Deficit Reduction Act Will Affect Medicaid Benefits

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BALTIMORE — Provisions in the Deficit Reduction Act are likely to profoundly affect health care for Medicaid patients, Cindy Mann said at the annual meeting of the American Society for Law, Medicine, and Ethics.

The Deficit Reduction Act of 2005, signed into law last February by President Bush, includes "the most significant statutory changes in the Medicaid program arguably since the late 1980s," said Ms. Mann, who is research professor at Georgetown University Health Policy Institute in Washington.

"It really is also the first time that Congress has legislated some specific cutbacks aimed at beneficiaries," she said.

A controversial change is a requirement that anyone applying for Medicaid who says they are a citizen must provide new documentation of their citizenship.

Many of the changes that the act's new provisions have created in the Medicaid program deal with Medicaid coverage requirements for the states. The law "gives [states] very broad flexibility to move away from what has been a system of mandatory and optional benefits to a system of benchmark benefits," said Ms. Mann, who is also executive director of the Center for Children and Families at Georgetown.

"One benchmark [states can use] is any state employee plan—not the one most used in your state, or the one that has the highest enrollment of dependents, it's any state employee plan that's offered," she noted.

States could even construct a special plan just to be a benchmark and then offer it to state employees, "and that becomes [the] standard," she said, at the meeting cosponsored by the University of Maryland.

The other way that states can formulate a plan that would be acceptable under the new provisions is by getting the approval of the federal Health and Human Services secretary.

The two state plan amendments now approved under the Deficit Reduction Act —West Virginia and Kentucky—used the secretary-approved coverage option, she noted.

The Deficit Reduction Act also allows states to change benefit packages for some groups and not others, Ms. Mann said. "[States] could have one benchmark package in a rural area of the state and a different one for urban areas.

"It opens it up to any slice and dice a state decides it wants to do in terms of how it constructs these benchmark packages and to whom they will apply," she added.

A controversial change that has been imposed by the Deficit Reduction Act is a requirement that anyone applying for Medicaid who says they are a citizen must provide new documentation of their citizenship.

"Since 1996 there's been a provision requiring documentation of immigration status, and now there are very strict rules about documentation," she said, adding that federal guidance on how to implement this section of the law is expected shortly.

The law also allows for a number of demonstration projects to be set up by the states. For example, 10 states may start Health Opportunity Accounts, which are "a little like health savings accounts for the Medicaid program," she said.

Another measure, which was championed by Sen. Charles Grassley (R-Iowa), is the Family Opportunity Act. This act allows families to buy into Medicaid if they have severely disabled children, even if their family income is higher than the normal cutoff in their state for Medicaid eligibility.

Ms. Mann added that although the law contains profound changes, "it is often overstated what the changes were. In large part, what the DRA [Deficit Reduction Act] didn't do, Congress decided not to do.

"There was a debate about the areas of benefit guarantees for children, and there was a debate about the cost sharing. So while Congress did go a certain distance, it didn't go further than that certain distance, and I think that's an important consideration." ■