



## **SUPPORT AN INCREASE IN THE FEDERAL MEDICAID MATCH, OPPOSE MEDICAID CUTS, AND REJECT CAPS ON FEDERAL MEDICAID PAYMENTS**

**ISSUE:** States are suffering severe budget shortfalls and many have begun, or are planning, to cut back their Medicaid programs. In 2003 Congress responded by providing a \$10 billion increase in Medicaid payments to the states for the period April 1, 2003—June 30, 2004. Each state received a 2.95 percentage point increase in its federal Medicaid matching rate for this period.

For FY 2005 the House Budget Committee has proposed \$2.2 billion in entitlement cuts, which would likely come from Medicaid. In both the FY 2004 and FY 2005 budget proposals the President has recommended Medicaid “reforms” that would offer states two options—continue to run Medicaid under existing rules and receive the normal federal Medicaid matching payments, or opt to accept a cap on federal Medicaid payments in exchange for broad flexibility to change program rules.

**RECOMMENDATION:** Congress should extend the temporary increase in the federal Medicaid matching rate, strike Medicaid cuts from the FY 2005 Congressional Budget Resolution, and reject caps on the federal contribution to Medicaid.

### **RATIONALE:**

- Cuts in Medicaid spending and the loss of the FMAP increase in June 2004 will likely result in cuts in home and community-based care and impede efforts to implement the Olmstead court decision, which requires states to offer home care as an alternative to institutionalization.
- If a cap on federal matching funds were instituted, then states experiencing even tighter Medicaid budgets would likely cut home and community-based care, which is largely an optional benefit, and rely more heavily on nursing home care, which is a mandatory benefit.
- The President’s New Freedom Initiative to expand home and community-based alternatives to institutionalization would be severely impaired by caps on the federal Medicaid contribution to state Medicaid programs.