



## ***Building Blocks of Uninsurance***

### ***Making Medicaid a block grant would block thousands from coverage***

A federal budget proposal would limit or end services to Iowa's financially and medically neediest citizens. The proposal set forth by Representative Paul Ryan, chairman of the U.S. House Budget Committee, would give states a fixed-dollar amount for their Medicaid programs. Presently, the federal government covers a fixed proportion of the costs to assure coverage for many Americans who otherwise could not afford or find insurance.

#### ***Medicaid Basics***

Medicaid is a public health insurance program for certain low-income and medically needy populations. The federal law that created Medicaid specifies that states must cover low-income seniors, persons with certain disabilities, pregnant women, children and parents of eligible children. States, if they want, may expand eligibility to cover more low-income adults and receive matching federal support.

About 383,800 Iowans were enrolled in Medicaid in March 2011, the most recent date for available enrollment data.<sup>1</sup> Of Iowa's Medicaid enrollees, more than half are children (219,400); an additional 72,900 enrollees are persons with disabilities, and 29,600 are seniors.

Both the individual states and the federal government cover the cost of Medicaid. Iowa typically pays around 37 percent of the cost of Medicaid, though in recent years, the federal government paid a larger share, authorized by the American Recovery and Reinvestment Act, in response to the recession.<sup>2</sup>

#### ***What Block Granting Means***

As noted above, the federal government commits to pay a percentage, rather than a fixed dollar amount, of a state's Medicaid costs. This federal support encourages a state to enroll citizens in Medicaid as they become eligible, rather than maintaining waiting lists or turning people away.

The proposed block-grant structure would change this. Present levels of Medicaid expenditures would be used to set the block-grant levels. Thus, if more Iowans became eligible for Medicaid than in previous years, Iowa would be forced to choose from a set of unappealing options: finance the newly eligible citizens entirely with no help from the federal government; create a waiting list; or simply turn away the newly eligible with no hope of future enrollment.

The most recent economic downturn is a good example of how the current Medicaid structure allows states to respond quickly to economic downturns. As the recession wore on in 2009, thousands of Iowans lost their jobs and the accompanying employer-sponsored health insurance. Thousands more Iowans became eligible for Medicaid, and thousands more enrolled.<sup>3</sup>

#### ***'Dual Eligibles'***

Though block-granting Medicaid would limit Iowa's options in the event of an unpredictable economic downturn, it also poses a risk for a very predictable change in Iowa's demographics. Though Iowa is presently a relatively

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low-cost Medicaid state, growth patterns will change in the near future.<sup>4</sup> Between 2000 and 2030, while Iowa's overall population is expected to rise by just 1 percent, its senior population is set to increase by 52 percent.<sup>5</sup>

Nearly half of Iowa's Medicaid spending provides services for "dual eligibles" — Iowans with disabilities and low-income seniors who are eligible for both Medicare and Medicaid.<sup>6</sup> In 2007 about 79,300 Iowa disabled seniors relied on Medicaid in addition to Medicare to cover the cost of co-payments or premiums and to cover medical services not covered by Medicare.<sup>7</sup> Unlike Medicare, Medicaid covers long-term care, such as a nursing facilities, mental health institutes, and home and personal care. About 41 percent of Medicaid spending on long-term care in Iowa goes to home- and community based care.<sup>8</sup>

In 2007, Iowa Medicaid spent \$1.26 billion on medical services for dual eligibles; 73 percent of that, or \$920 million, went toward long-term care for dual eligibles.<sup>9</sup>

Converting Medicaid to a block-grant system would lock Iowa's Medicaid funding in at present levels, and leave Iowa unable to meet the medical needs of its seniors and persons with disabilities in the near future when these populations are expected to grow.

## Conclusion

This is not the first time that turning Medicaid into a block-grant program has been proposed. In the mid-1990s, Congress passed a block-grant proposal, which President Clinton vetoed. An analysis of that block-grant proposal showed that Iowa would have received about 34 percent less federal Medicaid funding.<sup>10</sup> This time will be no different.

Turning Medicaid into a block grant would have wide-reaching impacts. Iowa would likely be required to finance a larger portion of Medicaid entirely on its own, or further restrict Medicaid eligibility. Families most-impacted by economic downturns, Iowans with disabilities, and seniors would be less likely to receive medical care.

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<sup>1</sup> Jess Benson, "Monthly Medicaid Forecast – March 2011," Iowa Legislative Services Agency. March 31, 2011. <<http://www.legis.iowa.gov/DOCS/IsaReports/medicaid/03-31-2011%20March%20Medicaid%20Memo.pdf>>.

<sup>2</sup> The Kaiser Family Foundation, *statehealthfacts.org*. Data source: Iowa: Federal Medical Assistance Percentage (FMAP) for Medicaid and Multiplier. Accessed April 7, 2011.

<<http://www.statehealthfacts.org/profileind.jsp?ind=184&cat=4&rgn=17&cmprgn=1>>. For the effects of the increase in the federal share on Iowa's economy, see Molly Fleming, Dave Swenson, and Peter Fisher, "Just What the Doctor Ordered: How Medicaid Stimulus Funding is Helping Iowa's Economic Recovery," Iowa Fiscal Partnership, November 12, 2009. <<http://www.iowafiscal.org/2009docs/091112-ARRA-Medicaid.pdf>>.

<sup>3</sup> The Kaiser Family Foundation, *statehealthfacts.org*. Data source: Iowa: Monthly Medicaid Enrollment (in thousands). Accessed April 7, 2011. <<http://www.statehealthfacts.org/profileind.jsp?ind=774&cat=4&rgn=17&cmprgn=1>>.

<sup>4</sup> Edwin Park and Mattheus Broadus, "Medicaid Block Grant Would Produce Disparate and Inequitable Results Across States," Center on Budget and Policy Priorities, March 10, 2011. <<http://www.cbpp.org/cms/index.cfm?fa=view&id=3422>>.

<sup>5</sup> U.S. Census Bureau, "Table 4: Interim Projections: Change in Total Population and Population 65 and Older, by State: 2000-2030," April 21, 2005. <<http://www.census.gov/population/www/projections/projectionsagesex.html>>.

<sup>6</sup> David Rousseau, Lisa Clemans-Cope, Emily Lawton, Jessica Langston, John Connolly, and Jhmairah Howard, "Dual Eligibles: Medicaid Enrollment and Spending for Medicare Beneficiaries in 2007," Kaiser Commission on Medicaid and the Uninsured, December 2010. <<http://kff.org/medicaid/upload/7846-02.pdf>>.

<sup>7</sup> Rousseau, Clemans-Cope, et al.

<sup>8</sup> "Cutting Medicaid for Seniors and People with Disabilities: Bad for Iowa Families, Bad for Iowa's Economy," Families USA, April 2011. <<http://familiesusa2.org/assets/pdfs/long-term-care/cutting-medicaid/Iowa.pdf>>.

<sup>9</sup> Rousseau, Clemans-Cope, et al.

<sup>10</sup> Jeanne Lambrew, "Making Medicaid a Block Grant Program: An Analysis of the Implications of Past Proposals," *The Milbank Quarterly*, Vol. 83 No. 1 (pp. 1-23), January 2005. [http://www.aucd.org/docs/policy/medicaid/lambrew\\_medicaid\\_012605.pdf](http://www.aucd.org/docs/policy/medicaid/lambrew_medicaid_012605.pdf)

## Iowa Fiscal Partnership

*The Iowa Fiscal Partnership is a joint budget and tax policy initiative of two nonpartisan, Iowa-based organizations, the Iowa Policy Project in Iowa City and the Child & Family Policy Center in Des Moines. Find IFP on the web at [www.iowafiscal.org](http://www.iowafiscal.org).*