.00	2,865,881,870	4.33	2,989,744,820	4.33	3,119,200,771	4.33	3,254,262,184	4.33	3,395,171,716	4.33	20,850,[illegible],725
Texas	6,351,909,343	6,923,561,164	9.00	7,423,778,254	7.22	7,960,112,276	7.22	8,535,193,977	7.22	9,151,822,700	7.22	9,813,000,028	7.22	56,159,[illegible],761
Utah	484,274,254	527,656,937	9.00	561,672,320	6.41	597,651,707	6.41	635,835,847	6.41	676,672,376	6.41	720,016,384	6.41	4,204,[illegible],638
Vermont	248,158,729	256,844,284	3.50	264,549,613	3.00	272,370,982	2.96	285,489,354	4.82	299,238,554	4.82	313,652,013	4.82	1,846,[illegible],529
Virginia	1,144,862,509	1,248,009,135	9.00	1,338,172,086	7.22	1,434,848,898	7.22	1,538,510,168	7.22	1,629,747,028	5.93	1,710,177,833	4.94	10,044,[illegible],657
Washington	1,783,460,998	1,825,182,131	3.50	1,879,937,595	3.00	1,926,936,035	2.50	1,970,292,096	2.25	2,009,697,937	2.00	2,049,891,896	2.00	13,425,[illegible],886
West Virginia	1,156,813,157	1,260,926,342	9.00	1,315,524,452	4.33	1,372,486,661	4.33	1,431,915,333	4.33	1,493,917,287	4.33	1,558,603,885	4.33	9,599,[illegible],098
Wisconsin	1,709,500,842	1,863,355,700	9.00	1,944,039,002	4.33	2,028,215,891	4.33	2,116,037,639	4.33	2,207,682,069	4.33	2,303,253,836	4.33	14,172,[illegible],779
Wyoming	132,915,390	137,567,429	3.50	146,379,870	6.41	155,756,402	6.41	165,733,765	6.41	176,350,295	6.41	187,648,874	6.41	1,103,[illegible],844
Subtotal: States & D	96,481,087,894	103,297,885,925	7.09	108,273,085,782	4.82	113,487,909,220	4.82	118,953,697,439	4.82	124,683,147,422	4.82	130,688,338,608	4.82	795,843,[illegible],168
Subtotal: Territories	139,950,000	149,869,128	7.09	157,087,367	4.82	164,653,263	4.82	172,583,560	4.82	180,895,808	4.82	189,608,405	4.82	1,154,[illegible],532
U.S. Total	96,601,037,894	103,447,755,053	7.09	108,430,173,129	4.82	113,652,562,483	4.82	119,126,480,999	4.82	124,864,043,230	4.82	130,877,947,213	4.82	797,000,[illegible],700

MEDICAID: REPUBLICAN BILL ©

NGA

Background

Why it is a block grant.

- 97% of total Federal funding is set in law and apportioned to states formulaically.

  Even if inflation doubled or the number of seniors needing nursing home care increased, total Federal Medicaid spending is fixed. States would have to absorb the excess costs.

  While a State's allocation from the fixed Federal pool may change over time, the total Federal spending does not. This implies that when one state's allotment goes up, another's goes down.

Why the block grant formula is the same as the Conference Agreement.

- Both include virtually identical "needs-based amounts", "floors", and "ceilings".

  The Republican bill allocates money to states using a formula that intends to allocate funds according to need, but really gives states "floor" and "ceiling" growth rates. This is the same approach as taken in the Conference Agreement.

- Enrollment growth is not in the formula.

  The only actual Medicaid enrollment in the formula takes the form of a case mix index. This is different than incorporating enrollment growth.

- While there is an inflation factor in the Republican formula, it is irrelevant.

  Since (a) most states get the floor and ceiling growth rates rather than the needs-based amount, and (b) the adjustment factor (scalar) bumps all states up or down to control states to the national fixed cap, the inflation term in the needs-based formula is muted.

- DSH is included in the base and growth.

  Since DSH is included in the base, States with large DSH programs get to keep the money at the expense of low-DSH states. This is different than the NGA agreement which froze the growth in DSH for high-DSH states.

Why money does not follow the people.

- The allocation method in the block grant does not include caseload growth.

- The umbrella fund is flawed.

  It is time-limited. A state gets the money only for the year in which enrollment growth for eligible groups is higher than "anticipated". If those enrolled people remain in the program and their growth is not "excessive", the states does not receive any additional fund reflecting the expanded population. They must accommodate the new people in the block grant based on their old caseload.

  It is hard to access. The following are the conditions that a state must meet before receiving umbrella funds:

  It must have used all block grant funds, including any carry over funds from previous years.

  The umbrella is just for mandatory and some optional populations. Optional disabled are only considered if the old definition of disability is used. Optional eligibles are counted only toward the umbrella only if they are given the guaranteed benefits package.

  "Excess" enrollment in one group must offset "less than anticipated" enrollment in other groups. If a state has "excess" children, but lower than "anticipated" elderly and disabled, it may not receive umbrella funds.

  "Anticipated enrollment growth" has nothing to do with enrollment growth. It is simply the difference between the block grant growth rates and CPI. Thus, States with "floor" growth rates are more likely to receive funds than states with "high" growth rates. For example, New York, which receive the lowest growth rates (2% by 2000), will have virtually no "anticipated enrollment growth" so that any additional enrollment in eligible groups will yield umbrella payments. In contrast, a state like Florida, which has a "ceiling" growth rate (about 7.2% by 1998) will have a difficult time accessing umbrella funds. Its "anticipated enrollment growth" would be over 4 percent, which is significantly higher than the general enrollment growth rate of 3 percent.

  Umbrella funds are not folded into the base or carried over.

  It is not sufficient to help states in times of great need.

  The per-beneficiary amount that states get for "excess enrollment" is (a) indexed by CPI, which is lower than most estimates of health care cost inflation; and (b) is multiplied by the old FMAP, which is lower than the new FMAP used in the block grant.

MYTHS AND FACTS ABOUT THE REPUBLICAN MEDICAID REPEAL H.R. 3507 (Archer-Bliley)

(Revised, May 23, 1996)

MYTH #1: WE'RE INCREASING MEDICAID SPENDING, NOT CUTTING IT

FACT: The Republican budget would reduce Federal spending on Medicaid over the next 6 years by $72 billion. This means that, compared with what the Congressional Budget Office (CBO) estimates is necessary to maintain the program's current level of coverage, the Federal government would be spending $72 billion less – a cut of about 9 percent. In the year 2002 alone, the cut in Federal Medicaid spending would be 16 percent below the amount CBO estimates is needed to maintain the program at its current level of coverage.

Cuts in Federal spending are less than half the story, however. If the States reduce their own spending as allowed under the Republican budget, State Medicaid spending will fall by $185 billion over the next 6 years. The total cut in Medicaid spending -- both Federal and State spending -- would be $257 billion, or 18 percent. In the year 2002 alone, the cut in total Federal and State spending would be 23.5 percent below the amount CBO estimates is needed to maintain the program at its current level.

MYTH #2: WE'RE "REFORMING" MEDICAID BY "RESTRUCTURING" IT

FACT: The Republican bill would repeal the Medicaid program and replace it with a block grant to the States. More specifically, the Republican bill repeals the individual Medicaid entitlement effective on October 1 of this year ~~– just a little over 4 months from now – and it repeals the current Medicaid statute on October 1, 1997~~. In place of the current Medicaid insurance program for basic health and nursing home care for over 36 million Americans, the Republican bill would create a block grant of Federal funds to the States. Needy Americans would no longer be entitled to basic physician or hospital or nursing home care; instead, States would be entitled to fixed amounts of Federal dollars and could vary the benefits they offered from person to person and area to area. It is difficult to imagine a more radical departure from current law.

MYTH #3: THE REPUBLICAN PLAN IS BASED ON THE "UNANIMOUS," "BIPARTISAN" PRINCIPLES ADOPTED BY THE NATIONAL GOVERNORS' ASSOCIATION (NGA).

FACT: On February 6, the NGA adopted a 6-page policy statement outlining their proposal for redesigning the Medicaid program. On May 22 – with no input from the Democratic Governors -- Republican members of Congress introduced a 201-page

legislative text purporting to reflect the NGA policy. However, the bill is the same Republican Medicaid repeal that was vetoed by President Clinton last December, with some additional fig leaves to camoflage the radical nature of the changes it seeks.

According to New York Times (May 22, 1996), here's what the Democratic Governors think of this so-called "bipartisan" bill:

- Governor Howard Dean of Vermont: this bill was written by the "right-wing majority in Congress...for the purpose of forcing the President to veto it."
- Governor Bob Miller of Nevada: "There has been no Democratic participation or inclusion" in the drafting of this legislation.
- Governor Roy Romer of Colorado: "It's obvious Republicans want to give [President Clinton] a bill he can't sign."

MYTH #4: THE REPUBLICAN BILL GUARANTEES COVERAGE FOR THE ELDERLY

FACT: The Republican bill puts the elderly -- especially the frail elderly in nursing homes -- and their families at risk of paying large amounts out-of-pocket for needed care and of losing much of their current coverage altogether.

- The Republican bill repeals the current entitlement that low-income elderly Americans have to needed nursing home care, effective October 1 -- just 4 months from now. Elderly Americans would no longer be guaranteed nursing home coverage if they used up their own funds paying for health care.

- The Republican bill repeals the current requirement that nursing home services and other benefits be "sufficient" in scope, allowing States to limit coverage to, say, 14 days per month, or 2 months per year. Elderly nursing home patients and their families would have to pay for the care received during those periods the State chose not to cover.

- The Republican bill repeals the current law requirement that nursing homes (or other providers) accept payment from Medicaid as payment in full. Elderly nursing home patients and their families would have to pay the difference between what the State pays the facility under Medicaid and the rate that the nursing home charges to its private patients.

- To compound this cost-shifting problem, the Republican bill repeals the current law requirement that States pay nursing homes "reasonable and adequate" rates for the services they provide to Medicaid patients, and it prohibits nursing homes from suing States in Federal court to obtain "reasonable and adequate" payment. As a result, States could pay "unreasonable and inadequate" rates to nursing homes. Of course, the facilities would then have little choice but to make up the reimbursement shortfall by collecting from their Medicaid patients or their families (i.e., spouses or siblings or adult children). Furthermore, the payment of "inadequate" rates could jeopardize the ability of the facility to

provide quality care notwithstanding the continuing application of current law quality standards, especially in facilities with large numbers of residents eligible for Medicaid.

- The Republican bill repeals the current law prohibition against the imposition of cost-sharing requirements on Medicaid nursing home patients. As a result, States could require each beneficiary to contribute, say, $25 per day toward the cost of nursing home care (there are no limits on the amount of cost-sharing a State may impose on an elderly beneficiary). Since most of the beneficiary's income is already applied toward the cost of care, the burden of this additional cost-sharing would, as a practical matter, fall on the individual's family. (The bill's provisions relating to "family impoverishment" apply only to the State; they do not prevent a nursing facility from collecting unpaid cost-sharing obligations from a beneficiary's family).

- The Republican bill repeals the current law prohibition against limiting or denying benefits solely on the basis of diagnosis, illness, or condition. This will allow States to reduce their coverage for elderly individuals with conditions that are expensive to treat. For example, a State could provide unlimited nursing home coverage to an elderly individual with terminal cancer but limit nursing home coverage for an elderly Alzheimer's patient to 1 year. (The bill's prohibition against preexisting condition exclusions does not bar States from discriminating in coverage against individuals with health problems they did not have prior to qualifying for Medicaid).

- The Republican bill repeals current law "freedom of choice" protection, which ensures that Medicaid beneficiaries can choose the physician or other provider from which they receive covered services. (Providers are not required to participate in Medicaid). States could therefore require elderly beneficiaries to receive services from nursing homes, physicians, or managed care plans selected by the State – not by the beneficiary.

- The Republican bill prohibits the elderly Americans and their families from seeking to enforce their rights under Medicaid, including their rights to "guaranteed" coverage and their rights to nursing home care of adequate quality, against a State in Federal court.

MYTH #5: THE REPUBLICAN BILL GUARANTEES COVERAGE FOR CHILDREN.

FACT: The Republican bill strips over 18 million poor children of the health insurance coverage which they are guaranteed under current law. Children with disabilities or health conditions that are expensive to treat -- and their families – are at particular risk of losing coverage.

- The Republican bill repeals the current entitlement to a basic benefit package for every American child under 13 living in a family in poverty. This repeal, which will leave over 18 million children uninsured, is effective October 1 -- just 4 months from now.

- The Republican bill repeals the current requirement that States provide basic health care coverage to children age 13 up to 18 living in poverty (this requirement is being phased in one year at a time). Under the Republican bill, coverage of these children would be at the option of each State.

- The Republican bill repeals the current requirement that, for all eligible children, States provide coverage for necessary treatment for physical and mental illnesses and conditions discovered during the course of a periodic health screening or physical exam. As a result, States could limit payment -- or deny it altogether -- for the necessary treatment of physical or mental health problems that a child has been diagnosed as having.

- The Republican bill repeals the current law requirement that physician, hospital, or other so-called "guaranteed" benefits be "sufficient" in scope. As a result, States would be allowed to limit children to, say, 1 physician visit per month or 5 hospital days per year. Children needing additional care would then have to seek charity from the provider or financial help from their relatives or churches.

- The Republican bill prohibits children (or their parents) from seeking to enforce their rights to "guaranteed" Medicaid coverage against a State in Federal court.

MYTH #6: THE REPUBLICAN BILL GUARANTEES COVERAGE TO THE DISABLED

FACT: Under the Republican bill, some 6 million Americans with disabilities will lose their entitlement to basic health and long-term care coverage. As a result, these Americans -- and their families -- are at risk of paying large amounts out-of-pocket for needed care, or of losing their coverage altogether.

- The Republican bill repeals the individual entitlement to basic health and long-term care services that disabled Americans eligible for Medicaid now have. This repeal is effective on October 1 -- just four months from now.

- Under the bill, States would not be required to offer coverage to individuals determined to be disabled for purposes of SSI; instead, States would be able to use their own, potentially more restrictive, standards for determining disability. Whichever approach a State were to choose, an individual determined to be disabled would not have an entitlement to a minimum package of benefits.

- The Republican bill repeals the current law prohibition against the imposition of

cost-sharing requirements on disabled individuals eligible for Medicaid, whether they are residing in an institution or not. As a result, States could require a disabled beneficiary (other than a child) to contribute, say, $25 per day toward the cost of care in a group home or intermediate care facility for the mentally retarded (ICF/MR). (There are no limits on the amount of cost-sharing a State may impose on a disabled beneficiary other than a disabled child with respect to any covered service). The burden of this additional cost-sharing could, as a practical matter, fall on the individual's family. (The bill's provisions relating to "family impoverishment" apply only to the State; they do not prevent a group home or ICF/MR from collecting unpaid cost-sharing obligations from a beneficiary's family).

- The Republican bill repeals the current law "freedom of choice" protection, which ensures that Medicaid beneficiaries can choose the physician or other provider from which they receive covered services. (Providers are not required to participate in Medicaid). States could therefore require disabled adult beneficiaries to receive services from hospitals, nursing homes, physicians, or managed care plans selected by the State -- not by the beneficiary. States could require disabled children to receive services from hospitals or specialists or managed care plans designated by the State -- not by the child's parents.

- The Republican bill prohibits disabled Americans and their families from seeking to enforce their rights under Medicaid, including their rights to "guaranteed" coverage and their rights to ICF/MR care of adequate quality, against a State in Federal court.

MYTH #7: UNDER THE REPUBLICAN BILL, THE MONEY FOLLOWS THE PEOPLE

FACT: The Republican bill repeals the current Medicaid program, an individual entitlement under which Federal dollars directly follow the people eligible, and replaces it with a block grant, under which the States -- not individuals -- are entitled to "base allotments" of Federal funds.

- The Republican bill cuts Federal Medicaid payments to the States over the next six years from $803 billion to $731 billion. Of that $731 billion, $700 billion -- about 96 percent of the Federal funds -- will be distributed to States in the form of block grant payments, or "base allotments." These fixed annual payments to the States are calculated using a formula that primarily reflects historical Medicaid spending in each State (including "disproportionate share" hospital spending) and does not take caseload growth into account. Only about $26 billion -- less than 4 percent -- of all the Federal Medicaid payments to the States will reflect enrollment growth; these funds will be distributed to the States through a so-called "umbrella" adjustment to the basic block grant allotment to help defray -- on a one-time basis -- the cost of certain unanticipated enrollment

increases.

- The Republican bill establishes two funds to supplement the "base allotment" for specified States with illegal aliens and Native Americans. Each of these funds is a fixed dollar amount that will be apportioned among eligible States each year and that does not vary with the number of eligible illegal aliens or Native Americans.

MYTH #8: THE REPUBLICAN BILL REDUCES WASTE, FRAUD, AND ABUSE.

FACT: Over the past 10 years, the largest single abuse of Federal Medicaid funds has been the use by some States of what GAO has called "illusory financing schemes" -- provider taxes and donations, often in conjunction with fictitious payments to "disproportionate share" (DSH) hospitals -- which enabled the State to substitute Federal for State dollars, effectively reducing the State's share of program costs. For example, through the use of provider tax and donation arrangements and DSH payments, Tennessee was able to lower its share of program cost from 33 precent -- the percentage required under the Federal-State matching formula -- to 17 percent.

In 1991, and again in 1993, Congress enacted legislation designed to curb these abuses. The Republican bill expressly repeals these statutory safeguards, reopening the door to abuse of the Federal treasury by States seeking to lower their own Medicaid spending without reducing the amount of Federal Medicaid funds they draw down. There is no limit to how many State dollars a State can "back out" of the program through the use of these illusory financing schemes under the Republican bill; theoretically, a State could reduce its own contribution to zero, effectively Federalizing the program.

QUESTIONABLE

MYTH #9: STATES WON'T CUT BACK ON ELIGIBILITY AND BENEFITS

FACT: Under the Republican Medicaid repeal, most States will have no realistic choice but to cut back on eligibility, benefits, and/or payments to providers. The issue is not whether, but how soon, and who gets hit first? The Republican bill gives the States all the tools they need to cut back and every incentive to do so.

- The Republicans understand that delivery system reforms such as managed care won't produce anywhere near the $72 billion in savings that the Federal government will take out of the program over the next 6 years, much less the $257 billion in total Federal and State funding cuts that their bill envisions. So the Republican bill gives States all the tools they need to lower their spending by limiting coverage to the frail elderly, the disabled, and low-income women and children; by shifting costs of care to the patients and their families; and by reducing payments to hospitals and nursing homes and physicians that treat Medicaid patients and by allowing those providers to recover any payment

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Spending Reductions Under Republican Medicaid Bill (H.R. 3507)
Six Year (1997 to 2002)

Changes from Baseline Spending, Excluding "Umbrella" Payments

	Federal		Federal & State	
	Dollars (millions)	Percent	Dollars (millions)	Percent
Block Grant Reductions	**-$99,002**	**-12%**	**-$297,045**	**-21%**
Umbrella Payments (Not allocated by General Accounting Office)	**+$26,100**	**+3%**	**+$45,789**	**+3%**
TOTAL REDUCTIONS	**-$72,902**	**-9%**	**-$251,256**	**-18%**
Alabama	-501	-4%	-1,422	-8%
Alaska	-105	-6%	-729	-22%
Arizona	-1,162	-10%	-1,824	-10%
Arkansas	-181	-2%	-318	-3%
California	-5,486	-7%	-36,023	-23%
Colorado	-538	-8%	-2,444	-20%
Connecticut	-1,917	-17%	-7,060	-30%
Delaware	6	0%	-484	-16%
District of Columbia	-910	-22%	-2,927	-35%
Florida	-3,692	-11%	-14,812	-25%
Georgia	-4,899	-21%	-7,936	-21%
Hawaii	-356	-14%	-1,425	-29%
Idaho	-75	-3%	-111	-3%
Illinois	-3,419	-12%	-15,645	-27%
Indiana	-2,946	-17%	-4,708	-17%
Iowa	-772	-11%	-1,204	-11%
Kansas	-638	-11%	-1,225	-12%
Kentucky	-1,876	-13%	-3,690	-19%
Louisiana	-13,295	-45%	-20,044	-49%
Maine	-1,225	-21%	-2,141	-23%
Maryland	-1,414	-12%	-6,154	-27%
Massachusetts	-3,021	-14%	-12,422	-28%

CONTINUED ...

NOTES: The sum of the reductions by State would be $72 billion if the Umbrella payments ($26.1 b), the territories ($0.8 b) and the cost of the "special rule" ($0.3 b) were included. Block grant spending allocated by State by the General Accounting Office (May 22, 1996). GAO did not allocate the Umbrella payments. Total spending under the proposal is estimated by dividing Federal block grant spending by the new matching rate (as estimated by GAO on 12/1/95). Assumes that States will spend no more than is required to draw down the full Federal block grant. Baseline spending from Urban Institute State Medicaid Expenditure model, controlled to the March 1996 CBO baseline, adjusted for the April baseline change.

Spending Reductions Under Republican Medicaid Bill (H.R. 3507)
Six Year (1997 to 2002)

Changes from Baseline Spending, Excluding "Umbrella" Payments

	Federal		Federal & State	
	Dollars (millions)	Percent	Dollars (millions)	Percent
CONTINUED				
Michigan	-3,135	-11%	-8,768	-18%
Minnesota	-2,985	-20%	-7,816	-28%
Mississippi	-1,037	-9%	-1,748	-12%
Missouri	-391	-3%	-814	-3%
Montana	-327	-12%	-477	-12%
Nebraska	-654	-16%	-1,149	-17%
Nevada	266	13%	-418	-10%
New Hampshire	-220	-6%	-1,675	-21%
New Jersey	-3,664	-16%	-13,754	-30%
New Mexico	-310	-6%	-453	-6%
New York	-13,301	-13%	-55,559	-28%
North Carolina	-4,052	-18%	-6,287	-18%
North Dakota	-106	-6%	-156	-6%
Ohio	-2,745	-9%	-4,563	-9%
Oklahoma	351	5%	475	5%
Oregon	-140	-2%	-249	-2%
Pennsylvania	-3,442	-10%	-13,596	-20%
Rhode Island	-682	-16%	-1,956	-25%
South Carolina	-921	-7%	-2,080	-11%
South Dakota	-76	-4%	-121	-4%
Tennessee	1,280	7%	352	1%
Texas	-7,553	-13%	-12,954	-14%
Utah	-188	-5%	-259	-5%
Vermont	-133	-7%	-218	-7%
Virginia	-946	-10%	-4,373	-23%
Washington	-2,698	-19%	-9,229	-32%
West Virginia	-2,275	-21%	-3,486	-24%
Wisconsin	-388	-3%	-772	-4%
Wyoming	-108	-10%	-191	-11%

NOTES: The sum of the reductions by State would be $72 billion if the Umbrella payments ($26.1 b), the territories ($0.8 b) and the cost of the "special rule" ($0.3 b) were included. Block grant spending allocated by State by the General Accounting Office (May 22, 1996). GAO did not allocate the Umbrella payments. Total spending under the proposal is estimated by dividing Federal block grant spending by the new matching rate (as estimated by GAO on 12/1/95). Assumes that States will spend no more than is required to draw down the full Federal block grant. Baseline spending from Urban Institute State Medicaid Expenditure model, controlled to the March 1996 CBO baseline, adjusted for the April baseline change.

Change in the Matching Rate Under
The Republican Conference Agreement

	Current (96)	Proposed
Total	**57%**	**63%**
Alabama	69.85%	**72.92%**
Alaska	50.00%	60.00%
Arizona	65.85%	65.85%
Arkansas	73.61%	**74.11%**
California	50.00%	60.00%
Colorado	52.44%	60.00%
Connecticut	50.00%	60.00%
Delaware	50.33%	60.00%
District of Columbia	50.00%	60.00%
Florida	55.76%	**65.70%**
Georgia	61.90%	61.90%
Hawaii	50.00%	60.00%
Idaho	68.78%	68.78%
Illinois	50.00%	60.00%
Indiana	62.57%	62.57%
Iowa	64.22%	64.22%
Kansas	59.04%	60.00%
Kentucky	70.30%	**74.73%**
Louisiana	71.89%	**77.13%**
Maine	63.32%	**65.16%**
Maryland	50.00%	60.00%
Massachusetts	50.00%	60.00%
Michigan	56.77%	**61.22%**
Minnesota	53.84%	60.00%
Mississippi	78.07%	**80.74%**
Missouri	60.06%	**60.49%**
Montana	69.38%	69.38%
Nebraska	59.49%	60.00%
Nevada	50.00%	60.00%
New Hampshire	50.00%	60.00%
New Jersey	50.00%	60.00%
New Mexico	72.87%	**72.95%**
New York	50.00%	60.00%
North Carolina	64.59%	64.59%
North Dakota	69.06%	69.06%
Ohio	60.17%	60.17%
Oklahoma	69.89%	69.89%
Oregon	61.01%	61.01%
Pennsylvania	52.93%	60.00%
Rhode Island	53.84%	60.00%
South Carolina	70.77%	**74.04%**
South Dakota	66.66%	66.66%
Tennessee	65.64%	**69.61%**
Texas	62.30%	**62.75%**
Utah	73.21%	73.21%
Vermont	60.87%	60.87%
Virginia	51.37%	60.00%
Washington	50.19%	60.00%
West Virginia	73.26%	**75.76%**
Wisconsin	59.67%	60.00%
Wyoming	59.69%	60.00%

"Current" is the FY 1996 FMAP; "Proposed" comes from General Accounting Office (December 1995).

Note: NH and LA get special matching rate treatment

Archer-Bliley Medicaid Formula

Max. Federal Funding$_{S,t}$= (Base $_{S,t}$) + (Umbrella $_{S,t}$) + (Undocumented Pool $_{S,t}$) + (Indian Pool $_{S,t}$)

Where:

Base $_{S,t}$ = $Floor_{S,t} \le [(Need_{S,t}) \times (Adj.\ Factor_t)] \le Ceiling_{S,t}$, *where*

Floor$_{S,t}$: One of three minimum amounts:

a. If $[(Base_{S,97}) \div (Base_{S,96}) - 1] > \{(0.95) \times [(Fed.\ Pool_{97}) \div (Fed.\ Pool_{96}) - 1]\}$,
Then $Floor_{S,t} = (Base_{S,t-1}) \times (1 + \{(0.90) \times [(Fed.\ Pool_t) \div (Fed.\ Pool_{t-1}) - 1]\})$ beginning in 1998, else

b. If $Base_{S,t} < (0.24) \times (Fed.\ Pool_t)$,
Then $Floor_{S,t} = (0.24) \times (Fed.\ Pool_t)$, else

c. $Floor_{S,t} = (Base_{S,t-1}) \times$ 1.035 for 1997,
1.030 for 1998,
1.025 for 1999,
1.0225 for 2000 , and
1.020 for subsequent years.

Need$_{S,t}$: (Agg. Need$_{S,t}$) x (Old FMAP$_{S,t}$), *where*

Agg. Need$_{S,t}$= (Prog. Need $_{S,t}$) x (Cost Index $_{S,t}$) x (CPI) x (Spend. per Poor$_{N,t}$), *where*

Prog. Need $_{S,t}$ = (Poor$_{S,t}$) x $[0.9 \le \sum(\text{Casemix Adj.}_{G,S,t}) \le 1.15]$, *where*
Casemix Adj. $_{G,S,t}$ = (Nat'l Group Weight$_{G,N,t}$) x (Group Proportion$_{G,S,t}$)

Cost Index$_{S,t}$ = $0.15 + 0.85 \times [(HospWage_{S,t}) \div (HospWage_{N,t})]$

Spend. per Poor$_{N,t}$, = (Spend. per Poor $_{N,(t-1)}$) x [(Fed. Pool $_t$) ÷ (Fed. Pool $_{t-1}$)]

Old FMAP$_S$ = $1 - 0.45 \times [(PerCapita\ Income_{S,t}) \div (PerCapita\ Income_{N,t})]^2$

Adj. Factor$_t$: Fed Pool$_t$ ÷ ∑(Need$_{S,t}$), *subject to floors and ceilings*

Ceiling$_{S,t}$: One of two maximum amounts:

a. If Rank [(Base $_{S,t-1}$) ÷ (Poor$_{S,t}$)] < 40,
Then Ceiling$_{S,t}$ = (Base $_{S,t-1}$) x (1 + {(1.5) x [(Fed. Pool $_t$) ÷ (Fed. Pool $_{t-1}$) – 1}), else

b. Ceiling$_{S,t}$ = (Base $_{S,t-1}$) x (1 + {(1.33) x [(Fed. Pool $_t$) ÷ (Fed. Pool $_{t-1}$) – 1})

Umbrella $_{S,t}$ = ∑ [(Excess Recip $_{G,S,t}$) x (Spend. per Recip $_{G,S,t}$) x (Old FMAP$_{S,t}$)], *where*

Excess Recip $_{G,S,t}$ = (Recip $_{G,S,t}$) – (Antic. Recip $_{G,S,t}$), *where*

Antic. Recip $_{G,S,t}$ = (Recip $_{G,S,t-1}$) x [(Base $_{S,t}$) ÷ (Base $_{S,t-1}$) – (CPI $_t$)]

Spend. per Recip $_{G,S,t}$ = (Spend. per Recip $_{G,S,95}$) x (CPI $_{95...t}$)

Undocumented Pool $_{S,t}$ = (Fed. Pool $_t$) x (Proportion $_{S,t}$), *where*

Proportion $_{S,t}$: If Rank (Undocumented $_{S,t}$) > 16,
Then Proportion $_{S,t}$ = (Undocumented $_{S,t}$) ÷ (∑(Undocumented $_{\text{Eligible } S,t}$), else = 0

Indian Pool $_{S,t}$ = (Fed. Pool $_t$) x (Proportion $_{S,t}$), *where*

Proportion $_{S,t}$: If a State has at least one Indian Health facility or program
Then Proportion $_{S,t}$ = (Indians $_{S,t}$) ÷ (∑(Indians $_{\text{Eligible } S,t}$)

Definitions:

S: State
N: National
t: Year
G: Groups of recipients
Nat'l Group Weight: National spending per beneficiary for the group divided by the National spending per beneficiary for all groups
Group Proportion: State number of beneficiaries in a group divided by the total number of beneficiaries

Medicaid Spending Reductions under the Archer-Bliley Proposal, 1997-2002

Excludes "Umbrella" Payments

(Dollars in millions, fiscal years)

	Federal Reduction		Federal & State Reduction	
	Dollars	Percent	Dollars	Percent
Total	**-99,368 ****	**11%**	**-296,526 ****	**-19%**
Alabama	-473	-3%	-1,380	-7%
Alaska	-109	-6%	-717	-20%
Arizona	-1,213	-9%	-1,870	-9%
Arkansas	-114	-1%	-226	-2%
California	-6,204	-7%	-37,192	-21%
Colorado	-617	-9%	-2,584	-19%
Connecticut	-1,866	-14%	-6,957	-27%
Delaware	40	2%	-417	-12%
District of Columbia	-894	-19%	-2,894	-31%
Florida	-3,770	-10%	-14,909	-23%
Georgia	-5,111	-20%	-8,274	-20%
Hawaii	-320	-12%	-1,353	-24%
Idaho	-71	-3%	-103	-3%
Illinois	-3,358	-10%	-15,492	-24%
Indiana	-3,063	-16%	-4,894	-16%
Iowa	-756	-10%	-1,178	-10%
Kansas	-623	-10%	-1,196	-11%
Kentucky	-1,974	-13%	-3,829	-17%
Louisiana	-14,247	-43%	-21,367	-46%
Maine	-1,225	-19%	-2,139	-21%
Maryland	-1,415	-11%	-6,150	-24%
Massachusetts	-2,871	-12%	-12,113	-24%
Michigan	-3,049	-10%	-8,605	-15%
Minnesota	-2,886	-17%	-7,620	-25%
Mississippi	-1,056	-9%	-1,773	-11%
Missouri	-341	-2%	-729	-3%
Montana	-332	-11%	-478	-11%
Nebraska	-658	-15%	-1,154	-15%
Nevada	269	12%	-407	-9%
New Hampshire	-186	-4%	-1,607	-18%
New Jersey	-3,632	-14%	-13,669	-27%
New Mexico	-326	-5%	-461	-6%
New York	-12,797	-11%	-54,471	-24%
North Carolina	-4,070	-16%	-6,303	-16%
North Dakota	-99	-5%	-143	-5%
Ohio	-2,619	-7%	-4,349	-7%
Oklahoma	343	4%	492	4%
Oregon	30	0%	36	0%
Pennsylvania	-3,300	-8%	-13,324	-18%
Rhode Island	-647	-13%	-1,890	-21%
South Carolina	-915	-6%	-2,071	-10%
South Dakota	-63	-3%	-94	-3%
Tennessee	1,686	9%	972	3%
Texas	-7,870	-12%	-13,422	-13%
Utah	-179	-4%	-244	-4%
Vermont	-102	-5%	-167	-5%
Virginia	-967	-9%	-4,405	-20%
Washington	-2,648	-16%	-9,105	-28%
West Virginia	-2,333	-20%	-3,566	-22%
Wisconsin	-262	-2%	-555	-2%
Wyoming	-104	-9%	-183	-9%

NOTE: Federal savings would be $72 billion and total savings would be $250 billion if the Umbrella Payments were included.

GAO did not allocate the Umbrella Payments across States.

Baseline spending from the Urban Institute State Medicaid Expenditure Baseline, controlled to the March 1996 CBO baseline totals

Federal spending from the GAO table released March 22, 1996, plus allocation of the Undocumented Aliens pool. Does not include Indian Pool.

Total spending under the proposal is the Federal spending divided by the matching rates estimated by GAO on 12/1/95 for the Conf. Agreement.

Assumes that States will spend the minimum to draw down their full Federal allotment.

Archer-Bliley Federal Medicaid Growth Rates

Special Growth Rate Ceiling: 7.2% in 1998 and on (150% of national rate)	
California	Nevada
Florida	New Mexico
Idaho	Oklahoma
Mississippi	Texas
	Virginia *
General Growth Rate Ceiling: 6.4% in 1998 and on (133% of national rate)	
Alabama	Georgia *
Alaska	Kentucky
Arizona	Louisiana*
Arkansas	Montana *
Colorado*	South Carolina
Delaware	Utah
	Wyoming
Special Growth Rate Floor: 4.3% in 1998 and on (90% of national rate)	
Illinois *	North Dakota
Indiana	Ohio
Iowa	Oregon
Kansas	Pennsylvania
Maryland	South Dakota *
Michigan	Tennessee
Missouri *	West Virginia
Nebraska	Wisconsin
North Carolina	
General Growth Rate Floor: 2.0% by 2001	
Connecticut	New Hampshire
District of Columbia	New Jersey
Hawaii	New York
Maine	Rhode Island
Massachusetts	Washington
Minnesota	
Small-State Minimum (0.24% of total Federal allotment)	
Vermont *	

Source: Data from the US General Accounting Office, 5/22/96

* States that either move into a different floor or ceiling group or whose Federal allotment is determined by the needs-based amount or scalar for some years during the 1997 - 2002 period.

Federal Medicaid Spending Reductions under the Archer-Bliley Proposal, 1997-2002

Excludes "Umbrella" Payments

(Dollars in millions, fiscal years)

	Federal Reduction	
	Dollars	Percent
Total	**-99,368 ****	**11%**
Alabama	-473	-3%
Alaska	-109	-6%
Arizona	-1,213	-9%
Arkansas	-114	-1%
California	-6,204	-7%
Colorado	-617	-9%
Connecticut	-1,866	-14%
Delaware	40	2%
District of Columbia	-894	-19%
Florida	-3,770	-10%
Georgia	-5,111	-20%
Hawaii	-320	-12%
Idaho	-71	-3%
Illinois	-3,358	-10%
Indiana	-3,063	-16%
Iowa	-756	-10%
Kansas	-623	-10%
Kentucky	-1,974	-13%
Louisiana	-14,247	-43%
Maine	-1,225	-19%
Maryland	-1,415	-11%
Massachusetts	-2,871	-12%
Michigan	-3,049	-10%
Minnesota	-2,886	-17%
Mississippi	-1,056	-9%
Missouri	-341	-2%
Montana	-332	-11%
Nebraska	-658	-15%
Nevada	269	12%
New Hampshire	-186	-4%
New Jersey	-3,632	-14%
New Mexico	-326	-5%
New York	-12,797	-11%
North Carolina	-4,070	-16%
North Dakota	-99	-5%
Ohio	-2,619	-7%
Oklahoma	343	4%
Oregon	30	0%
Pennsylvania	-3,300	-8%
Rhode Island	-647	-13%
South Carolina	-915	-6%
South Dakota	-63	-3%
Tennessee	1,686	9%
Texas	-7,870	-12%
Utah	-179	-4%
Vermont	-102	-5%
Virginia	-967	-9%
Washington	-2,648	-16%
West Virginia	-2,333	-20%
Wisconsin	-262	-2%
Wyoming	-104	-9%

NOTE: Federal savings would be $72 billion and total savings would be $250 billion if the Umbrella Payments were included.

GAO did not allocate the Umbrella Payments across States.

Baseline spending from the Urban Institute State Medicaid Expenditure Baseline, controlled to the March 1996 CBO baseline totals

Federal spending from the GAO table released March 22, 1996, plus allocation of the Undocumented Aliens pool. Does not include Indian Pool.

Total spending under the proposal is the Federal spending divided by the matching rates estimated by GAO on 12/1/95 for the Conf. Agreement.

Assumes that States will spend the minimum to draw down their full Federal allotment.