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How would Medicaid Block Grants and Per Capita Caps Impact Coloradans with Disabilities and their Families?

Introduction

The most recent (as of 2/17/2017) US House healthcare proposal would allow states to optionally choose if they want to switch to block grant or per capita funded Medicaid, but the current State/Federal shared cost funding model would go away. For more than 91,000 people with significant disabilities in Colorado, **Medicaid is a life line**. Over 60,000 elderly and disabled people rely on long term services and supports. This means they need human assistance most days for activities of daily living such as eating, dressing, bathing, remembering to take medications or turn off the stove, etc. People with disabilities often require more complex and costly services than Medicaid recipients without disabilities, and these long-term services and supports are not covered by private insurance or Medicare.

What are Medicaid “Block Grants” and “Per Capita Caps”?

A Medicaid block grant would be a fixed amount of money, based on each state's current or past year's Medicaid spending in each state, from the federal government to the states to spend on health care for people who are poor, elderly, or have disabilities with only some general rules and very little federal oversight about the way it is spent. The Republican plan released says that states only have to continue mandatory Medicaid services for people who are elderly and people who are disabled. Mandatory Medicaid service do not include most long-term home and community based services Colorado provides to qualified citizens who are elderly and/or have a disability. Block grants would cap the amount the federal government spends on Medicaid and increase the amount of the block granted

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funds at a rate below the projected rate of health care inflation, resulting in a radical cut to the federal share of Medicaid over the next decade.

Per capita cap funding more closely captures the actual population needs in each state but would also lead to Colorado losing federal money in the long term. One must account for Medicare Part D spending in the long term, and consider the current funding formula. The Colorado Medicaid program is only funded by the state general fund at 27%. Models that show states like Colorado benefiting from a per capita cap model did not use the right FMAP and did not include accurate data. The analysis by the Center for Budget and Policy Priorities (CBPP) adjusted for the FMAP discrepancy in its analysis: <http://www.cbpp.org/research/what-if-chairman-ryans-medicaid-block-grant-had-taken-effect-in-2001>

What are the most critical Medicaid services for people with disabilities

- **Acute care:** Including hospital care, physician services, and laboratory and x-ray services. These acute care services are mandatory which means they must be provided to everyone who is eligible. States have the option to offer (and most do) prescription drugs, dental, physical therapy, speech therapy, prosthetic devices and other services. Many people with disabilities have implanted devices (catheters, colostomies, pumps, g-tubes, etc.), that need to be serviced and need supplies for sanitary use.
- **Equipment and supplies:** People with disabilities often need equipment and supplies that are expensive. A custom seating system for a power wheelchair, and a power wheelchair that functions properly costs over \$10,000, sometimes double that and requires regular repairs. Most insurance companies have a \$2,500 cap and Medicare does not cover equipment except for in the home. The “in the home” equipment is not rugged enough to function for someone with a full life and a job.
- **Long term services and supports (LTSS):** This includes help getting dressed, taking medication, preparing meals, managing money, bathing, toileting, getting in and out of bed. For people with intellectual and mental disabilities, this can also mean cueing, helping people with problem solving, communication assistance. This can also involve home modifications, assisted living, and non-medical transportation.
- **Transportation:** Medicaid is unique in that it covers transportation to medical appointments. Many people with disabilities cannot drive or do not own a vehicle. This service is particularly critical in rural areas of the state.

Is Medicaid an entitlement program?

Yes. This means that if a person meets the eligibility requirements (generally poverty, age and/or disability), he or she is entitled to the services available under the state Medicaid program. This also gives people protections not available under private insurance. Most important is that recipients are able to keep benefits going while they file an appeal if they are wrongly discontinued. This happens on a regular basis and the ability to maintain life and liberty sustaining benefits while the problem is fixed is imperative, and in many cases saves money as it helps maintain a person's health. While the word “entitlement” has negative connotations, for people with disabilities the entitlement is tied to our life and liberty which are the rights of all Americans

What services are people with disabilities currently entitled to in the Medicaid program?

Today, each state’s Medicaid program is required by the federal government to provide Medicaid to people on SSI and they do not even have to provide the necessary long term services other than nursing facilities—only health care services. This includes ONLY the elderly and disabled people who have either no work record or a very low earnings. States also must provide Medicaid to people with an income three times SSI with no assets that are institutionalized. Colorado and many other states currently choose to provide Medicaid to people with long term care needs that would be eligible to receive care in a nursing facility, but choose to live in the community. In nearly all cases the home and community based services cost less than institutional care. Two-Thirds (2/3) of Colorado’s long term services spending is for these community based programs called, “Home and Community Based Services or HCBS.” Colorado has more than 10 HCBS waiver programs. Colorado also allows people with disabilities and parents of disabled children to earn money and pay a premium to receive Medicaid through Medicaid Buy-In Programs. These are also optional.

IF THE FEDERAL GOVERNMENT ONLY REQUIRES THAT “MANDATORY” DISABLED AND ELDERLY POPULATIONS ARE SERVED, MOST OF THE COLORADANS THAT CURRENTLY RELY ON MEDICAID WILL BE LEFT OUT. THESE INDIVIDUALS WILL HAVE TO EITHER ENTER INSTITUTIONS OR DIE PREMATURELY. MORE THAN 5,000 DISABLED INDIVIDUALS THAT HAVE GONE TO WORK WILL NO LONGER BE ALLOWED TO EARN MONEY TO KEEP THESE ESSENTIAL BENEFITS. CONGRESS MUST MANDATE THAT STATES CONTINUE TO COVER ALL EXISTING DISABILITY CATEGORIES.

The Medicaid expansion population is not specifically aimed at people with disabilities, but there are some people with disabilities within the Medicaid expansion, usually at the lowest part of the income level. Before expansion, people with mental disabilities were unable to get through the Social Security Disability determination process due to lack of medical evidence and lack of assistance to do the paperwork, therefore were unable to get Medicaid. Many of these individuals are homeless. They were forced to get care in emergency rooms. These individuals need protection as well. In Colorado we also have the Medicaid Buy-In for working adults with disabilities and a companion programs for children with disabilities who have working parents. Without these programs people who have waited years to go back to work and get out of poverty will have their dreams shattered and be forced back into poverty.

What might states do if Medicaid is block granted or if the federal share is reduced?

Block grants could force bad choices and cause substantial conflict as groups with diverse needs compete for scarce dollars. Since the services to people with disabilities and the elderly are significantly more costly than health care coverage for children, states could decide to serve fewer costly adults and people with disabilities and focus scarce health care dollars on less costly children. However there is no certain way to know what states will do. Below are possible choices states might make:

- **Colorado may reduce or eliminate coverage of Home and Community-Based Services (HCBS) and supports.** Most people who need long term services prefer to receive them at home. Colorado has been a proud leader of HCBS services and 2/3 of our LTSS funds go to community based services. Over 60,000 Coloradans rely on LTSS. States could decide to stop providing these services or limit the

number of people who could get them. Colorado already has some waiting lists, though was recently able to end other waiting lists. Colorado already struggles with rates that are too low to provide quality services. This option would result in 1,000s of people entering very expensive nursing facilities.

- **States may decide to move people into institutions.** Under a block grant, rules for providing quality care could be more flexible and conditions in institutions could return to the way they were in the past. With fewer requirements, it may be cheaper for states to care for people in large facilities. Over the past two decades Colorado has worked to eliminate institutions, We hope they would not return to that option but there is no guarantee. Other states may move backwards into supporting institution and thus causing people with significant needs to migrate to Colorado.
- **Without a way to get a “match” for provider fees, Colorado might end the Medicaid Buy-In for Working Adults with Disabilities: This program allows people with disabilities to work, and pay a premium for Medicaid.** Over 5,000 people with disabilities will be forced to quit their jobs and go back into poverty. Employment hopes for all people with disabilities will be dashed. It has only been a few years since we had the ability to work and pay into Medicaid. People that have given up other benefits such as SSI, SSDI, Section 8 and Food Stamps will have to go back on those benefits. Most significantly people that are able and willing to work, but who need Medicaid, will lose the self-respect and dignity of paying their own way.
- **States may reduce eligibility by making it more difficult to meet financial or other criteria.** To be eligible for Medicaid, people have to be poor. States could restrict health care services to only the very, very poor and/or put in place work requirements that are difficult to meet and are likely to cause many people to exceed income limits. As mentioned above, for the past three years Coloradans with disabilities have been allowed to earn money—we have been advocating that people are now safe to go back to work and keep Medicaid. If this is taken away, it will do irreparable damage to the disability community and will put a chill on employment for decades.
- **States may slash the amounts they pay to doctors and other providers.** It is already very difficult for people using Medicaid to find doctors and other health care providers. Finding a dentist or a specialist, such as a neurologist, is impossible in some communities. If states cut the amount they pay doctors and other providers, those professionals may quit serving people under Medicaid, making the problem even worse.

If people with disabilities lose their entitlement to Medicaid, couldn't they just purchase private insurance instead?

No. Most people with disabilities cannot get medical insurance through an employer because they do not work full time. In fact, only 21% of people with all disabilities are working full time for the full year (March 2011). As noted before, it has only been three years in Colorado that people with disabilities were allowed to work—and the state is still implementing the program so it is not yet available to people with certain disabilities. Many people with disabilities find that if insurers will sell them policies, it does not cover the services they need leaving insurmountable out of pocket costs. Even Medicare does not cover most of the daily services people with lifelong disabilities need.

Why are we concerned that services to people with disabilities might be targeted if Medicaid is turned into a block grant?

People with disabilities and the elderly account for most of the Medicaid spending. While children and parents make up about 90% of Medicaid enrollees, they account for 57% of the spending. In contrast, the elderly and individuals with disabilities make up 10% of enrollees, but about 42% of spending¹. Sadly, not everyone sees people with disabilities as worthy. Under a block grant, federal funding for Medicaid would not grow when more people need health services. The challenge of providing health care without any additional federal money to people who are poor, elderly or have disabilities – would fall to the states. People with disabilities will be forced to “compete” for scarce resources with other groups that may have more political armor and more lobbyists, such as children. In Colorado, there are dozens of statewide organizations with paid lobbyists to focus on the needs of children. People with disabilities as the poorest demographic cannot compete with that nor should this be a situation of children versus the disabled.

Are block grants cost effective?

A Medicaid block grant doesn't control the cost of health care. The cost continues to rise as people get older and use more health care services and as the general cost of all health care increases. Block grants shift more of the cost to that state and likely the individual. Costs may actually rise significantly because people who lose their health care or can't afford it will stop seeing their doctors or taking their medication. When that happens, it makes existing health conditions worse leading to more doctor or hospital visits, increased costs on an ongoing basis and the individual ultimately faces more illness and hardship. If home and community based services are reduced, it will likely lead to greater levels of costly and unnecessary institutionalization or homelessness. If people are not provided needed services, they may not be able to work, learn, or function in the community. This creates lost productivity from the individual and family members if they are called upon to provide care when there are no other options. A Medicaid block grant would save money for the federal government, but would wreak havoc on the Colorado economy, force many rural hospitals to close, and shift the political landscape.

Why is Colorado so unique?

In Colorado, our taxpayers are protected by a bill of rights (TABOR) that prohibits the state to increase spending without a vote of the people. While this gives the people appropriate power, it limits the ability of the legislature to set financial priorities combined with other constitutional requirements, such as a requirement to increase educational spending every year. If the state cannot fund the needs of severely disabled people or are forced to cut necessary programs that have finally allowed people with disabilities to work, and live in the community the political backlash will be significant. People on all sides of the political spectrum understand that some people will always need Medicaid to support long term services and supports. Disability is rarely something that one can control and only the wealthiest

¹ Colorado Department of Health Care Policy and Financing 2015-2016 annual report

American's with disabilities can manage without Medicaid. No matter how supportive or loving a family or faith community – someone must be paid to provide the basic human support that people need to get through their day. If we cannot match funds with provider fees, we stand to lose \$764 million from the loss of the Hospital Provider Fee alone. Rural hospitals will close and almost half a million people including many with disabilities will lose coverage. The only solution would be to repeal TABOR and increase taxes substantially **OR** to take away life and liberty from many individuals with disabilities. Colorado Medicaid operates with only a 2.8% overhead and only 27% of their budget comes from the general fund, 69% from federal and re-appropriated funds and the hospital provider fee and 4% from cash funds. No amount of flexibility will replace this. Colorado is also set to have a dramatic increase in the senior population. Block grants do not account for these changes.

Bottom Line

Medicaid block grants and per capita caps are bad for our elderly, bad for our citizens with disabilities, bad for hospitals, bad for the economy, and bad for Colorado.

Asks for Congress:

- 1) Please reject per capita caps and do not reduce the federal responsibility to elderly and people with disabilities –and other vulnerable individuals.
- 2) Please require states to continue serving ALL categories of people with disabilities that currently receive services including all Home and Community Based Services Waiver clients and Medicaid Buy-In Programs.
- 3) Please do not take away the ability of the states to use provider fees (mostly nursing home and hospital) to sustain our services without supplementing the funding.
- 4) Please do not abdicate federal oversight.
- 5) Please work with disability rights leaders that rely on these programs to make common sense policy changes. We can help reduce costs in a way that will not hurt people.

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*Some information taken from Arc US Block Grant Paper

