

Under any formula, \$100 billion in Medicaid cuts will wipe out jobs, shift costs to states and threaten seniors' care

One of the proposals in the deficit reduction talks would cut \$100 billion from Medicaid and CHIP by changing the formula for the federal government's share of the cost. Another proposal would reduce or eliminate special assessments on providers used by states to help pay their share of Medicaid costs. These two proposals, combined with other reductions, could add up to \$150 billion in Medicaid cuts.

The "Blended Rate" Proposal

Under current law, states receive different matching rates for different groups of people. Medicaid pays 50 to 75% of total costs for people currently eligible; the federal government will pay the entire cost of Medicaid for people newly eligible in the 2014 health reform expansion, declining to 90% over time. The federal match for CHIP averages 70%.

Instead of multiple matching rates, a new proposal would create a single "blended" federal matching rate for each state. However, the new rate will be set so the federal government pays a lower share of costs overall. Medicaid cuts of \$100 billion or more are hidden in the formula change.

Tell Congress: Don't support massive cuts to Medicaid under any formula.

The "blended rate" proposal:

- **Shifts costs to states** at a time when states already are making deep cuts to Medicaid. This will lead to more restrictive eligibility rules, reduced benefits, or limited access to providers for populations that rely on Medicaid, including poor children, people with disabilities and seniors in nursing homes. The lost funding will decrease local economic activity and cost jobs.
- **Creates new formula fights among states.** States often argue that the federal contribution to their Medicaid programs is insufficient, but this proposal would force states to scramble even more for a smaller pot of federal dollars. With more than \$100 billion in cuts, every state loses.
- **Rewrites an important formula based on guesswork.** Federal and state officials don't know for sure how many people will enroll in Medicaid in 2014 when eligibility rules change and the individual responsibility requirement takes effect, or how healthy or sick those people will be. It will be impossible to create a fair formula without those facts.
- **Threatens the coverage expansion under the new health law.** The federal government is scheduled to pay 100% of Medicaid costs for newly eligible people in 2014, with the match declining to 90% over time. This proposal will cut the federal reimbursement for newly-eligible people and shift some of the cost of new enrollees to states, thereby reducing states' incentives to enroll the maximum number of people and further eroding political support for the ACA.
- **Creates a mechanism to "dial-up" cuts.** Proposing an entirely new formula during deficit reduction negotiations leads to arbitrary reductions. Closed-door negotiations are fluid, making it easy to dial-up the total amount slashed because the formula isn't locked in and officials won't have to explain the changes' impact on real people who rely on the program.