

Proposed 2015 Budget Plan Would Slash Medicaid, Put Beneficiaries at Risk

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On March 17, 2015, Representative Tom Price (R-GA), Chairman of the House Budget Committee, and Senator Mike Enzi (R-WY), Chairman of the Senate Budget Committee, released a blueprint for the 2016 budget that includes a dramatic restructuring of Medicaid. These budget proposals have the potential to shift costs onto states and beneficiaries and could result in restricted access to care.

Proposed Changes to Medicaid

Beginning in 2016, 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 adapt their own Medicaid programs, including by implementing coverage changes or restrictions, benefit reductions, work requirements for receipt of Medicaid benefits, and policies to promote “personal responsibility” and “healthy behaviors” (likely through imposing increased cost-sharing on beneficiaries).

Impact on Beneficiaries, Providers, and States

The authors of these provisions believe that their proposed changes would result in **a total of \$400 billion in cuts to federal Medicaid spending** over the next ten years. Under the block grant, there is no room for fluctuations in Medicaid enrollment that could occur after natural disasters, economic downturns, or other factors. Should funding fail to meet the need for services in a state in a given year, that state would be responsible for contributing more of its own funds or cutting back eligibility, provider payments, or 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. **CBO reports from previous proposals to block grant Medicaid conclude 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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