

Bush's Medicaid rules threaten lives

by Linda Everett

For several months now, a host of U.S. state legislators, national health and hospital organizations, and child advocacy groups have sent up warning signals about the crisis in state Medicaid programs. In June, an American Hospital Association state-by-state survey found that as few as five states were able to reimburse hospitals what it costs to care for Medicaid recipients, and many pay as little as 53% of the costs. In July, a federal judge threw out Washington State's Medicaid payment system, because it so inadequately pays hospitals for the care of Medicaid patients. In August, just weeks after a federal advisory panel called for expanding Medicaid to cover 10 million more Americans who live below the poverty line, the National Governors' Association urged the federal government to take full responsibility for the costs of long-term nursing home and institutional care for the elderly, disabled, and mentally incapacitated—Medicaid services the states find increasingly difficult to cover.

Now along come the Bush administration's new rules, which will eliminate \$3-5 billion in federal Medicaid matching funds to the states by banning the methods many states use to boost their dwindling Medicaid funds. This, at a time when Medicaid is the fastest-growing portion of state budgets. State spending on Medicaid increased 19% last year, and will top 25% this year.

How the states make ends meet

Under the Social Security Act, the federal government pays 50-80% of a state's Medicaid program, which provides health and hospital care to the poor. New federal mandates now require states to extend Medicaid coverage to all children below the poverty level and to the elderly poor. Rather than cut critical health care services, dozens of states utilized alternate fundraising strategies. By taxing hospitals and other Medicaid care providers and raising voluntary hospital donations, states could supplement the shrinking general revenues normally used for Medicaid expenditures. These funds either go back to the providers as payments or they go toward life-saving programs like Vanderbilt University's Medicaid Center in Tennessee, the region's designated Level I trauma center, burn center, and Level III Perinatal Center, which provides high-risk obstetrical care and the only tertiary pediatric facility in the region. The taxes assure that hospitals with a disproportionate number of medically needy or uninsured

patients receive a higher payment rate which more truly reflects the real costs of providing care. These increased Medicaid expenditures by the state mean the federal government must provide a higher reimbursement rate as its share of the program.

The administration characterizes such revenue-raising strategies as scams by which states reap billions in extra federal funds every year. Citing the growth of the federal Medicaid budget from \$41 billion last year to \$52 billion this year, Richard Darman, director of the Office of Management and Budget (OMB) announced in April that he was sending out "SWAT teams" of federal budget and health officials to investigate state Medicaid practices. Instead of acknowledging that the 27 million people now served by Medicaid are expected to increase 25% by 1995, Darman and Health and Human Services (HHS) Secretary Louis Sullivan formed a task force that denounced the revenue-raising methods as *the* cause of the growth of the federal Medicaid budget. While Secretary Sullivan was out targeting "unconstrained" state Medicaid costs, the Bush administration's 13-member advisory panel on health care policy, which Sullivan appointed, recommended that the administration expand Medicaid spending to allow hospital and physician care for 10 million more Americans living below the poverty line and who have no health insurance.

'Child abuse or neglect'

In a July 10 press conference, National Governors' Association (NGA) Executive Director Raymond C. Scheppach rejected Darman's claim that state revenue-raising methods account for a quarter of the growth in federal costs in the nine-state study by the OMB. The issue, Scheppach said, was the federal government's requiring states to expand Medicaid coverage, and then, telling the states how to fund the expansion. Carol Herrman, commissioner of Alabama's Medicaid Program, told reporters that if OMB's regulatory measures are successful, "you will have cataclysmic results in the health care system." She said that banning hospital donations and provider taxes would mean Alabama would have to cut more than \$728 million.

Sidney Johnson, executive director of the American Public Welfare Association, stressed, "We're not talking about tinkering around the edges. We're talking about major health programs for poor Americans." Ohio State Rep. Thomas Needles said, "The simple fact is, some hospitals would close." Programs like Maryland's kidney disease program, which keeps alive 3,000 people with end-stage renal disease, will collapse. Robert Sweeney, president of the National Association of Children's Hospitals and Related Institutions, characterized the result of OMB's ban on state revenue raising as "child abuse or neglect, raised to the government level."

While the OMB-HHS campaign focused national attention on the dedicated taxes and voluntary donations as "illic-

it," the fact is they are explicitly allowed by Congress under current law. The Health Care Financing Administration simply continued the OMB-HHS campaign by producing new rules that double-crossed Congress and the states, ignored existing law, and completely reversed budget agreements that Gail Wilensky, administrator of HCFA, made with Congress last October. But the rules, published in the Sept. 12 *Federal Register*, go well beyond simply stemming growth of the Medicaid budget. The OMB has seen to it that the new rules so restrict states' funding mechanisms that states will go backwards to *decreased* federal reimbursements.

The rules are so sweeping, they change the original statutes upon which Medicaid rules were originally written 25 years ago. Since 1965 states were allowed to utilize inter-government and intra-government agency funds for Medicaid, a practice which the new rules now appear to qualify or ban outright. The rules are so ambiguous, that no one in the states or Congress or, it appears, even in the administration, seems to know what revenue-raising options are allowed. In addition, states can expect to spend heaps of time and taxpayers' money while federal investigators examine each state's revenue-raising methods, hospital by hospital.

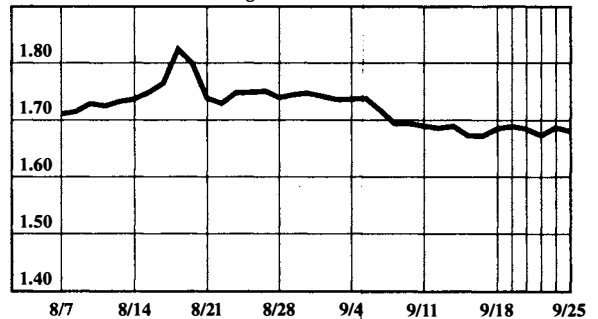
Recognizing that the new regulations will wipe out hundreds of Medicaid-funded programs which provide the only medical care available for millions of people, over 45 national organizations, including the National Association of Public Hospitals, the American Nurses Association, the National Association of Manufacturers, the Association of Retarded Citizens, and the American Association of University Affiliated Programs for Persons with Developmental Disabilities, have joined the National Governors' Association's unanimous call to Congress to fight the administration's rules. Given the rules' immense impact on programs serving children, who make up more than half of the 27 million people receiving Medicaid benefits, the American Academy of Pediatrics, the Association of Maternal and Child Health Programs, and the Children's Defense Programs, among others, have signed on and are expected to give testimony in the Sept. 30 Committee on Health and the Environment hearings held by Rep. Henry Waxman (D-Calif.).

In a total disregard for state fiscal realities, HCFA's regulations go into effect on Jan. 1, 1992, halfway through most states' fiscal year. Maine Gov. John R. McKernan, chair of the NGA's Committee on Human Resources, said, "This will have the severest of consequences for state budgets and has the potential to dramatically curtail existing services now available, and reduce the numbers of people now eligible for Medicaid services." But, that matters little to an administration intent on creating as many hurdles as possible to stop the flow of critically needed funds to the states. As Robert Sweeney of the National Association of Children's Hospitals and Related Institutions told *EIR*, Darman and the OMB are like fighter pilots who never see the faces of the victims they kill.

Currency Rates

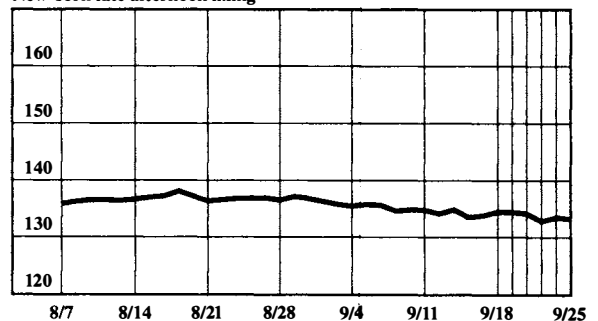
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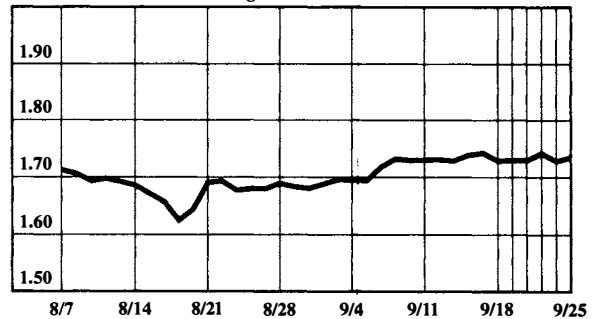
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