

A Look at Medicaid

The National Governors Association (2003) reports that states are experiencing their worst budget dilemmas in over 50 years. This national fiscal crisis stems from several sources and varies by state, but has mainly been attributed to decreased state revenues as a result of a sluggish economy and increased demands on state resources to fund new responsibilities, such as homeland security. Medicaid faces significant challenges in the current economic climate.

New Tax Act Delivers Aid to States

The Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) provided Americans with \$330 billion in tax cuts, with an additional \$20 billion earmarked for state aid in 2003 and 2004. Of the federal money allocated for state aid, half is designated as assistance to help states meet their Medicaid responsibilities. Medicaid, which is funded by both the federal and state governments, provides health insurance for qualified low-income individuals, and is currently the only federal program that will cover long-term care expenses for those who meet the eligibility requirements. Medicare is a federal health insurance program for people age 65 and older, or for individuals with qualifying disabilities, and does not cover long-term care expenses.

In 2002, Medicaid costs rose by 14% and were expected to increase another 10% in 2003. Covering 44 billion people at an estimated cost of \$230 billion, Medicaid is experiencing an increased eligibility rate, twice that of Medicare, as the American population contends with unemployment and the repercussions of a struggling economy (CCH, 2003). This increases the strain on states to meet their obligations.

State Accountability

Because states and the federal government jointly fund Medicaid, this program receives ongoing scrutiny by the U. S. General Accounting Office (GAO), a congressional agency that monitors federal programs and expenditures. The GAO defines its mission as supporting "the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people."

In June 2003, the GAO released a report¹ on Medicaid's home and community-based services (HCBS) waivers, which exempt states from certain federal statutory requirements. While these waivers allow Medicaid to cover many care alternatives, such as home-based care, the GAO found oversight weaknesses and quality of care problems. Of the waivers for the elderly that were studied, over 70% recorded at least one quality of care concern, such as the failure to provide the necessary services or inadequate case management. Furthermore, the GAO concluded that the Centers for Medicare and Medicaid Services (CMS) "does not adequately monitor state waivers and the quality of beneficiary care."

While government agencies are searching for ways to improve Medicaid, states are currently unaccountable for the quality of their long-term care assistance. To make matters more challenging, the National Association of Governors (2003) reported that 28 states expect Medicaid shortfalls, and the majority of states are cutting funds to key programs, including Medicaid. While the federal government has given a temporary boost to Medicaid funding, little has been done in Washington regarding an alternative public funding solution for long-term care. Medicaid remains the only option, and is limited to those who meet their state's low-income eligibility requirements.

Proper and early planning can help you prepare for the possibility of long-term care expenses. At this point in time, states and the federal government offer little financial assistance.

¹ U.S. General Accounting Office, GAO-03-576, June 2003.

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