

## **Federal Medicaid Benefit Standards: Issues Raised by NGA's Preliminary Recommendations**

### **Executive Summary**

Federal policymakers are considering Medicaid changes as a way to reduce federal spending. In response to the federal debate, the National Governors Association has developed Medicaid policy recommendations aimed at achieving greater state flexibility and state-level savings. The NGA proposal would, among other things, fundamentally transform the basic rules governing which health services Medicaid will cover.

Medicaid benefit packages are set by each state based on a combination of federal standards and state options. Currently, states must provide children with comprehensive coverage. Adults typically have access to fewer benefits; some services (hospital care) must be covered, but other services (dental care or physical therapy) are optional.

The NGA proposal would eliminate or substantially modify current federal standards and permit states to offer different (i.e., tiered) benefit packages to different groups of people. It would also allow states to provide different levels of coverage to people in different parts of state. Perhaps most fundamental is that it would eliminate Medicaid's guarantee of comprehensive coverage for children. In particular:

- **The proposal would eliminate coverage for services that people need and could lead to arbitrary or discriminatory coverage decisions.** The NGA proposal speaks of targeting benefits based on people's needs. Medicaid rules already preclude states from covering a service that someone does not need; *targeting achieves savings only by excluding coverage for care that someone needs*. The proposal also raises a range of complex issues, such as who would decide which beneficiaries would get what services and how would those decisions be made.
- **EPSDT would be eliminated for at least some children.** Medicaid requires all states to offer children "Early and Periodic Screening and Diagnostic and Treatment" ("EPSDT") services. EPSDT represents the Medicaid program's basic guarantee to children, assuring them regular health exams and coverage for all necessary treatment. Under the proposal at least some children would no longer have this guarantee.
- **Coverage could vary within a state.** NGA recommends that states be permitted to cover services in some areas, but not in others. For example, some states share Medicaid costs with counties; under this proposal, a state could condition certain benefits on a county's financial participation. If the county was unable or unwilling to finance coverage, residents in that county might go without care.