



Empowering People: Providers Shaping Policies

Statement of Lowell Arye, ABCD Executive Director On the 45th Anniversary of Medicare and Medicaid And on the Need to Extend FMAP Enhancement Funds

Seventy-five years ago this month (August 14, 1935), Social Security was initially enacted. When President Roosevelt signed the Social Security Act, he stated that the new law was "a cornerstone in a structure which is being built but it is by no means complete." He clearly wanted Social Security to be expanded including for the government to assist with health care.

In fact, on the third anniversary of Social Security's enactment, President Roosevelt explained that "a National Health Conference was held at my suggestion to consider ways and means of extending to the people of this country more adequate health and medical services and also to afford the people of this country some protection against the economic losses arising out of ill health."

It would take another 30 years after enactment of Social Security (1965) for President Roosevelt's suggestion that government should provide a health care safety net for poor and vulnerable Americans to become reality.

On July 30, 1965, President Johnson signed into law amendments to the Social Security Act which created Medicare and Medicaid. Both of these two programs support seniors and people with disabilities in their health and long term care needs.

Medicare

Medicare is the federal health insurance program which covers more than 45 million Americans, primarily seniors and people with disabilities. Medicare serves all eligible beneficiaries without regard to income or medical history. Most seniors over age 65 are eligible as long as they or their spouse paid into Social Security and Medicare during their working years. People with disabilities who receive Social Security Disability payments are eligible for Medicare after a waiting period.

Medicare Part A (Hospital Insurance) helps cover inpatient care in hospitals, including critical access hospitals, and skilled nursing facilities (not custodial or long-term care). It also helps cover hospice care and some home health care. Most people pay a monthly premium for Part B. Medicare Part B (Medical Insurance) helps cover doctors' services and outpatient care. It also covers some other medical services that Part A doesn't cover, such as some of the services of physical and occupational therapists, and some home health care. In 2006, Medicare Part D was instituted, a new Medicare prescription drug coverage to everyone with Medicare. Everyone with Medicare can get this coverage that may help lower prescription drug costs and help protect against higher costs in the future.

When Medicare was enacted, the main goals of Medicare were to decrease the financial burdens that seniors and people with disabilities incur in obtaining health care services and to increase access to care. Clearly, these goals are as important today as they were 45 years ago. We must maintain and strengthen this important social insurance program.

Medicaid

Medicaid is the cornerstone of the nation's health care safety net. Medicaid is a Federal-State partnership which allows states flexibility to provide health care coverage to low-income families, seniors and people with disabilities. It was originally begun as a program primarily covering people who qualified for cash assistance. However, now Medicaid provides health and long term care services to more than 40 million people. It insures more than one in seven Americans and accounts for more than 15% of our nation's spending on health care. Medicaid is the primary source of federal financial assistance to the states, and represents a major shared state and federal commitment to improving the lives and the health of America's low-income population.

Medicaid's responsibilities are far reaching- it is a health insurance program for low-income adults and children, a comprehensive source of medical and long term care coverage for people with disabilities, a supplement to Medicare for seniors, providing assistance with long term care and Medicare premiums and cost-sharing obligations. Over its history and evolution, Medicaid has drawn on the flexibility built into the program to pioneer innovations in coverage and service delivery, provided a stable source of financing to states to meet the challenges of a rapidly changing health care market place and fostered the development of consumer protections for the frailest and most vulnerable in society.

By design, Medicaid expands to cover more people during economic downturns. Because eligibility for Medicaid is tied to having low income, and enrollment cannot be limited or waiting lists kept, the program operates as a safety-net. During economic recessions like the current one, when job loss causes workers and their families to lose health coverage and income, more people become eligible for Medicaid and the program expands to cover many of them, offsetting losses of private health insurance and mitigating increases in the number of uninsured.

It is estimated that for every one percentage point increase in the unemployment rate, Medicaid enrollment grows by 1 million. Medicaid enrollment growth has been accelerating in each six-month period since the recession began in December 2007. The largest six-month Medicaid enrollment increase on record occurred from December 2008 to June 2009, when 2.1 million additional individuals obtained Medicaid coverage. Between June 2008 and June 2009, enrollment rose by nearly 3.3 million, or 7.5%.

Medicaid is the main source of long-term care coverage and financing in the U.S. Over 10 million Americans, including about 6 million elderly and 4 million children and working-age adults, need long-term services and supports. Medicaid covers about 7 of every 10 nursing home residents and finances over 40% of nursing home spending and long-term care spending overall. An ever growing share of Medicaid long-term care spending is for home and community-based services. These funds allow seniors and people with disabilities to remain in the community, much of the time with their families, rather than to live in institutional facilities.

Medicaid funding supports the safety-net institutions that provide health care to low-income and uninsured people. Medicaid provides 33% of public hospitals' net revenues. Medicaid payments provide an even larger share of health centers' total operating revenues (37%) and is their largest source of third-party payment. Medicaid is also a core source of health care financing – it funds almost a sixth of total national spending on personal health care. Medicaid is the main payer of nursing home care and long-term care services overall; it is also the largest source of public funding for mental health care. Health centers and safety-net hospitals that serve low income and uninsured people rely heavily on Medicaid revenues. Medicaid is an engine in state and local economies, too, supporting millions of jobs.

Need for Extension of Enhanced FMAP Funds

During the economic recession, Medicaid has provided a safety-net of coverage for millions more Americans affected by loss of work or declining income. Medicaid now provides benefits to more people than any other public or private insurance program, including Medicare.

Federal Medical Assistance Percentage (FMAP) is the percentage of federal matching funds a State receives. New Jersey currently receives a 50% match from the federal government for the Medicaid program. The American Recovery and Reinvestment Act (ARRA) acknowledged the needs of States during the recession and provided an enhanced FMAP based upon unemployment rates. Unfortunately, the enhanced FMAP is scheduled to end as of December 31, 2010.

New Jersey has greatly benefited from the enhanced Federal Medical Assistance Percentage (FMAP) funds which were provided to States under. It has allowed the State to continue to provide need Medicaid services to the most vulnerable populations. President Obama proposed an extension of the enhanced FMAP through June 30, 2010. Congress has not yet enacted this extension.

In the FY 2011 budget, just recently enacted, New Jersey assumed (as did approximately 36 other states) that the FMAP would be extended for an additional 6 months. The final budget assumed \$580 million in additional enhanced Federal funds. Without those funds we are concerned that New Jersey may have to make extensive cuts in both coverage and services.

New Jersey has a long-standing history of supporting preventative health care and ensuring that individuals, particularly the most vulnerable, receive quality health care services through Medicaid. New Jersey Medicaid provides a comprehensive and expansive benefits package to individuals with significant disabilities, including supportive services such as personal care assistance and other long term care supports. We are concerned that without the enhanced FMAP the State may consider cutting some of the so called optional services, minimally required by the federal government under Medicaid. Services such as prescription drugs, dental benefits, durable medical equipment, prosthetics and orthotics, and therapies, are not optional for people with complex physical and neurological developmental disabilities. These services are critical to the health care needs of individuals with significant disabilities and others and cannot be cut.

We urge the New Jersey Congressional Delegation to support extension of the enhanced FMAP funds to ensure that essential Medicaid services to the most vulnerable are not cut.