

Opening Statement by Rep. Henry A. Waxman
Subcommittee on Health
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Today we will hear from several of the Nation’s Governors on the current state of Medicaid, and their views on what can be done to make the program work better in serving the 47 million vulnerable Americans who depend on it.

This hearing occurs against a backdrop of extremely difficult fiscal times for our States, and a clear need for increased Federal assistance to help maintain Medicaid services during this economic downturn. And obviously, this hearing is held against the backdrop of a proposal from the Administration which would take the first steps toward block granting the Medicaid program, removing vital protections for beneficiaries and capping the Federal commitment to bear its fair share of the cost of the program.

Let’s be clear: the Bush Administration’s proposal is very bad news for the vulnerable people who depend on help from the Medicaid program—

- most of the people in nursing homes—in fact nearly 5 of every 6 of this vulnerable population,
- the wives and husbands left alone in the community who need enough money to live on when their spouses have to go into a nursing home so that they can avoid impoverishment,
- at least one-quarter of the disabled people covered by Medicaid, including severely disabled people who need help in order to stay in the work force,
- many of the children now covered in the program, as well as many of the pregnant women,
- people with AIDS who depend on Medicaid help for their life-saving drug therapies,

the list goes on and on. In fact, there is hardly a current beneficiary who is not at risk under the Administration proposal because of the simple fact that this proposal caps the Federal financial commitment and severs the link between Federal support and the cost and eligible population growth in any given State.

Instead of giving States the fiscal relief they need to maintain their Medicaid programs, the Bush proposal is an outrageous attempt to use the current fiscal crisis to entice States to give up their open-ended access to Federal funds and to agree to block grant the program.

There had been a great deal of attention to the carrot the Bush Administration has put on the table to bribe States to give up the long-term Federal support that under current law is inherently part of Medicaid. The Administration promises a short-term loan of some \$3.25 billion next year, and a total of some \$12.7 billion over the next several

years—all of which has to be paid back through reduced Federal funding in the following three years—to States which agree to the block grant. Not only is this increased funding clearly insufficient, not only does it have to be returned out of future budgets—but it masks the real long-term fiscal threat to any State that takes up the offer: a cap on future matching payments. It is unconscionable that the extra assistance has to be paid back. But even if it didn't, closing the end on the Federal share of the program—determining it by formula unrelated to a State's expenditures, is the real dagger pointed at the heart of Medicaid.

This Administration has made the calculation that Governors, understandably desperate for fiscal relief now, will ignore the long-term fiscal plight in which they will place their States if they agree to a cap on Federal support for Medicaid. I think this demeans the Governors, and is a cynical attempt to deny fiscal help now to States that stand up for their future rights and refuse to accept a future cap on Federal funds.

Over a long history of block grant programs, we know that once an artificial cap on Federal funds is in place, ultimately significantly less Federal funds will be available. The fact that the Administration has proposed an increase factor, based on a nationwide formula, does not change that fact one wit. Once an artificial limitation is in place, future increases in need, cost, and demand will no longer be the Federal government's problem.

This is particularly ironic and troublesome given the aging of the population and the critical role Medicaid plays in providing nursing home and community care services. The very area States have identified as the one that should ultimately be a Federal responsibility is one for which the Federal government is capping its contribution.

All of us are willing to consider views of the Governors and of the beneficiaries Medicaid serves to see what legislative changes would improve the program. We know that immediate help in the form of an enhanced Federal match is critical. And adjustments to make the program work more efficiently and effectively should of course be considered.

But asking Governors to pick short-term fiscal relief over long-term Medicaid support is wrong. It is bad for the States' ability to provide coverage to their needy citizens. And the ultimate losers will be the people who depend on the program.

The Administration has tried to mask the effect of their proposal by claiming that "mandatory" populations will be protected. The implication is that the poorest will be protected. That is wrong. It implies that this population will be unaffected. That is wrong. Match for critical services like prescription drugs would face limited funding through the block grant. Further, there has been no assurance that growth in payments for the population that still gets the regular Federal match would not further reduce the block grant funds available.

This Administration has made no secret of its desire to get out of the open-ended financial obligation that they have with the current Medicaid program. They know that

the population is aging, that services for baby boomers are on the horizon, that expenditures for prescription drugs are increasing at double digit rates, that as the technology to deal with severe disabilities increases costs do as well. They want to insulate themselves from these fiscal problems and leave them in the lap of the States.

This is the Administration that refused to support the bipartisan Senate bill that passed overwhelmingly that would give an immediate increase in Federal matching funds to all the States.

This is the Administration that let funds lapse under the SCHIP program to provide health care coverage for low-income children.

This is the Administration that puts tax breaks for high-income people way above any help for low and middle income people.

Make no mistake: if the Congress passes this proposal, it will mean more uninsured people, more vulnerable people who will not be able to get the services they need, more tragedies for America's families trying to care for aging parents, disabled children, and kids with special needs.

It would mean a tremendous shift of responsibility to the States without adequate Federal help.

It would mean the end of Medicaid, and a loss of its protections for the nearly 47 million Americans that depend on it.