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Fact Sheet on Effect of Chairman Ryan's Budget on Medicaid

Committee on Energy and Commerce
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On March 20, 2012, Chairman Paul Ryan introduced the Republican budget for FY 2013. This budget contains enormous cuts to the Medicaid program that begin immediately, endangering health care coverage for over 60 million Americans, including 16 million seniors and individuals with disabilities and 33 million children. This fact sheet summarizes the budget's effects on Medicaid and its beneficiaries and has been updated to reflect the most current estimates from the Congressional Budget Office.

Highlights from Chairman Ryan's Fiscal Year 2013 Budget Resolution:

- Ryan's budget turns Medicaid into a block grant that cuts the program by \$810 billion over the next decade. That is a 22% reduction to the Medicaid program from the block grant.
- Ryan's budget repeals the Affordable Care Act's (ACA) Medicaid expansion, cutting an additional \$643 billion from Medicaid over the next decade.
- In total, Ryan's budget cuts Medicaid by \$1.5 trillion over the next decade, cutting the program by one-third.
- By 2050, Ryan's budget cuts the Medicaid program by nearly three-quarters, according to the Congressional Budget Office (CBO).

What is the Ryan Block Grant? The Ryan budget shreds the Medicaid safety net and shifts healthcare costs to states and beneficiaries. Medicaid is currently structured to provide more help when states need it most: when unemployment increases and citizens lose insurance coverage. This budget restructures Medicaid into a block grant where states receive a capped amount of money for the program. The Medicaid block grant would not account for innovation in healthcare, enrollment growth in the program, and more. This shifts all risks including future recessions, healthcare cost increases, and disasters to states and beneficiaries. The federal government would no longer be a partner responding to such changes. This is not a cost savings to the program or a reduction on health spending, but a massive cost shift from the federal budget to states and Medicaid beneficiaries.

How the Ryan budget would affect states, providers, and beneficiaries:

- According to CBO, "even with significant efficiency gains [by states], the magnitude of the reduction in spending . . . means that states would need to increase their spending on these programs, make considerable cutbacks in them, or both. Cutbacks might involve reduced eligibility for Medicaid and CHIP, coverage of fewer services, lower payments to providers, or increased cost-sharing by beneficiaries – all of which would reduce access to care."
- Ryan's budget would lead states to drop between 14 million and 27 million people from Medicaid by 2021.¹ This is in addition to the number of people losing Medicaid as a result of repealing the

¹ John Holahan, et. al, Kaiser Commission on Medicaid and the Uninsured and Urban Institute, *House Republican Budget Plan: State-by-State Impact of Changes in Medicaid Financing*, May 2011. Estimates are of the Medicaid block grant from the FY 2012 Republican Budget by Chairman Ryan, which is similar to the FY 2013 Republican Budget by Chairman Ryan.

Affordable Care Act. The Congressional Budget Office estimates that repealing the Affordable Care Act will result in 30 million people becoming uninsured by 2022.

- Ryan's budget cut in the current Medicaid program of \$810 billion would lead to reimbursement rate cuts to health care providers such as hospitals, nursing homes, physicians, and managed care plans of approximately 31%.²

The effects of these cuts would be devastating. For example:

- Coverage for today's 1 million nursing home residents would be at risk, and quality and staffing in nursing homes would likely degrade.
- Benefits allowing 3 million elderly and disabled individuals to remain independent and in their homes today would be at risk.
- Benefits such as prescription drugs for patients with HIV/AIDS, early prevention, diagnosis, and treatment (EPSDT) for sick or disabled children, and behavioral therapies for autistic children could also be eliminated.
- Benefits, quality of care, and coverage are jeopardized for the over 60 million low-income children, pregnant women, seniors, and people with disabilities relying on Medicaid today.

The Ryan budget's Medicaid cuts would result in job losses. Every federal dollar cut from Medicaid's basic program could mean an almost \$2 cut from the state economy because states match federal spending. Under current law, a cut of \$810 billion in federal spending on the basic program added to the repeal of the ACA over the next decade would mean a total cut of over \$2 trillion in healthcare spending for state and local economies, causing a significant loss in healthcare jobs and investments.

American Families Support Medicaid. According to a Kaiser Family Foundation poll from 2011, most Americans oppose the idea of converting Medicaid into a block grant. More than half wanted to see no reductions at all in Medicaid spending.

Medicaid is a True Lifeline. According to a study published in the *New England Journal of Medicine* by researchers at the Harvard School of Public Health, Medicaid coverage saves lives. Medicaid expansions were associated with a decline of 6.1% in deaths, or about 2,840 per year for every 500,000 adults added to the program.

² John Holahan, et. al, Kaiser Commission on Medicaid and the Uninsured and Urban Institute, *House Republican Budget Plan: State-by-State Impact of Changes in Medicaid Financing*, May 2011. Estimates are of the Medicaid block grant from the FY 2012 Republican Budget by Chairman Ryan, which is similar to the FY 2013 Republican Budget by Chairman Ryan.