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States ask feds for health care help

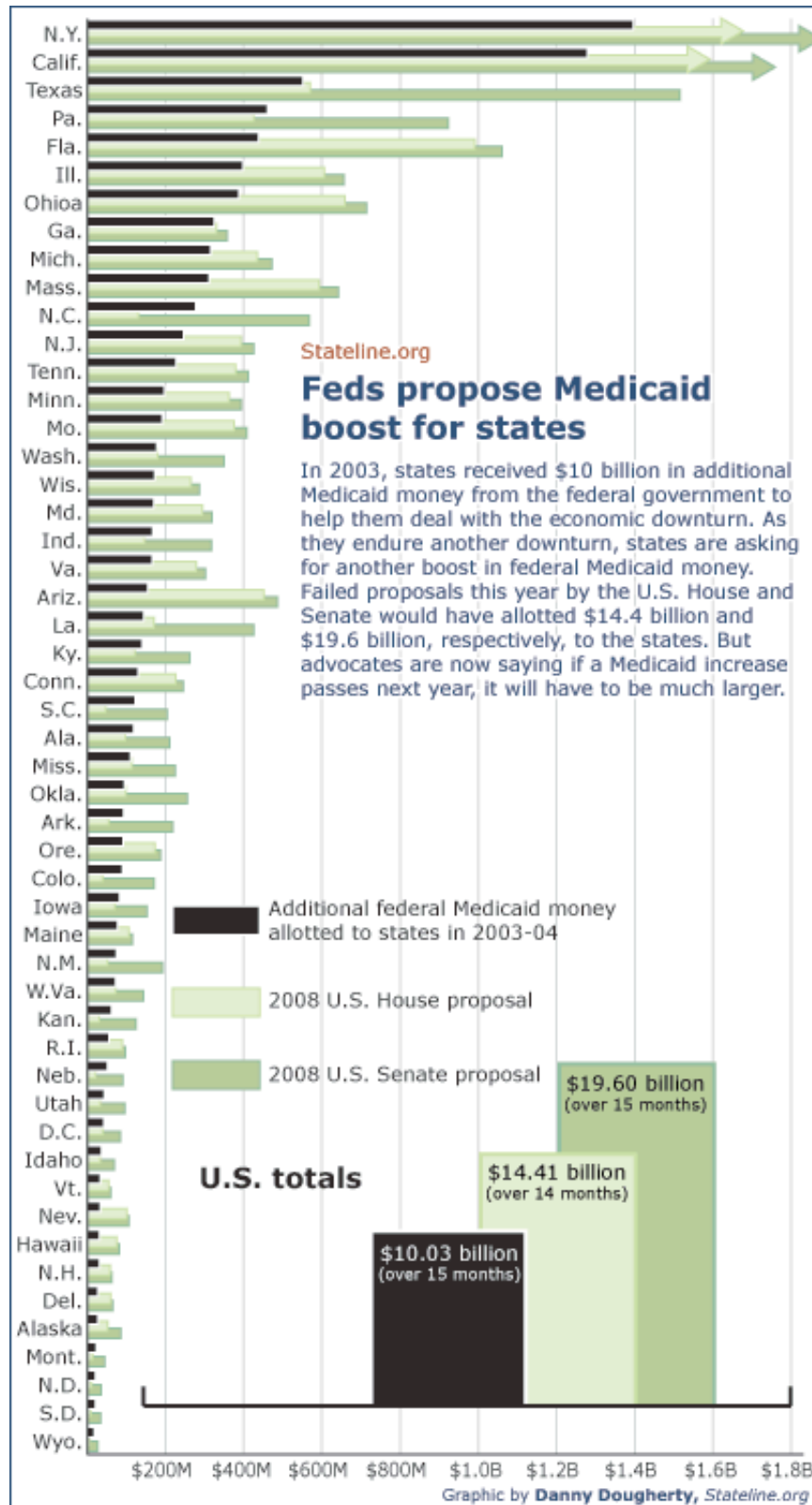
By Pauline Vu, Stateline.org Staff Writer

In Utah, lawmakers have ended some physical therapy, vision and hearing services offered under Medicaid, the national health insurance program that serves 59 million needy. Nevada has capped enrollment in its state children's health insurance program (SCHIP). California, looking at a potential budget hole of more than \$28 billion, is also considering freezing enrollment in its children's program — for the first time in the program's 10-year history.

As the economy worsens, states are seeing boosts in enrollment in Medicaid and SCHIP while they struggle with their own fiscal problems. They're asking for relief from the federal government to prevent cutting benefits and people from these programs.

If federal help doesn't arrive soon, things could get worse for poor people who depend on public health insurance, say state officials and health care advocates.

"Medicaid and SCHIP are on the brink of deteriorating. The question is, are we going to step up and inject money into those programs so they can work during the downturn, or are we going to let them deteriorate?" said Jocelyn Guyer, the deputy executive director of Georgetown University's [Center for Children and](#)



Sources: The Kaiser Family Foundation's Kaiser Commission on Medicaid and the Uninsured's "Financing Health Coverage: The Fiscal Relief Experience" and Georgetown University Health Policy Institute's Center for Children and Families' "Keeping The Promise To Children & Families In Tough Economic Times," November 2008

Families.

States are asking for two things in particular.

First is reauthorization and expansion of SCHIP, the federal program that gives states money to provide health insurance for children in families that earn make too much to qualify for Medicaid. In 2007, Congress twice passed expansions of the program with significant bonuses for states to cover more kids, only to see both bills vetoed by President Bush. As a result, Congress extended the program, which must be reauthorized before it expires on March 31.

States are also asking for a temporary increase in the federal share of the joint federal-state Medicaid program, which annually costs the states and federal government \$330 billion.

With the election of Barack Obama, states could get both wishes. The president-elect's proposed health care plan calls for expanding both programs and includes a mandate that all children be covered. Obama's reported pick of former Senate Democratic leader Tom Daschle to head the Health and Human Services department is seen as further evidence of Obama's determination to get a health care bill through Congress.

The question may be which issue the 111th Congress takes up first. State officials are calling for an increase in federal Medicaid support to pass as soon as possible.

The National Governors Association sent a [letter](#) to congressional leaders in October emphasizing that additional Medicaid money would allow states to "continue services for those with the greatest need." The governors say an infusion of \$20 billion a year for two years in federal funds for Medicaid would help states through this crisis.

Proponents argue that a stimulus is necessary because Medicaid is tied to the economy. A 1 percent increase in unemployment leads to an increase of 1.1 million uninsured and 1 million more on the Medicaid and SCHIP rolls. The Center for Children and Families [estimates](#) that over the last year, 4.1 million people have lost employer-based health coverage. But at the same time, a shaky economy means states have fewer dollars to spend on such programs.

"Families are becoming uninsured because they're losing their jobs or can't keep up with premiums ... and at the same time, you've got states with not enough money to provide that coverage," said Rachel Klein, deputy director of health policy at [Families USA](#), a group that advocates for expanding health care. "It's incredibly important that we get this funding to the states."

According to a [report](#) released Nov. 25 by Families USA, 8.6 million children, or 1 in 9, lacked health coverage in 2007. That number was tallied before the economic meltdown.

So far, signs from the incoming administration and Congress are promising on SCHIP. Both House Speaker Nancy Pelosi and Obama's new chief of staff, Illinois U.S. Rep. Rahm Emanuel, have said SCHIP renewal will be one of the first issues the next Congress considers.

Most states are waiting for the federal government to act before they decide what to do with their programs. Kansas, for example, has plans to expand children's coverage that is set to

take effect next year, but that's contingent on new federal funding.

In the meantime, some states are curtailing their SCHIP programs. Georgia is considering freezing enrollment and increasing premiums by 10 percent next year; Nevada already did both this year. If California also freezes SCHIP enrollment as it's considering, up to 162,000 eligible children there may be denied coverage in the first half of next year.

On the Medicaid side, several states have been cutting or freezing reimbursement rates to health care providers, among them California, Nevada, New York, South Carolina and Utah.

Some states are saving money by paring the recipient rolls through added requirements. Arizona, for example, will force Medicaid patients to re-apply for benefits more often, while California will require people to update children's information every six months instead of every year. In the past, such moves have led to people dropping out of the program.

Rhode Island is expected to remove about 1,000 adults from its Medicaid program by lowering qualifying income ceilings. New York Gov. David Paterson (D), who recently announced that the state budget is \$2 billion short, called for more freezes in reimbursement rates for hospitals and cuts of more than \$500 million from Medicaid.

California is especially struggling. This year, the Legislature rejected several plans to cut Medicaid benefits, but with the state's large shortfall, those cuts are back on the table. That includes a plan to reduce parents' eligibility from 103 percent of the poverty line to 72 percent; a proposal to eliminate most coverage for legal immigrants; and another to reduce dental, vision and podiatry benefits.

"States have made reductions, and we always start with the easier reductions. And now states are going to the much more difficult reductions that directly affect people in the program," said Stan Rosenstein, the administrator of California's Medicaid program. "It could very well increase the number of uninsured and destabilize the safety net."

Insight into what lies ahead for states could be gleaned from the past. The only time Congress enacted a temporary increase in federal Medicaid aid was in March 2003 to help states during the recession after the Sept. 11 attacks. That \$10 billion — part of a \$20 billion total package in general aid for states — was 2.95 percent above states' usual federal allotment and lasted 15 months.

At the time, states were making big Medicaid cuts. Every state froze or reduced payments to medical providers such as doctors or hospitals. Others cut back on benefits; in 2002, Massachusetts cut dental services, which led to 100,000 fewer adults receiving dental benefits in 2004 than in 2001.

Some states increased premiums, and several cut the number of eligible people or considered it.

But the emergency federal Medicaid aid five years ago came with the condition that states not cut people from the rolls. A proposal in Alabama to reduce eligibility for some seniors and people with disabilities was dropped because it would have disqualified the state for the extra money. Ohio's legislature ended plans to cut Medicaid coverage, while Massachusetts

restored coverage for about 36,000 unemployed adults.

At least 22 states used the extra money to avoid, lessen or postpone Medicaid cutbacks; about five states restored previous cuts or expanded the program.

The federal increase in 2003 was considered such a success that U.S. Sen. Max Baucus (D) of Montana proposed in a recent health care reform white paper that increases in the federal Medicaid match happen automatically during recessions.

In this recession, however, states appear to be heading toward bigger budget shortfalls. In 2003 Congress allocated only \$10 billion in Medicaid money; in this year's failed proposals, the House proposed \$14.4 billion while the Senate proposed \$19.6 billion, figures that are already likely lower than what states now need.

Also, since this downturn follows so quickly on the heels of the last one, states have fewer options for where to save Medicaid money.

“So many states made cuts in the last downturn ... it's unclear how far they can go without jeopardizing provider participation and access,” said Robin Rudowitz, a principal policy analyst for the nonpartisan [Kaiser Commission on Medicaid and the Uninsured](#).

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