

## The Future of Medicaid and Medicare

In our March issue, we reported about the federal government's efforts to decrease spending in 2011 by making sweeping cuts to numerous federally funded programs to avoid a government shutdown. Four months later, the focus on cutting Medicaid and Medicare benefits has gained momentum, despite documented evidence of the many benefits of Medicaid, as well as the huge detrimental impact cutting either program can have on individual states.

**From: Elizabeth P. Allen, Esquire**

**Gibbons, Neuman, Bello, Segall,  
Allen & Halloran, P.A.**

3321 Henderson Blvd.  
Tampa, FL 33609  
Phone: 813-877-9222  
Fax 813-877-9222

### Proposed Cuts

As has been widely reported, the Obama Administration is offering to cut tens of billions of dollars from Medicare and Medicaid as part of the negotiations to reduce the federal budget deficit. The depth of the cuts depends on whether Republicans will accept any increases in tax revenues.

It appears that hospitals and nursing homes will be the unwilling recipients of some of the cuts, as Administration officials and those involved in the negotiations say that the cuts can come from health care providers like hospitals and nursing homes without directly imposing new costs on needy beneficiaries or overhauling either program. Some of the proposals being considered are:

- Gradually eliminating Medicare payments to hospitals for uncollectible patient debt. Medicare currently reimburses hospitals for 70% of debt resulting in patients failing to pay deductibles and co-payments and the hospitals have made reasonable efforts to collect.
- Reducing Medicare payments to teaching hospitals for the cost of training doctors, caring for sicker patients and providing specialized services such as trauma care and organ transplants.
- Reducing the federal share of payments to health care providers treating low-income people under Medicaid and the Children's Health Insurance Program.

Lawmakers opposed to the cuts say it would impair access to care for the poor and shift costs to the states that are already facing a huge expansion in Medicaid eligibility and enrollment beginning in 2014 under the terms of the health care reform legislation passed last year. Hospital executives say that additional cuts (besides the reduction in Medicare payments already part of the health care reform legislation) will result in hospitals discontinuing services and increasing charges to patients with private insurance.

### **Proposed Cuts Will Limit Access to Health Care**

CBS News recently reported on the impact of the potential health industry cuts. Doctors are among the many who are very concerned about any additional health industry cuts. Dr. David Ansell, Chief Medical Officer of Chicago's Rush University Medical Center told CBS News, "People are dying because they don't have simple access."

Ansell explained that he is seeing a growing number of patients with Medicaid or Medicare who can't find doctors willing to treat them, and the problem is the government's low reimbursement rates. One study by the Colorado State Task Force found that a doctor earning \$100 through private insurance would be paid about \$71 through Medicare, and about \$50 through Medicaid.

CBS called 40 primary care physicians at random to test whether doctors are limiting the patients they will see based on their method of insurance. 95% of the physicians polled said they accept new patients with private insurance, 78% still accept Medicare patients, but only 13% see patients who are on Medicaid.

With additional cuts to Medicare and Medicaid, it is clear that access to health care will be severely limited to those on Medicare, and more so for those who receive Medicaid.

### **Governors Speak Out Against Medicaid Cuts**

The National Governors Association wrote the President and congressional leaders involved in the budget negotiations urging them not to cut Medicaid funding. Responding to reports that the target for 10-year total Medicaid reduction is in the neighborhood of \$100 billion or \$10 billion a year, the Chair of the National Governors Association wrote, "Make no mistake: these reductions are significant and cannot be absorbed into state budgets or simply passed on to providers of health services for our Medicaid populations."

### **The Benefits of Medicaid Access**

In the first ever study of its kind, the National Bureau of Economic Research, a private, not-for-profit, nonpartisan research organization, released a working paper with results of a study conducted in Oregon to determine the effects of Medicaid on recipients. The study began in 2008 when Oregon opened a waiting list in its Medicaid program to low income adults who had previously been ineligible for enrollment and then drew names by lottery from the 90,000 who signed up.

What the study found in part was that Medicaid could lead to better self-reported physical health and lower medical debt. "We find that in this first year, the treatment group had substantively and statistically significantly higher healthcare utilization (including primary and preventive care as well as hospitalizations), lower out-of-pocket medical expenditures and medical debt (including fewer bills sent to collection), and better self-reported physical and mental health than the control group," the study said.

The authors of the study, including researchers from Harvard, MIT and the Oregon Health Study Group, caution against generalizing these estimates to other contexts, like the planned Medicaid expansion as part of the health care reform legislation passed last year. The study covered approximately 10,000 low-

income uninsured adults, relative to a total Oregon population of about 3.8 million, with 650,000 uninsured and around 200,000 low-income adult uninsured. "Our estimates are therefore difficult to extrapolate to the likely effects of much larger health insurance expansions, in which there may well be supply-side responses from the healthcare sector," the study noted.

The working paper for "The Oregon Health Insurance Experiment: Evidence from the First Year" can be ordered from the National Bureau of Economic Research website, <http://www.nber.org/papers/w17190>.

### **Why Everyday Americans Need Medicaid**

The Center for American Progress recently published the top 10 reasons why everyday Americans should pay close attention to the House Republican proposal to cut Medicaid and completely restructure it into a block-grant program. A few of the reasons are noted below, with the full text of the article available at [http://www.americanprogress.org/issues/2011/07/medicaid\\_middle\\_class.html](http://www.americanprogress.org/issues/2011/07/medicaid_middle_class.html).

*The current proposal for a Medicaid block-grant leaves the states holding the bag on Medicaid. If a block-grant program were implemented, states would be forced to spend \$266 billion more on Medicaid from state revenues just to maintain current eligibility and services.*

*Block-granting Medicaid would threaten the safety net for middle-class families whose family members have suffered a serious illness or face extended long term care due to old age or disability. The Center notes that many disabled and elderly Medicaid enrollees come from middle-class households and include individuals with physical and mental disabilities, victims of catastrophic accidents and nursing home residents. While these individuals make up 25% of Medicaid enrollees, they account for approximately 2/3 of Medicaid spending.*

*Block-granting Medicaid could impoverish the spouses of many nursing home residents. If a block-grant program were implemented as proposed, the spousal impoverishment provisions that currently exist to protect the spouse at home will be repealed.*

*Block-granting Medicaid could affect the economic security of millions of middle-class families with parents needing nursing home care. Without Medicaid, families would have to face huge nursing home bills once the resources of the family member are exhausted, care for the loved one at home, or leave their loved one without care. These limited choices will have great implications on family finances including home ownership and the ability to send children to college.*

### **Conclusion**

Despite numerous documented benefits of Medicaid and Medicare, these programs face severe financial cuts and restructuring. Now more than ever it is important for seniors and their loved ones to work with trusted legal counsel to come up with a comprehensive plan that will cover how they will access health care and how it will be paid for.

Please contact us if you would like additional information on any of the topics addressed in this newsletter or if you would like to discuss a specific issue.

*To comply with the U.S. Treasury regulations, we must inform you that (i) any U.S. federal tax advice contained in this newsletter was not intended or written to be used, and cannot be used, by any person for the purpose of avoiding U.S. federal tax penalties that may be imposed on such person and (ii) each taxpayer should seek advice from their tax advisor based on the taxpayer's particular circumstances.*