HOUSE MEDICAID REFORM PROPOSAL

On September 22, 1995 the House Commerce Committee voted 27 to 18 to accept a proposal to radically change the Medicaid program. The proposal is called the "Medicaid Transformation Act of 1995." It would eliminate Title XIX of the Social Security Act, and create a new Title XXI, called the Medigrant program. There would no longer be a Federal entitlement program for health care for low income individuals and families. Instead, Medicaid would be restructured as a block grant to states, with a fixed amount of funds awarded to states annually.

**State Plan**: Each state would be required to submit a plan which would describe how the state intended to provide medical assistance to low income populations. The plan would include eligibility criteria, covered services, method of delivery (i.e., use of vouchers, fee for service, or managed care); cost-sharing requirements; and ways to encourage appropriate utilization of services.

**Set Asides**: Each state would be required to spend a certain amount on each of three groups: low income families, low income elderly, and low income disabled people. For each population group, the state would have to spend a minimum of 85 percent of its average annual spending on mandatory services for that group between FFYs 1992 and 1994. States would also have to maintain spending on Medicare premiums for the low income elderly at 85 percent of their spending during that same period.

**Nursing Home Standards/Spousal Impoverishment**: The proposal does away with the nursing home quality standard provisions of the Omnibus Budget Reconciliation Act of 1987. They are replaced with requirements for states to establish standards and enforcement mechanisms for certain aspects of nursing home care. Additionally, Federal spousal impoverishment protections would no longer be in place. States would be required to include their own protections against impoverishing the spouse of a nursing home resident.

**Allotment of Funds Among States**: Beginning with FFY 1996, Federal matching payments to states would be limited to a fixed allotment. Each state's allotment would be based on the state's spending in FFY 1994. In FFY 1996, which would be the first year of the plan, each state would get a 7.24 percent increase in its spending baseline. However, beginning in FFY 1997, states with slower growth (including New York) would be limited to 2 percent annual growth. States with faster growing populations would receive greater increases, up to 9 percent in FFY 1997. The increases would decrease in subsequent years, and would range from 2 to 6 percent in FFY 1998.
**State Match:** States would continue to have to match Federal payments, but would be allowed to choose between the current Federal Medical Assistance Percentage (FMAP) and a matching rate based on the state's total taxable resources. States could use whichever formula gives them greater advantage.

**Disproportionate Share Hospitals:** The federal government would no longer require payments to Disproportionate Share Hospitals, which are presently used to compensate hospitals that treat large numbers of Medicaid patients.

**Provider Payments:** The Boren Amendment, which requires that states make payments to providers that are “reasonable and adequate” to cover their costs, would be repealed.

**Fiscal Impact on New York State:** Preliminary estimates from the New York State Division of Budget indicate that New York State stands to lose over $30 billion over seven years if the House proposal were enacted. Governor Pataki is working with the New York delegation to make changes that would treat New York State more fairly.

---

**HOUSE MEDICARE REFORM PROPOSAL**

A summary of the House Republican Medicare Reform Proposal was released September 21, 1995. The “Medicare Preservation Act” would overhaul the Medicare program. The stated mission of the Act is to preserve, protect and strengthen Medicare. The proposal aims to increase beneficiary choices and introduces means-testing for the Medicare Part B premium. The plan is intended to save $270 billion over seven years through increasing beneficiary contributions and slowing the growth of provider payments. It is anticipated that the plan will be brought to the House floor as a free-standing bill.

**Medicare Plus:** The plan would establish new choices for Medicare beneficiaries, as well as maintain the traditional fee-for-service option. Under Medicare Plus, beneficiaries could opt for Medical Savings accounts (MediSave accounts); health plans offered by unions or associations; provider-sponsored networks (PSNs); or existing health plans such as health maintenance organizations (HMOs).

**Basic Benefit Package:** Health plans would be required to offer a basic benefit package identical to Medicare's currently covered services. Plans could be made more attractive by offering a larger benefit package, reducing or eliminating existing deductibles or copayments, and reducing or eliminating the Part B premium.

**Part B Premiums:** The beneficiary portion of the Part B premium would be retained at 31.5 percent, increasing from $46.10 in 1995 to about $90 in 2002. Individuals with incomes over $75,000 and couples with incomes over $125,000 would assume an increased percentage of the Part B premium. The premium subsidy would be completely phased out for individuals with incomes over $100,000 and couples with incomes over $150,000.

**Fail Safe Mechanism:** Medicare spending would be automatically reduced if it were anticipated that spending would exceed the budget resolution and threaten the Health Insurance Trust Fund solvency during the next fiscal year. The failsafe mechanism would apply to both Parts A and B, but only for fee-for-service expenditures.

**Other Provisions:** A new component would be introduced to the Medicare program which would focus on anti-fraud and abuse activities. The proposal reduces Disproportionate Share Hospital payments and reforms Graduate Medical Education and Teaching Hospital Payments.

---

**WELFARE REFORM**

On September 19, 1995, the Senate approved on a vote of 87 to 12 its version of Welfare Reform (S. 1120). It can now move to conference with the House bill (H.R. 4). The Senate version is less restrictive than the House bill. President Clinton has indicated he could sign the Senate bill, but not the House version.

The Senate bill would set a welfare spending level for states. The House version has no state spending requirements. Both bills replace some Federal anti-poverty programs with block grants to states and give states more flexibility. On food stamps, however, the two bills differ. The Senate bill allows states the option of turning the food stamp program into a block grant, while
the House version retains its current form. The House version would allow states with electronic benefits transfer to turn food stamps into a block grant. The Senate bill would restrict Supplemental Security Income benefits, although most of the impact will be on children. The bills also would deny benefits to most legal immigrants and tighten requirements for some immigrants even after they become U.S. citizens. The House bill requires states to deny benefits to new immigrants who have not become citizens, while the Senate bill only allows states to deny benefits.

An amendment to exclude certain energy assistance payments from income under the food stamp program was approved by the Senate. The amendment, by Senator Paul Wellstone (D-MN), would exclude Low Income Home Energy Assistance Program (LIHEAP) payments used for one-time costs of weatherization or repair or replacement of unsafe or inoperative heating devices. Other LIHEAP payments, such as regular energy assistance payments for heating and cooling and monthly utility payments, would continue to count as income.

The Senate bill also included an amendment by Senator Barbara Mikulski (D-MD) that would exempt the Title V older worker program from a job training consolidation block grant. This amendment prevented the repeal of Title V of the Older Americans Act, the Senior Community Service Employment Program. While the text of Senator Nancy Kassebaum’s (R-KS) job training consolidation bill (S. 143) was briefly included in the Senate welfare reform proposal, it was removed and is expected to come to the Senate floor for consideration as a free-standing bill in October. Meanwhile, the House on September 19, by a vote of 345 to 79, passed H.R. 1617 which consolidates nearly a hundred education and job training programs into three block grants for adults, youths, and family education and literacy. The bill authorizes spending of about $5 billion on the block grants in FFY 1997. The General Accounting Office estimates that the universe of similar programs now receive about $25 billion annually.