



THE HOSPITAL & HEALTHSYSTEM ASSOCIATION OF PENNSYLVANIA

ISSUE BRIEF: Medicaid Block Grants

In Pennsylvania, senior citizens and people with disabilities comprise one-third (35%) of all Medicaid recipients (2 million Pennsylvanians), and account for 74 percent of the state's Medicaid spending. The majority of these individuals have chronic and complex medical conditions and cannot work.

Medicaid is a joint federal and state health care program for eligible low-income individuals, established by the U.S. Congress in 1965 as Title 19 of the Social Security Act. Medicaid provides health care to the elderly, the disabled, pregnant women, low-income children, and families who are eligible financially and have no access to insurance. The Pennsylvania Medicaid program is called Medical Assistance.

Who Does Medicaid Help

- Medicaid insures 17 percent of **Pennsylvanians**, or 2.2 million individuals statewide.
- Medicaid covers 31 percent of all children¹ and funds nearly half of all births, providing necessary care for very sick infants.
- Medicaid finances the care of 65 percent of all elderly residents being cared for in nursing homes.
- Medicaid provides health coverage to a larger share of the population in rural areas than in urban areas.

Medicaid Expenditures and Financing:

- In Pennsylvania, the federal government pays 55 percent of Medicaid costs.
- State Medicaid expenses equal about 22 percent of the state's budget.
- On average, Medicaid comprises 11 percent of a hospital's net patient revenue.
- Medicaid funding supports jobs and generates income and tax revenues within the health sector and other sectors of the economy due to the multiplier effect. This is as important to rural communities as it is in more urban areas.
- Medicaid's economic impact is intensified because of federal matching dollars.

Medicaid Block Grants

The Hospital & Healthsystem Association of Pennsylvania (HAP) is opposed to Congressional proposals that would implement "block grants to states" to implement the Medicaid program.

A May 2011 study prepared for the Kaiser Commission on Medicaid and the Uninsured, cited federal spending for Pennsylvania would be reduced by 31.2 percent, and that by 2021, 48 percent of Medicaid enrollees would no longer be eligible, leaving them without Medicaid as a safety net for obtaining health

care services. The same study says that the U.S. House-passed budget plan, Representative Ryan’s plan, would reduce Medicaid payments to Pennsylvania hospitals by 31 percent under a Medicaid block grant model.

According to a Kaiser Health Tracking Poll (May 2011), sixty percent (60%) of respondents would prefer to “keep Medicaid as is, with the federal government guaranteeing coverage and setting minimum standards for benefits and eligibility”.

Medical Assistance Payment Modernization – Act 49 of 2011

In July 2010, the Pennsylvania General Assembly passed, and the Governor signed into law, Act 49 of 2010, which modernizes Pennsylvania’s inpatient fee-for-service hospital payment system, establishes enhanced hospital payments through the state’s Medical Assistance managed care program, and secures additional matching Medicaid funds through the establishment of the Quality Care Assessment.

The provisions of Act 49 ensured that the new Medical Assistance hospital payment system would not cost the state new dollars during difficult budget times. The increased funding for the payment system comes from the Quality Care Assessment, a tax on hospitals that will allow the state to access additional federal dollars. In addition, hospitals help the state by contributing a portion of the tax the Commonwealth—\$121 million for fiscal year 2010-2011, and \$125.5 million for fiscal years 2011-2012 and 2012-2013.

Implementation of a Medicaid block grant would jeopardize Act 49, eliminating critical funding increases for hospitals and straining Pennsylvania’s budget.

For More Information: If you have questions regarding this information, please contact [Jim Redmond](#), HAP’s senior vice president, legislative services, at (717) 561-5350; [Michael Strazzella](#), HAP’s Vice President, Federal Relations at (202) 863-9287; [Kathy Mebus](#), HAP’s Vice President, State Legislation at (717) 561-5351; [Timothy Ohrum](#), HAP’s Director, Legislative Services at (412) 480-9761; or [Brian Eury](#), HAP’s regional director, legislative services, at (215) 510-5135.

