

Proposed 2012 Budget Plan Would Slash Medicaid, Put Beneficiaries at Risk

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On April 4, 2011, Representative Paul Ryan (R-WI), Chairman of the House Budget Committee, released a blueprint for the 2012 budget that includes a dramatic restructuring of Medicaid. This budget proposal would shift costs onto states and beneficiaries and would result in restricted access to care for those most in need.

Proposed Changes to Medicaid

Beginning in 2013, the proposed budget plan would convert the federal share of Medicaid spending to a block grant system in which each state would receive a fixed dollar amount to operate its program. States would be able to construct their own Medicaid plans with their own standards and rules for coverage and enrollment. The total dollar amount of each state's block grant would increase with population growth and the consumer price index, but would not automatically increase during times of economic recession or other enrollment spikes. State-by-state levels of funding for the first year of the block grant would be determined at a later date in the appropriations process and could be modified each year as Congress crafts its budget.

Impact on Beneficiaries, Providers, and States

The proposed changes would result in **a total of \$750 billion in cuts to federal Medicaid spending** over the next ten years. Under a block grant, if federal funding proved to be inadequate to meet the need for services in a state, that state would be responsible for contributing more of its own funds or cutting back eligibility, provider payments, and benefits. The pressure on state Medicaid programs during the recession – and states' corresponding efforts to reduce funding and eligibility, despite federal rules limiting their ability to do so – suggest that were Medicaid to be converted to a block grant, it would be nearly impossible to maintain current levels of services. **Mental health and substance abuse services would be at high risk for cutbacks** because they are optional services under current Medicaid law. With many states now cutting general fund dollars that are allocated to behavioral health programs, a loss of Medicaid funding would further drain crucial resources from the behavioral health safety net.

Proponents of the block grant approach have argued that states would have greater flexibility in designing and managing their programs so as to deliver care in a more efficient manner. However, an analysis by the Congressional Budget Office found that the magnitude of the loss of federal funding would far outweigh any potential savings that could be achieved through greater efficiency. **The CBO report concludes that beneficiaries would face higher out of pocket costs and limited access to care, while providers could see rate decreases or find their services removed from benefits packages.** Overall, the proposed budget outline would stabilize the federal government's share of expenditures on Medicaid over the next 10 years – but it does so by putting states and beneficiaries at risk for higher costs and reduced benefits, a burden that falls most heavily on low-income and disabled populations.

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