

February 25, 2003

## TESTIMONY ON HCR 58

The Center for Public Policy Priorities appreciates the opportunity to comment on HCR 58, urging Congress to convert Medicaid to a block grant. While we share Chairman Delisi's belief that health care costs for all Americans — not just Medicaid — are out of control, we respectfully disagree that eliminating the federal commitment to share in the costs of health care for the poorest Americans will be beneficial for Texas.

**1. Under a Medicaid Block grant, not matter how much Texas' needs and costs of nursing home care, community-based long term care, and basic medical care for the poor grew, federal funds to support that care will NOT.** Imagine our current budget situation if we could not count on federal matching funds to finance the care for more than 70% of Texans in nursing homes, and an even higher percentage of community care consumers.

**2. Congress has flat-funded or REDUCED most block grants in recent years.**

### The Congressional Budget Office (CBO) projects that:

Increased per-capita costs for the current caseload will be responsible for 2/3 of the growth in Medicaid costs through 2004. These are the same health care cost inflation factors driving up private insurance premiums. Causes include prescription drug cost increases, new costs of advances in medical technology, and a flattening of earlier savings from managed care.

Increased costs for care of aged and disabled clients (both current and new enrollees) will account for 82% of Medicaid spending growth from 2002-2004.

Less than 1/5 (18%) of Medicaid spending growth will be due to increased costs of serving low-income children and adults. CBO projects dropping caseloads among these groups due to projected improvements in the economy.

### Block Grant Track Record

The last Medicaid block grant proposal voted on by Congress in 1995 (the "Medigrant" proposal) would have limited annual growth to 4%. Annual growth in the federal share of Texas Medicaid benefits has only been below 4% IN 3 YEARS since 1987, and has been as high as 40%.

Federal Medicaid Funding for Texas, 1988 to present			
Percent growth from previous year			
1988	8.1%	1996	5.0%
1989	15.2%	1997	3.7%
1990	40.2%	1998	3.2%
1991	35.4%	1999	7.3%
1992	50.5%	2000	-0.1%
1993	16.2%	2001	7.6%
1994	15.6%	2002	15.3%
1995	5.0%	2003 (est.)	13.0%

Congress has not allowed key block grants, the Social Services and Maternal and Child Health Block Grants (Title XX and Title V) to keep up with growth in population, inflation, or need. The slides attached show what has happened to Title V and XX funding over the decade; if these numbers had been adjusted for inflation we would show a substantial decline in the buying power of these funding streams.

The TANF block grant for Texas was small, based on Texas' low historical efforts in welfare. Now that TANF caseloads are once again increasing, Texas faces a crisis in TANF funding.

CHIP (Title XXI) is the first and only block grant Texas ever received that was based on need, not historical spending levels. Still, Congress made very large cuts in CHIP funding to "force" a balanced budget. Without restoration Texas and at least 17 other states are facing shortfalls in federal CHIP funds between 2003 and 2007.

When Congress created CHIP under the Balanced Budget Act of 1997 (BBA), all funding items in the BBA 1997 were reduced arbitrarily between 2002-2004 in order to force a balanced budget test. For CHIP, this meant that the annual total U.S. federal funding level of \$4.275 billion allocated for each year from 1998 through 2001 was reduced to \$3.15 billion per year from 2002 to 2004. In 2005 and 2006, the allocation was to increase to \$4.05 billion per year. In Texas, the dip meant our 2002 federal allocation was only about two-thirds of the 2001 amount.

Other states that will also face a federal fund shortfall by 2007 if Congress fails to address the CHIP dip include Alaska, Arizona, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Minnesota, Mississippi, Missouri, New Jersey, New York, Rhode Island, West Virginia, and Wisconsin. California is expected to face a shortfall by 2008 or 2009.

*Contact – Anne Dunkelberg, [dunkelberg@cphp.org](mailto:dunkelberg@cphp.org), (512) 320-0222 x102.*