

Misleading Medicaid Claims From Senate Finance

The Committee on Finance has issued a [press release](#) that claims under Chairman Baucus' health care plan, now being marked up and amended in full Committee session: "[e]very state would spend less on Medicaid compared to current spending levels over the next three years (2010-2012), equaling a total net decrease in state Medicaid spending of more than \$2.6 billion." The flaw in the official statement is that no one, especially the states, believes current state spending levels reflect reality.

Current state spending levels are artificially low because of a temporary increase in the federal share of Medicaid. This bump expires in December 2010. Accordingly, the Congressional Budget Office baseline on Medicaid spending shows federal outlays to decline from \$260.1 billion to \$244.6 billion between Fiscal Years 2010 and 2011 and remaining increasing only slightly to \$247 billion in 2012. In order for total Medicaid spending to remain at the same level, when the federal dollars go down, the state dollars must go up. The additional \$2.6 billion in state savings attributed to higher prescription drug rebates are not nearly enough to offset the increased state costs that are expected.

For the Senate Finance Committee statement to accurately reflect what will happen over the next three years, one must assume states will not replace the federal dollars, resulting in a net decline in total Medicaid spending. If that happens, the Obama Administration will preside over the largest decline in Medicaid spending in the history of the program. Fat chance.

The current Medicaid program is unsustainable and must be reformed. Unfortunately, none of the current Congressional proposals give the states the tools they need to modernize the program. Without necessary reforms, the states will be left with limited choices inside Medicaid—cut eligibility, cut benefits, or cut providers. Even if the Congress requires federal taxpayers to pay for nearly all of the cost of the additional 11-15 million people to be added to Medicaid, extra money for new people does not change the financial crises states face in running the program for their current obligations.