

GOP plan may hit Medicaid program

Minnesota might lose
\$5B by 2021 for 1 million
Medical Assistance users.

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Minnesota stands to lose billions of dollars in federal funds for the state's Medical Assistance program under a proposal being considered by congressional Republicans.

Although changes in Washington, D.C., still are being debated, the broad outlines suggest that Minnesota would take a \$1.3 billion hit in 2019 that would escalate to \$5 billion by 2021, according to a preliminary analysis conducted by the Minnesota Department of Human Services.

If the proposal is enacted, the loss of federal funds would leave state lawmakers with the difficult task of finding new revenue to maintain the program as it now stands or bringing down the total cost.

That could result in "reducing eligibility and benefits, shifting costs to enrollees, limiting access, or reducing provider-payment rates," according to a state document obtained by the Star Tribune.

More than 1 million Minnesotans are in the Medical Assistance, or MA, program, most of them low-income residents who live at or near the poverty line. The program is a lifeline for low-income elderly citizens who receive financial support that pays for nursing home care, as well as for people with disabilities.

Another 100,000 people would lose coverage they now receive under MinnesotaCare, a state-sponsored pro-

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Medicaid cuts could hit those in nursing homes

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gram that provides subsidized health insurance to the working poor.

The changes in part are due to the GOP-led effort to unravel the Affordable Care Act, which provided generous funding to states like Minnesota that opted to expand health insurance to the poor. Since the ACA was enacted in 2010, more than 300,000 Minnesotans have been added to Medical Assistance rolls.

But it also reflects a desire, championed by U.S. House Speaker Paul Ryan, R-Wis., and other conservatives, to fundamentally change the funding formula for Medicaid, as the program is known nationally, and stem the amount of federal funds flowing to the states.

In 2016, the cost of Minnesota's Medical Assistance program was \$11.2 billion, but Minnesota paid \$3.9 billion and the federal government paid most of the rest. Roughly speaking, for every dollar in Medical Assistance spending, the federal government matches that at half of the cost. The federal government also now pays the full costs of people who were enrolled as part of the ACA expansion.

Under the Ryan proposal, the practice of matching funds would cease and instead states would either be paid a fixed amount, known as a block grant, or a certain amount for each person enrolled in the program.

In either scenario, payments to Minnesota would

be on the low end compared to other states because Minnesota's per capita income is relatively high and its health care costs are low.

The new federal payment model is unlikely to account for spending spikes caused by a surge of enrollment, such as in a recession, or increased costs of care, such as expensive pharmaceuticals. That could mean that Medical Assistance costs will eat into a greater part of the state budget.

'A terrible deal'

"This would be a terrible deal for states that would result in the loss of health care coverage for families, seniors, for people with disabilities," said Nan Madden, director of the Minnesota Budget Project, a research group. "It also would really squeeze our health care providers and hospitals."

Madden said her organization would want the states to minimize the damage but they would be hard-pressed to fully make up the difference.

AARP spokesman Seth Boffeli said his organization is pushing against the block grant proposal.

"The people who rely on Medicaid who are over the age of 50 predominantly are the oldest and the most frail who rely on it for their long-term care in nursing homes," Boffeli said. "Most seniors who are on Medicaid don't start out that way."

Instead, they are private payers who have depleted their income because people

live longer and it's expensive to grow old, Boffeli said.

"If you go back to when President Johnson signed Medicare and Medicaid into law, there was somewhere around 2 million seniors that didn't have health care coverage," he said. "No one wants to go back there."

State Rep. Jim Abeler, R-Anoka, cautioned people not to overreact. "It's certainly concerning, but it's all hypothetical," he said. "In our heads we're preparing for the worst and hoping for the best. It's premature to know what to do because we don't know what the problem is. The proposals are still being sketched on the back of an envelope."

While the federal government would provide less Medicaid funding under the Ryan proposal, it holds out the promise to the states that they will have more flexibility to run their programs, although Minnesota has been fairly successful at obtaining federal waivers that allowed it to pursue its health policy goals.

MinnesotaCare, which is separate from Medical Assistance, operates under a provision of the ACA and is funded almost entirely by federal funds and enrollee premiums. It would not be eligible to receive funding under the proposed Medicaid changes.

At this point, the future of the Medicaid program is fluid as proposals circulate. Some Republican governors have expressed concern about the effect the cuts will have on their state budgets.

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