



Medicare and Medicaid

Medicare

Medicare is the largest public health care program in the United States. For over 40 years, Medicare has made it feasible for doctors to provide health care to America's seniors. The Affordable Care Act (ACA) makes several adjustments to Medicare: payment and delivery system reforms to improve quality and contain cost, decreased subsidies to private insurance companies that administer Medicare, and some cuts to reimbursements – overall extending the solvency of Medicare by 9 years. The budget proposal offered by Congressman Paul Ryan would add many more provider cuts as well as a radical shift to a premium-support voucher system. Medicare would change from a “defined benefit” system, where the government pays providers the cost of covered services, to a “defined contribution” system, where seniors receive a voucher to purchase coverage in the private marketplace. **The Ryan plan would:**

- **Risk health care security of seniors.** Under a voucher system, seniors would pay for all costs beyond the value of the voucher. The value of vouchers would be pegged to a non-health economic indicator, such as GDP. Because health costs grow at a faster rate, seniors would be responsible for an increasing share of costs. According to the Congressional Budget Office, seniors could spend over two-thirds of their income on health under the Ryan budget plan by 2030. Many seniors would be forced to drop their insurance coverage.
- **Endanger senior protections.** The federal government currently protects Medicare beneficiaries by setting coverage policies and negotiating provider payment levels. Though private insurance options are available to seniors, a vast majority prefer traditional, fee-for-service Medicare. A shift to premium support would eliminate traditional Medicare and its consumer protections.
- **Increase administrative waste.** Medicare currently runs with very low administrative costs. Premium support through vouchers would increase the administrative burdens and complexity of enrollment.
- **Halt progress in improving the delivery system.** Delivery system reform projects, such as the Accountable Care Organizations and Patient Centered Medical Homes in the ACA, will work to encourage *quality* of care (reduced waste, greater coordination, and improved efficiency), rather than the high *quantity* of care that is driving health care cost growth at an out-of-control rate and doing little to improve patient health.

Medicaid

Medicaid is an essential safety net for many low-income Americans and vulnerable populations. States currently have widely different eligibility levels for Medicaid, and many are very stringent. In 2014, the ACA will expand Medicaid coverage to *all* individuals up to 133% of the federal poverty level. Between 2014 and 2019, the federal government will pay an estimated 95% of the cost of expanding Medicaid. Medicaid is jointly financed by the states and the federal government. Currently many states have historic revenue shortfalls and Medicaid enrollment increases; many states are considering decreasing the number of people and services that are covered. Federally, concerns over the budget deficit have led to major cost-cutting proposals, such as **shifting Medicaid to a block grant program that would:**

- **Further weaken the Medicaid safety net.** Federal regulations current ensure that individuals can receive Medicaid so long as they meet minimum standards. Under a block grant program, states would be free to weaken regulations. Many states would likely chose to cut costs by reducing enrollment. An estimated 44



million would lose access to Medicaid, which would threaten their health, lead to a rise in uncompensated care costs, and increase the strain on taxpayers and local providers.

- **Hamper cost containment and quality improvement.** Shifting to a block grant program would not reduce the underlying drivers of health care cost growth and would limit the ability for Medicaid to drive system improvements.

Summary

Together, Medicare and Medicaid play a key role in ensuring our nation's health, making it possible for physicians to provide care to the elderly, vulnerable and low-income Americans in our communities. The Affordable Care Act (ACA) will expand the role of both of these programs, using them as means for testing innovative new payment and care delivery models. It will also expand the number of people who gain access to health care through Medicaid.

Unfortunately, proposed changes to these programs at the federal level, most notably the shift to Medicare vouchers and Medicaid block grants, would endanger safety net programs for children, the elderly and the disabled and patients these programs serve. **The proposed changes in the Ryan budget would:**

- **Decrease access to health care.** Seniors, disabled, children, and low-income Americans would lose the safety net that currently protects the health and security of millions.
- **Decrease quality and ineffectively control costs.** Premium support and block grants will not reduce the underlying drivers of health care cost growth. Lasting cost control will come from a transformation of the way we pay for and deliver health care. Many new delivery system reform projects, such as the Accountable Care Organizations and Patient Centered Medical Homes in the ACA, will work to encourage *quality* of care (reduced waste, greater coordination, and improved efficiency), rather than the high *quantity* of care that is driving health care cost growth at an out-of-control rate and doing little to improve patient health.
- **Put patients at increased financial risk.** Premium support and block grants will control federal health spending over time, but they will do so by shifting financial risk and administrative burdens onto state and local providers, families, communities and vulnerable beneficiaries.

Sources:

Kaiser Family Foundation. *Implications of a Federal Block Grant Program for Medicaid.* April 2011.

Congressional Budget Office. *Preliminary analysis of Rivlin-Ryan health reform proposal.* November 17, 2010.

Henry Aaron. *How Not to Reform Medicare.* April 2011. *NEJM.*

Marilyn Moon. *Medicare: A Policy Primer.* 2008. The Urban Institute.