

2408 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-0529
(202) 225-3976

DISTRICT OFFICE:
8436 WEST 30 STREET
SUITE 600
LOS ANGELES, CA 90048-4183
(213) 651-1040

Congress of the United States
House of Representatives

Washington, DC 20515-0529

HENRY A. WAXMAN
29TH DISTRICT, CALIFORNIA

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COMMITTEES:
COMMERCE
GOVERNMENT REFORM AND OVERSIGHT
PHILIP M. SCHILIRO
ADMINISTRATIVE ASSISTANT


Mr. Michael Levitas
The New York Times
229 West 43rd Street
New York City, New York 10036

Dear Mike:

I am submitting an op-ed on Medicaid for your consideration. I've worked on Medicaid legislation for twenty years and know well that the program has serious faults. The Republican plan, however, won't solve these problems; it will only exacerbate the failings Medicaid already has.

This op-ed describes the coverage of the current program and analyzes the consequences of the Republican "reform" effort. Thank you for reviewing this piece, and please let me or Phil Schiliro of my staff know if you will be able to include it on your page.

Sincerely,


HENRY A. WAXMAN
Member of Congress

Medicaid Op-Ed

By Rep. Henry A. Waxman

For the moment, Medicaid is the forgotten program in this year's budget debate. Republicans have little reason to publicize their planned cuts, and Democrats are generally more focused on Republican plans to use \$288 billion in Medicare cuts to finance tax cuts for the wealthy.

But the House Republicans' plans for Medicaid are so mind-boggling that anonymity is destined to end. First, Medicaid would be cut by \$187 billion over the next seven years. Second, the cuts are so draconian that the program will have to shrink by over 30% in the year 2002 alone. Last, and most troubling, the entire program would be converted into a block grant and turned over to the states.

In one fell swoop, this would dis-insure over 30 million Americans--the majority of them children. Over 4 million poor elderly would lose their guarantee to adequate nursing home care. Over 6 million disabled Americans would lose their access to specialized health care services necessary to keep them as independent as possible.

The Medicaid program should be made more efficient and waste must be slashed. But it makes no sense--economically or in human terms--to adopt a radical, short-sighted proposal that recklessly gambles with the fate of our health care system and the health of the most vulnerable Americans.

For thirty years the federal government has helped states pay the costs of health care and long-term care for low-income women and children, the disabled, and the elderly. Federal dollars pay roughly 57% (or \$89 billion) of the cost of this care.

Block grant proponents claim they aren't worried about breaking this commitment because they believe states will have little trouble living with funding cuts. They argue that providing flexibility and eliminating waste and fraud will offset any reductions.

They're dead wrong. Of the \$187 billion in proposed cuts, the nonpartisan Congressional Budget Office estimates that increased efficiency from using managed care and reducing payments to doctors and health facilities will yield only \$5 billion in savings over 7 years. That's a number worth thinking hard about. The worry-free rhetoric that soars on the House floor is an illusion; \$5 billion in legitimate savings is reality.

Even if the savings were ten times what CBO projects, this is still \$137 billion short of the reduction in federal dollars. Since savings are so small, states and counties would be at financial risk for cost increases in both basic health care (e.g., hospital, physician, clinic services) and long-term care (e.g., nursing home, home health care) for the poor, disabled, and elderly.

"Block grants" and "flexibility" are today's code words for the inevitable cuts in eligibility and benefits. And repealing

the individual entitlement is the legal mechanism for implementing these cuts. When the guarantee of coverage for needed hospital, physician, or nursing home care is lost for individuals now receiving them, the states will have no choice but to ration and deny health care to fit their budgets.

Here's why. The number of people eligible for Medicaid is growing at about 4% per year. The cost of the hospital, nursing home, and other services that Medicaid buys is growing at another 3 to 4% per year. So the arbitrary 4% annual rate of increase mandated by the Republican budget, combined with less than \$1 billion in annual savings, means that states will lose ground.

If the Republicans succeed, Medicaid will likely succumb to the same fate facing two health care block grants established by President Reagan in 1981. The Preventive Health Services and the Maternal and Child Health block grants are slated to be cut from \$684 million to \$421 million next year. And the funding for these block grants would be frozen at this level for each of the next 7 years, with no adjustment for inflation or the growth in the number of children in need of help.

A Medicaid block grant will present an even more tempting target. It will be a budget cut waiting to happen.

The consequences will be profound. Medicaid covers over 25% of our children and pays for more than 50% of our nursing home care. And it is the single largest insurer for disabled adults and children. It's not politically popular to focus on these populations, but these kids, seniors, and mentally and physically disabled will be big losers under the Republican plan.

If that's of no concern, consider the impact the plan would have on the health care system. Withdrawing large amounts of federal Medicaid dollars will threaten the financial viability of key institutions that make up the health care safety net in rural and urban communities. Emergency rooms. Trauma care systems. Children's hospitals. Public hospitals. Community clinics. Nursing homes.

Kids can't vote, but when we carelessly dismantle the current system, we may find a lot of angry voters who are suddenly displaced from their jobs at hospitals, clinics, and nursing homes. We may also find that elitist ideologues can eliminate human need in budgets, but not in the real world. And we may even find that voters will be incensed that we would turn our backs on kids, the elderly, and the disabled while we hand out special tax breaks to billionaires.

Medicaid can be improved and it's clear there is broad bipartisan support for common-sense reforms. Unfortunately, the Republican plan, by going much too far, wastes an opportunity for progress.