CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

June E. O'Neill
Director

June 17, 1996

Honorable John R. Kasich
Chairman
Committee on the Budget
U. S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The Congressional Budget Office has reviewed the welfare and Medicaid titles of the budget reconciliation bill of 1996 and has prepared the attached estimates of their federal budgetary effects. As requested by your staff, these estimates incorporate the recommendations approved on June 12, 1996, by the Committees on Economic and Educational Opportunities and on Ways and Means, and those approved on June 13, 1996, by the Committees on Agriculture and Commerce. These estimates are based on language provided by the staffs of the various committees and may not reflect the final language submitted by the Budget Committee in its report. The estimates are based on an assumed enactment date of October 1, 1996, and would change if the enactment date were different.

As shown in Tables 1 and 2, CBO estimates that these provisions would reduce the federal deficit by over $122 billion over the 1997-2002 period. The estimated savings differ slightly, depending whether the child care policies are those recommended by the Ways and Means Committee (shown in Table 1) or by the Opportunities Committee (shown in Table 2).

Title I encompasses the changes in the Food Stamp program as approved by the Committee on Agriculture. CBO estimates that the direct spending savings for this title would be $1.8 billion in 1997 and $23.2 billion over the 1997-2002 period. The changes with the largest estimated six-year savings are the lowering of the maximum benefits from 103 percent to 100 percent of the Thrifty Food Plan ($6.2 billion), the setting of the standard deduction at $134 ($5.3 billion), the capping of the excess shelter deduction at $247 ($4.1 billion), and the establishment of certain work requirements ($3.9 billion).

Title II, the Medicaid Restructuring Act of 1996, incorporates provisions to restructure Medicaid as approved by the Committee on Commerce. It would limit the amount of federal funds available to states as matching grants for their medical assistance programs, increase states' flexibility to reform their current programs, and require that state plans guarantee coverage for certain individuals. The bill would authorize supplemental payments to states with changes in enrollment that exceed thresholds set in the bill as well as supplemental payments for illegal aliens and Native Americans. In addition, the bill includes changes to the formula that determines the federal matching share. The estimated federal savings in Medicaid from these changes total $71.4 billion over the 1997-2002 period, even though the bill would increase federal spending by an estimated $0.8 billion in 1997.

Title III, which was approved by the Committee on Economic and Educational Opportunities, contains amendments to the JOBS program and the child nutrition programs, and would create a child care block grant. CBO estimates that the provisions of Title III would increase spending by a total of $0.3 billion over the 1997-2002 period because savings on child nutrition programs would be more than offset by increased direct spending for child care. Savings on child nutrition would amount to $3.0 billion over the next six years. Most of that savings--$2.6 billion--would result from restructuring the family day care home program to include a modified means test.

Both the Committee on Economic and Educational Opportunities and the Committee on Ways and Means recommend language that would establish a new mandatory child care block grant. The net spending from the new block grant shown under Title III--$3.5 billion--represents the difference between the outlays that would occur under the Opportunities Committee's version of the new block grant--about $12.8 billion--and the savings from repealing the AFDC Child Care, At-Risk Child Care, and Transitional Child Care programs --$9.3 billion. The net cost of the child care provisions in Title III is lower than that under Title IV because the Opportunities Committee's maintenance-of-effort requirement (based on 1995 spending) is more demanding than the requirement in Title IV, making it more difficult for states to use block grant funds.

Title IV constitutes the recommendations of the Committee on Ways and Means. Total savings under the title would amount to $ 0.4 billion in 1997 and $26.8 billion over the 1997-2002 period. The largest component of the savings comes from the limitations on benefits to aliens in Subtitle D ($18.6 billion). Other substantial savings are derived from the changes in the eligibility standards for disabled children in the Supplemental Security Income program ($8.3 billion). Changes in the family support programs, including the new child care block grant, result in increased spending of $3.1 billion. These costs are partially offset by the $1.65 billion in reduced funding for the Social Services Block Grant. Additional savings in Subtitle H ($1.7 billion in reduced outlays and $1.7 billion in increased revenues) result from proposed changes in the Earned Income Tax Credit.

Honorable John Kasich
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The budgetary effects in Title IV were estimated assuming that the changes in Titles I and II are also made. Because Title I would make various changes in the Food Stamp program, the food stamp offsets shown for Title IV (additional spending on food stamps that results from reductions in cash benefits paid to food stamp recipients) are smaller than if the Food Stamp program were unchanged. Similarly, because of the changes the bill would make in Medicaid, no savings in Medicaid spending are shown from the restrictions on cash benefits to aliens or on SSI payments to disabled children.

Title IV would reduce net Social Security outlays to persons in penal institutions by an estimated $138 million over the next six years. These savings are in off-budget accounts and are given special consideration under the Balanced Budget and Emergency Deficit Control Act.

Tables 1 and 2 present the changes in outlays by program compared with their baseline levels. Table 1 shows the spending totals assuming that the final bill incorporates the child care provisions approved by the Committee on Ways and Means. Table 2 is the corresponding table assuming enactment of the recommendations of the Committee on Economic and Educational Opportunities. Table 3 displays the comparable figures for budget authority, which are the same under both committees' recommendations. Table 4 shows the bill's budgetary impact title by title. The final set of tables provides the estimated budgetary effect by provision for the four titles.

Statements on possible mandates on the private sector and on state, local, and tribal governments are being prepared and will be provided later this week.

If you wish additional details on the estimate, we will be pleased to supply them. The staff contact is Paul Cullinan, who can be reached at 226-2820.

Sincerely,

June E. O'Neill

June E. O'Neill
Director

Attachments

cc: Honorable Martin Olav Sabo
Ranking Minority Member

Honorable Pat Roberts
Chairman
Committee on Agriculture

Honorable E de la Garza
Ranking Minority Member
Committee on Agriculture

Honorable Thomas J. Bliley, Jr.
Chairman
Committee on Commerce

Honorable John D. Dingell
Ranking Minority Member
Committee on Commerce

Honorable William F. Goodling
Chairman
Committee on Economic and Educational Opportunities

Honorable William Clay
Ranking Minority Member
Committee on Economic and Educational Opportunities

Honorable Bill Archer
Chairman
Committee on Ways and Means

Honorable Sam Gibbons
Ranking Minority Member
Committee on Ways and Means

TABLE 1
OUTLAY AND REVENUE EFFECTS OF WELFARE/MEDICAID RECONCILIATION BILL
ASSUMING CHILD CARE POLICIES RECOMMENDED BY THE COMMITTEE ON WAYS AND MEANS

06/17/96

Assumes enactment date of October 1, 1996.

(by fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	7 year Total
				DIRECT SPENDING				
PROJECTED OUTLAYS UNDER CURRENT LAW								
Family Support Payments a/	18,371	18,805	19,307	19,935	20,557	21,245	21,937	
Food Stamp Program b/	26,220	28,094	29,702	31,092	32,476	33,847	35,283	
Supplemental Security Income	24,017	27,904	30,210	32,576	37,995	34,515	40,348	
Medicaid	95,737	104,781	115,438	126,366	138,154	151,512	166,444	
Child Nutrition c/	8,428	8,898	9,450	10,012	10,580	11,166	11,767	
Old-Age, Survivors and Disability Insurance	348,186	365,403	383,402	402,351	422,412	444,081	466,767	
Foster Care d/	3,840	4,285	4,687	5,083	5,506	5,960	6,433	
Social Services Block Grant	2,880	3,010	3,050	3,000	2,920	2,870	2,840	
Earned Income Tax Credit	18,440	20,191	20,894	21,691	22,586	23,412	24,157	
Total	546,119	581,371	616,140	652,106	693,186	728,608	775,976	
PROPOSED CHANGES								
Family Support Payments a/	0	958	996	945	768	148	-749	3,065
Food Stamp Program b/	0	-2,135	-3,611	-3,995	-4,168	-4,504	-4,843	-23,256
Supplemental Security Income	0	-643	-3,715	-4,339	-4,854	-4,378	-4,993	-22,922
Medicaid	0	801	-1,570	-7,400	-13,427	-20,660	-29,171	-71,427
Child Nutrition c/	0	-147	-423	-539	-653	-745	-820	-3,327
Old-Age, Survivors and Disability Insurance	0	-2	-13	-27	-31	-31	-34	-138
Foster Care d/	0	77	40	28	41	51	61	298
Social Services Block Grant	0	-250	-280	-280	-280	-280	-280	-1,650
Earned Income Tax Credit	0	-230	-566	-560	-570	-595	-621	-3,144
Total	0	-1,571	-9,142	-16,167	-23,174	-30,994	-41,450	-122,501
PROJECTED OUTLAYS UNDER PROPOSAL								
Family Support Payments a/	18,371	19,763	20,303	20,880	21,325	21,393	21,188	
Food Stamp Program b/	26,220	25,959	26,091	27,097	28,308	29,343	30,440	
Supplemental Security Income	24,017	27,261	26,495	28,237	33,141	30,137	35,355	
Medicaid	95,737	105,582	113,868	118,966	124,727	130,852	137,273	
Child Nutrition c/	8,428	8,751	9,027	9,473	9,927	10,421	10,947	
Old-Age, Survivors and Disability Insurance	348,186	365,401	383,389	402,324	422,381	444,050	466,733	
Foster Care d/	3,840	4,362	4,727	5,111	5,547	6,011	6,494	
Social Services Block Grant	2,880	2,760	2,770	2,720	2,640	2,590	2,560	
Earned Income Tax Credit	18,440	19,961	20,328	21,131	22,016	22,817	23,536	
Total	546,119	579,800	606,998	635,939	670,012	697,614	734,526	
				REVENUES				
PROPOSED CHANGES IN REVENUES e/	34	345	352	372	396	426	1,925	

Notes:
Details may not add to totals because of rounding.

a/ Under current law, Family Support Payments includes spending on Aid to Families with Dependent Children (AFDC), AFDC-related child care, administrative costs for child support enforcement, net federal savings from child support collections, and the Job Opportunities and Basic Skills Training program (JOBS). Under proposed law, Family Support Payments would include spending on the Temporary Assistance for Needy Families Block Grant, administrative costs for child support enforcement, the Child Care Block Grant, and net federal savings from child support collections.

b/ Food Stamps includes Nutrition Assistance for Puerto Rico under both current law and proposed law, and the Emergency Food Assistance Program under proposed law.

c/ Child Nutrition Programs encompasses direct spending authorized by the National School Lunch Act and the Child Nutrition Act.

d/ Under current law, Foster Care includes Foster Care, Adoption Assistance, Independent Living, and Family Preservation and Support. Under proposed law, Foster Care would include Foster Care, Adoption Assistance, Independent Living, the Child Protection Block Grant, and child welfare studies.

e/ Revenue estimates provided by the Joint Committee on Taxation.

TABLE 2

OUTLAY AND REVENUE EFFECTS OF WELFARE/MEDICAID RECONCILIATION BILL
ASSUMING CHILD CARE POLICIES RECOMMENDED BY THE
COMMITTEE ON ECONOMIC AND EDUCATIONAL OPPORTUNITIES

06/17/96

Assumes enactment date of October 1, 1996.

(by fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	7 year Total
				DIRECT SPENDING				
PROJECTED OUTLAYS UNDER CURRENT LAW								
Family Support Payments a/	18,371	18,805	19,307	19,935	20,557	21,245	21,937	
Food Stamp Program b/	26,220	28,094	29,702	31,092	32,476	33,847	35,283	
Supplemental Security Income	24,017	27,904	30,210	32,576	37,995	34,515	40,348	
Medicaid	95,737	104,781	115,438	126,366	138,154	151,512	166,444	
Child Nutrition c/	8,428	8,898	9,450	10,012	10,580	11,166	11,767	
Old-Age, Survivors and Disability Insurance	348,186	365,403	383,402	402,351	422,412	444,081	466,767	
Foster Care d/	3,840	4,285	4,687	5,083	5,506	5,960	6,433	
Social Services Block Grant	2,880	3,010	3,050	3,000	2,920	2,870	2,840	
Earned Income Tax Credit	18,440	20,191	20,894	21,691	22,586	23,412	24,157	
Total	546,119	581,371	616,140	652,106	693,186	728,608	775,976	
PROPOSED CHANGES								
Family Support Payments a/	0	913	944	895	718	98	-799	2,769
Food Stamp Program b/	0	-2,135	-3,611	-3,995	-4,168	-4,504	-4,843	-23,256
Supplemental Security Income	0	-643	-3,715	-4,339	-4,854	-4,378	-4,993	-22,922
Medicaid	0	801	-1,570	-7,400	-13,427	-20,660	-29,171	-71,427
Child Nutrition c/	0	-147	-423	-539	-653	-745	-820	-3,327
Old-Age, Survivors and Disability Insurance	0	-2	-13	-27	-31	-31	-34	-138
Foster Care d/	0	77	40	28	41	51	61	298
Social Services Block Grant	0	-250	-280	-280	-280	-280	-280	-1,650
Earned Income Tax Credit	0	-230	-566	-560	-570	-595	-621	-3,144
Total	0	-1,616	-9,194	-16,217	-23,224	-31,044	-41,500	-122,797
PROJECTED OUTLAYS UNDER PROPOSAL								
Family Support Payments a/	18,371	19,718	20,251	20,830	21,275	21,343	21,138	
Food Stamp Program b/	26,220	25,959	26,091	27,097	28,308	29,343	30,440	
Supplemental Security Income	24,017	27,261	26,495	28,237	33,141	30,137	35,355	
Medicaid	95,737	105,582	113,868	118,966	124,727	130,852	137,273	
Child Nutrition c/	8,428	8,751	9,027	9,473	9,927	10,421	10,947	
Old-Age, Survivors and Disability Insurance	348,186	365,401	383,389	402,324	422,381	444,050	466,733	
Foster Care d/	3,840	4,362	4,727	5,111	5,547	6,011	6,494	
Social Services Block Grant	2,880	2,760	2,770	2,720	2,640	2,590	2,560	
Earned Income Tax Credit	18,440	19,961	20,328	21,131	22,016	22,817	23,536	
Total	546,119	579,755	606,946	635,889	669,962	697,564	734,476	
				REVENUES				
PROPOSED CHANGES IN REVENUES e/	34	345	352	372	396	426	1,925	

Notes:

Details may not add to totals because of rounding.

a/ Under current law, Family Support Payments includes spending on Aid to Families with Dependent Children (AFDC), AFDC-related child care, administrative costs for child support enforcement, net federal savings from child support collections, and the Job Opportunities and Basic Skills Training program (JOBS). Under proposed law, Family Support Payments would include spending on the Temporary Assistance for Needy Families Block Grant, administrative costs for child support enforcement, the Child Care Block Grant, and net federal savings from child support collections.

b/ Food Stamps includes Nutrition Assistance for Puerto Rico under both current law and proposed law, and the Emergency Food Assistance Program under proposed law.

c/ Child Nutrition Programs encompasses direct spending authorized by the National School Lunch Act and the Child Nutrition Act.

d/ Under current law, Foster Care includes Foster Care, Adoption Assistance, Independent Living, and Family Preservation and Support. Under proposed law, Foster Care would include Foster Care, Adoption Assistance, Independent Living, the Child Protection Block Grant, and child welfare studies.

e/ Revenue estimates provided by the Joint Committee on Taxation.

TABLE 3
BUDGET AUTHORITY EFFECTS OF WELFARE/MEDICAID RECONCILIATION BILL

06/17/96

Assumes enactment date of October 1, 1996.

(by fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	7 year Total
				DIRECT SPENDING				
PROJECTED BUDGET AUTHORITY UNDER CURRENT LAW								
Family Support Payments a/	18,433	18,856	19,348	19,965	20,587	21,275	21,957	
Food Stamp Program b/	26,230	28,135	29,742	31,122	32,507	33,877	35,314	
Supplemental Security Income	23,903	27,880	30,211	32,578	37,995	34,517	40,349	
Medicaid	82,997	104,781	115,438	126,366	138,154	151,512	166,444	
Child Nutrition c/	8,470	8,974	9,533	10,097	10,664	11,253	11,855	
Old-Age, Survivors and Disability Insurance	354,578	372,445	390,936	410,435	431,001	453,302	476,609	
Foster Care d/	3,987	4,331	4,742	5,146	5,586	6,043	6,520	
Social Services Block Grant	2,800	2,800	2,800	2,800	2,800	2,800	2,800	
Earned Income Tax Credit	18,440	20,191	20,894	21,691	22,586	23,412	24,157	
Total	539,838	588,393	623,644	660,200	701,880	737,991	786,005	
PROPOSED CHANGES								
Family Support Payments a/	0	1,178	990	945	823	253	-601	3,588
Food Stamp Program b/	0	-2,135	-3,611	-3,995	-4,168	-4,504	-4,843	-23,256
Supplemental Security Income	0	-643	-3,715	-4,339	-4,854	-4,378	-4,993	-22,922
Medicaid	0	801	-1,570	-7,400	-13,427	-20,660	-29,171	-71,427
Child Nutrition c/	0	-174	-469	-545	-668	-760	-830	-3,446
Old-Age, Survivors and Disability Insurance	0	-2	-13	-27	-31	-31	-34	-138
Foster Care d/	0	106	26	26	41	51	61	311
Social Services Block Grant	0	-280	-280	-280	-280	-280	-280	-1,680
Earned Income Tax Credit	0	-230	-566	-560	-570	-595	-621	-3,144
Total	0	-1,379	-9,208	-16,175	-23,134	-30,904	-41,312	-122,114
PROJECTED BUDGET AUTHORITY UNDER PROPOSAL								
Family Support Payments a/	18,433	20,034	20,338	20,910	21,410	21,528	21,356	
Food Stamp Program b/	26,230	26,000	26,131	27,127	28,339	29,373	30,471	
Supplemental Security Income	23,903	27,237	26,496	28,239	33,141	30,139	35,356	
Medicaid	82,997	105,582	113,868	118,966	124,727	130,852	137,273	
Child Nutrition c/	8,470	8,800	9,064	9,552	9,996	10,493	11,025	
Old-Age, Survivors and Disability Insurance	354,578	372,443	390,923	410,408	430,970	453,271	476,575	
Foster Care d/	3,987	4,437	4,768	5,172	5,627	6,094	6,581	
Social Services Block Grant	2,800	2,520	2,520	2,520	2,520	2,520	2,520	
Earned Income Tax Credit	18,440	19,961	20,328	21,131	22,016	22,817	23,536	
Total	539,838	587,014	614,436	644,025	678,746	707,087	744,693	

Notes:
Details may not add to totals because of rounding.
a/ Under current law, Family Support Payments includes spending on Aid to Families with Dependent Children (AFDC), AFDC-related child care, administrative costs for child support enforcement, net federal savings from child support collections, and the Job Opportunities and Basic Skills Training program (JOBS). Under proposed law, Family Support Payments would include spending on the Temporary Assistance for Needy Families Block Grant, administrative costs for child support enforcement, the Child Care Block Grant, and net federal savings from child support collections.
b/ Food Stamps includes Nutrition Assistance for Puerto Rico under both current law and proposed law, and the Emergency Food Assistance Program under proposed law.
c/ Child Nutrition Programs encompasses direct spending authorized by the National School Lunch Act and the Child Nutrition Act.
d/ Under current law, Foster Care includes Foster Care, Adoption Assistance, Independent Living, and Family Preservation and Support. Under proposed law, Foster Care would include Foster Care, Adoption Assistance, Independent Living, the Child Protection Block Grant, and child welfare studies.

TABLE 4 06/17/96

DIRECT SPENDING AND REVENUE EFFECTS OF WELFARE AND MEDICAID RECONCILIATION BILL -- BY TITLE

Assumes enactment date of October 1, 1996.

(by fiscal year, in millions of dollars)

	1997	1998	1999	2000	2001	2002	7 year Total
TITLE I--COMMITTEE ON AGRICULTURE							
Direct Spending							
Food Stamps							
Budget Authority	-1,826	-3,256	-3,802	-4,249	-4,754	-5,265	-23,152
Outlays	-1,826	-3,256	-3,802	-4,249	-4,754	-5,265	-23,152
Title I Total--Direct Spending							
Budget Authority	-1,826	-3,256	-3,802	-4,249	-4,754	-5,265	-23,152
Outlays	-1,826	-3,256	-3,802	-4,249	-4,754	-5,265	-23,152
TITLE II--COMMITTEE ON COMMERCE							
Direct Spending							
Medicaid							
Budget Authority	801	-1,570	-7,400	-13,427	-20,660	-29,171	-71,427
Outlays	801	-1,570	-7,400	-13,427	-20,660	-29,171	-71,427
Title II Total--Direct Spending							
Budget Authority	801	-1,570	-7,400	-13,427	-20,660	-29,171	-71,427
Outlays	801	-1,570	-7,400	-13,427	-20,660	-29,171	-71,427
TITLE III--COMMITTEE ON ECONOMIC AND EDUCATIONAL OPPORTUNITIES							
Direct Spending							
Work Requirements							
Budget Authority	0	0	-50	-50	-50	-50	-200
Outlays	0	0	-50	-50	-50	-50	-200
Child Care							
Budget Authority	562	587	627	772	912	1,002	4,462
Outlays	290	499	547	637	727	772	3,473
Child Nutrition							
Budget Authority	-174	-469	-530	-583	-645	-710	-3,111
Outlays	-147	-423	-524	-578	-635	-700	-3,007
Title III Total--Direct Spending							
Budget Authority	388	118	47	139	217	242	1,151
Outlays	143	76	-27	9	42	22	266
TITLE IV--COMMITTEE ON WAYS AND MEANS							
Direct Spending							
Family Support							
Budget Authority	1,178	990	945	823	253	-601	3,588
Outlays	958	996	945	768	148	-749	3,066
Food Stamps							
Budget Authority	-309	-355	-193	81	250	422	-104
Outlays	-309	-355	-193	81	250	422	-104
Supplemental Security Income							
Budget Authority	-643	-3,715	-4,339	-4,854	-4,378	-4,993	-22,922
Outlays	-643	-3,715	-4,339	-4,854	-4,378	-4,993	-22,922
Old-Age, Survivors, and Disability Insurance							
Budget Authority	-2	-13	-27	-31	-31	-34	-138
Outlays	-2	-13	-27	-31	-31	-34	-138
Foster Care							
Budget Authority	77	40	28	38	51	61	295
Outlays	77	40	28	38	51	61	295
Social Services Block Grant							
Budget Authority	-280	-280	-280	-280	-280	-280	-1,680
Outlays	-252	-280	-280	-280	-280	-280	-1,652
Earned Income Tax Credit							
Budget Authority	-230	-566	-560	-570	-595	-621	-3,142
Outlays	-230	-566	-560	-570	-595	-621	-3,142
Child Nutrition							
Budget Authority	0	0	-15	-85	-115	-120	-335
Outlays	0	0	-15	-75	-110	-120	-320
Title IV Total--Direct Spending							
Budget Authority	-209	-3,899	-4,441	-4,878	-4,845	-6,166	-24,438
Outlays	-401	-3,893	-4,441	-4,923	-4,945	-6,314	-24,917
Revenues							
Earned Income Tax Credit	34	345	352	372	396	426	1,925
Title IV Total--Revenues	34	345	352	372	396	426	1,925
Title IV Net Deficit Effect	-435	-4238	-4793	-5295	-5341	-6740	-26,842

Note: Total savings are not the sum of the savings from each title because some provisions overlap.

FEDERAL BUDGET EFFECTS OF TITLE I, THE FOOD STAMP REFORM AND COMMODITY DISTRIBUTION ACT OF 1996
As reported by the House Committee on Agriculture on June 13, 1996 06/17/96

Assumed date of enactment: October 1, 1996.

(outlays by fiscal year, in millions of dollars)

Section	1996	1997	1998	1999	2000	2001	2002	1996-2002
1011 Definition of certification period	--	0	0	0	0	0	0	0
1012 Definition of coupon	--	0	0	0	0	0	0	0
1013 Treatment of children living at home	--	-115	-245	-255	-265	-280	-290	-1,450
1014 Optional additional criteria for separate household determinations	--	-10	-35	-55	-75	-80	-85	-340
1015 Adjustment of thrifty food plan	--	-855	-980	-1,025	-1,070	-1,115	-1,155	-6,200
1016 Definition of homeless individual	--	-*	-*	-*	-*	-*	-*	-*
1017 State option for eligibility standards	--	0	0	0	0	0	0	0
1018 Earnings of students	--	-1	-1	-1	-1	-1	-1	-6
1019 Energy assistance	--	-125	-170	-175	-175	-180	-180	-1,005
1020 Deductions from income								
Standard deduction at $134 each year	--	-315	-555	-770	-990	-1,220	-1,465	-5,315
Homeless shelter allowance	--	-1	-1	-2	-3	-3	-5	-15
Cap excess shelter deduction at $247 each year	--	-360	-590	-660	-740	-825	-915	-4,090
State option for mandatory standard utility allowance and otherwise allow change between SUA and actual costs only at recertification	--	-35	-70	-75	-80	-80	-85	-425
1021 Vehicle Allowance	--	-40	-120	-150	-185	-215	-240	-950
1022 Vendor payments for transitional housing counted as income	--	-10	-10	-10	-10	-10	-10	-60
1023 Doubled penalties for violating Food Stamp program requirements	--	-*	-*	-*	-*	-*	-*	-*
1024 Disqualification of convicted individuals	--	-*	-*	-*	-*	-*	-*	-*
1025 Disqualification	--	-5	-5	-5	-5	-5	-5	-30
1026 Caretaker exemption	--	0	0	0	0	0	0	0
1027 Employment and training	--	2	6	9	11	13	15	56
1028 Comparable treatment for disqualification	--	-20	-20	-20	-20	-20	-25	-125
1029 Disqualification for receipt of multiple food stamp benefits	--	-5	-5	-5	-5	-5	-5	-30
1030 Disqualification of fleeing felons	--	-*	-*	-*	-*	-*	-*	-*
1031 Cooperation with child support agencies								
Option to require custodial parent cooperation								
Food Stamps	--	-5	-10	-15	-20	-20	-20	-90
Family Support Payments	--	5	10	10	15	15	15	70

(continued)

FEDERAL BUDGET EFFECTS OF TITLE I, THE FOOD STAMP REFORM AND COMMODITY DISTRIBUTION ACT OF 1996
As reported by the House Committee on Agriculture on June 13, 1996 06/17/96

Assumed date of enactment: October 1, 1996.

(outlays by fiscal year, in millions of dollars)

Section	1996	1997	1998	1999	2000	2001	2002	1996-2002
1032 Disqualification relating to child support arrears	--	-5	-15	-25	-25	-30	-30	-130
1033 Work requirement	--	-130	-660	-720	-760	-790	-820	-3,880
1034 Encourage electronic benefit transfer system	--	*	*	*	*	*	*	*
1035 Value of minimum allotment	--	0	-30	-30	-30	-35	-35	-160
1036 Benefits on recertification	--	-25	-25	-25	-25	-30	-30	-160
1037 Optional combined allotment for expedited households	--	0	0	0	0	0	0	0
1038 Failure to comply with other means-tested public assistance programs	--	-25	-25	-25	-25	-25	-25	-150
1039 Allotments for households residing in centers	--	*	*	*	*	*	*	*
1040 Condition precedent for approval of retail stores and wholesale food concerns	--	0	0	0	0	0	0	0
1041 Authority to establish authorization periods.	--	0	0	0	0	0	0	0
1042 Information for verifying eligibility for authorization	--	0	0	0	0	0	0	0
1043 Waiting period for stores that fail to meet authorization criteria	--	0	0	0	0	0	0	0
1044 Operation of food stamp offices	--	0	0	0	0	0	0	0
1045 State employee and training standards	--	0	0	0	0	0	0	0
1046 Exchange of law enforcement information	--	0	0	0	0	0	0	0
1047 Expedited coupon service	--	0	0	0	0	0	0	0
1048 Withdrawing fair hearing requests	--	0	0	0	0	0	0	0
1049 Income, eligibility, and immigration status verification systems	--	-5	-5	-5	-5	-5	-5	-30
1050 Disqualification of retailers who intentionally submit falsified applications	--	0	0	0	0	0	0	0
1051 Disqualification of retailers who are disqualified under the WIC program	--	0	0	0	0	0	0	0
1052 Collection of overissuances	--	-25	-30	-30	-25	-25	-30	-165
1053 Authority to suspend stores violating program requirements pending administrative and judicial review	--	0	0	0	0	0	0	0
1054 Expanded criminal forfeiture for violations	--	a/	a/	a/	a/	a/	a/	a/

(continued)

FEDERAL BUDGET EFFECTS OF TITLE I, THE FOOD STAMP REFORM AND COMMODITY DISTRIBUTION ACT OF 1996
As reported by the House Committee on Agriculture on June 13, 1996 06/17/96

Assumed date of enactment: October 1, 1996.

(outlays by fiscal year, in millions of dollars)

Section	1996	1997	1998	1999	2000	2001	2002	1996-2002
1055 Limitation of federal match	--	-2	-2	-2	-2	-2	-2	-12
1056 Standards for administration	--	0	0	0	0	0	0	0
1057 Work supplementation or support program	--	5	15	20	30	30	30	130
1058 Waiver authority	--	0	0	0	0	0	0	0
1059 Response to waivers	--	0	0	0	0	0	0	0
1060 Employment initiatives program	--	-1	-2	-2	-2	-2	-2	-11
1061 Reauthorization	--	0	0	0	0	0	0	0
1062 Simplified Food Stamp program	--	0	10	15	25	30	30	110
1063 State food assistance block grant	--	-75	-235	-435	-510	-605	-705	-2,565
1064 A study of the use of food stamps to purchase vitamins and minerals	--	0	0	0	0	0	0	0
1065 Investigations	--	0	0	0	0	0	0	0
1066 Food stamp eligibility	--	-15	-20	-25	-25	-25	-25	-135
1067 Report by the Secretary	--	0	0	0	0	0	0	0
1068 Deficit reduction	--	0	0	0	0	0	0	0
1071 Emergency Food Assistance program	--	300	300	300	300	300	300	1,800
1072 Food bank demonstration project	--	0	0	0	0	0	0	0
1073 Hunger prevention programs	--	0	0	0	0	0	0	0
1074 Report on entitlement commodity processing	--	0	0	0	0	0	0	0
1091 Provisions to encourage electronic benefit systems	--	0	0	0	0	0	0	0
Interactions among provisions	--	72	269	391	448	491	540	2,211
TOTAL, FOOD STAMP PROGRAM -- TITLE I								
Budget Authority	--	-1,826	-3,256	-3,802	-4,249	-4,754	-5,265	-23,152
Outlays	--	-1,826	-3,256	-3,802	-4,249	-4,754	-5,265	-23,152

NOTES: * Less than $500,000
Details may not add to totals because of rounding.

a/ Any proceeds from this provision would be used to reimburse law enforcement agencies or for retail compliance investigations. Thus, CBO estimates no net effect on the federal budget, though funds could be received in one year and not spent until a later year.

FEDERAL BUDGET EFFECTS OF TITLE II
THE MEDICAID RESTRUCTURING ACT OF 1996

06/17/96

As reported by the Committee on Commerce on June 14, 1996

Assumed date of enactment: October 1, 1996. (By fiscal year, in millions of dollars)	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**7-Year Total**
Baseline	95,736	104,781	115,438	126,366	138,154	151,512	166,444	
Proposed Law - Direct Spending								
Outlays from Title XIX	95,736	12,000	0	0	0	0	0	
Transitional Correction	0	0	500	0	0	0	0	
Pool Amounts	0	91,448	108,430	113,653	119,126	124,864	130,878	
Special Rule	0	127	90	90	0	0	0	
Supplemental for Illegal Aliens	0	0	500	600	700	800	900	
Supplemental Umbrella Allotment	0	2,007	4,258	4,530	4,800	5,082	5,384	
Supplemental for Native Americans	0	0	89	94	100	105	112	
Total Outlays	95,736	105,582	113,868	118,966	124,727	130,852	137,273	
Change in Outlays—Title II	**0**	**801**	**-1,570**	**-7,400**	**-13,427**	**-20,660**	**-29,171**	**-71,427**

FEDERAL BUDGET EFFECTS OF TITLE III, THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY ACT OF 1996
SUBTITLE A – WORK REQUIREMENTS 06/14/96
As reported by the Committee on Economic and Educational Opportunities on June 12, 1996

Assumes enactment date of October 1, 1996.

(by fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	7-year total
Penalties for State Failure to Meet Work Requirements								
Family Support Payments								
Budget Authority	—	0	0	-50	-50	-50	-50	-200
Outlays	—	0	0	-50	-50	-50	-50	-200

FEDERAL BUDGET EFFECTS OF TITLE III, THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY ACT OF 1996
SUBTITLE C - CHILD CARE 06/17/96
As reported by the House Committee on Economic and Educational Opportunities on June 12, 1996.
Assumed date of enactment: October 1, 1996.

(by fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	1996-2002
Direct Spending								
New Child Care Block Grant								
Budget Authority	0	1,967	2,067	2,167	2,367	2,567	2,717	13,852
Outlays	0	1,635	1,975	2,082	2,227	2,377	2,482	12,778
Repeal IV-A Child Care								
Budget Authority	0	-1,405	-1,480	-1,540	-1,595	-1,655	-1,715	-9,390
Outlays	0	-1,345	-1,475	-1,535	-1,590	-1,650	-1,710	-9,305
Total Child Care–Title III								
Budget Authority	0	562	587	627	772	912	1,002	4,462
Outlays	0	290	499	547	637	727	772	3,473

Note: To draw down child care block grant remainder, this subtitle requires states to maintain the greater of fiscal year 1994 or 1995 spending.

FEDERAL BUDGET EFFECTS OF TITLE III, THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY ACT OF 1996
SUBTITLE D -- CHILD NUTRITION PROGRAMS
As reported by the House Committee on Educational and Economic Opportunities on June 12, 1996 06/17/96

Assumed date of enactment: October 1, 1996.

(by fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	1996-2002
DIRECT SPENDING								
Special Assistance a/								
Budget Authority	--	*	*	1	1	1	1	4
Outlays	--	*	*	1	1	1	1	4
Summer food service program for children b/								
Budget Authority	--	-44	-44	-49	-49	-54	-59	-299
Outlays	--	-34	-44	-49	-49	-54	-59	-289
Child care food program								
Budget Authority	--	-110	-400	-450	-500	-560	-620	-2,640
Outlays	--	-95	-355	-445	-495	-550	-610	-2,550
Information clearinghouse								
Budget Authority	--	-*	-*	0	0	0	0	-*
Outlays	--	-*	-*	-*	0	0	0	-*
School breakfast program authorization								
Budget Authority	--	-10	-15	-22	-25	-22	-22	-116
Outlays	--	-8	-14	-21	-25	-22	-22	-112
Nutrition education and training programs								
Budget Authority	--	-10	-10	-10	-10	-10	-10	-60
Outlays	--	-10	-10	-10	-10	-10	-10	-60

TOTAL, CHILD NUTRITION PROGRAMS -- TITLE III								
Direct Spending								
Budget Authority	--	-174	-469	-530	-583	-645	-710	-3,111
Outlays	--	-147	-423	-524	-578	-635	-700	-3,007

NOTES:
- * Less than $500,000
  Details may not add to totals because of rounding.
- a/ Different from estimate of H.R. 3507 because of extension of Provision 2 from 3 to 5 years for all schools.
- b/ Different from estimate of H.R. 3507 because of continuation of funding for health department inspections.

FEDERAL BUDGET EFFECTS OF TITLE IV, THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY ACT OF 1996
SUBTITLE A – TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT 06/17/96
As reported by the Committee on Ways and Means on June 12, 1996

Assumes enactment date of October 1, 1996.

(by fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	7-year total
DIRECT SPENDING								
Repeal AFDC, Emergency Assistance, and JOBS								
Family Support Payments								
Budget Authority	—	-8,021	-16,550	-17,003	-17,439	-17,893	-18,342	-95,247
Outlays	—	-7,925	-16,510	-16,973	-17,409	-17,863	-18,322	-95,001
Food Stamp Program								
Budget Authority	—	40	85	160	400	520	645	1,850
Outlays	—	40	85	160	400	520	645	1,850
Medicaid								
Budget Authority	—	a/	a/	a/	a/	a/	a/	a/
Outlays	—	a/	a/	a/	a/	a/	a/	a/
Repeal of Child Care Programs								
Family Support Payments								
Budget Authority	—	-1,405	-1,480	-1,540	-1,595	-1,655	-1,715	-9,390
Outlays	—	-1,345	-1,475	-1,535	-1,590	-1,650	-1,710	-9,305
Authorize Temporary Family Assistance Block Grant /b								
Family Support Payments								
Budget Authority	—	8,329	16,350	16,350	16,350	16,350	16,350	90,077
Outlays	—	8,261	16,350	16,350	16,350	16,350	16,350	90,009
Population and Poverty Adjustment to the Temporary Family Assistance Block Grant								
Family Support Payments								
Budget Authority	—	84	168	252	297	0	0	800
Outlays	—	84	168	252	297	0	0	800
Food Stamp Program								
Budget Authority	—	-5	-10	-15	-15	0	0	-45
Outlays	—	-5	-10	-15	-15	0	0	-45
Contingency Fund								
Family Support Payments								
Budget Authority	—	107	210	313	393	473	0	1,496
Outlays	—	107	210	313	393	473	0	1,496
Food Stamp Program								
Budget Authority	—	-5	-10	-20	-20	-25	0	-80
Outlays	—	-5	-10	-20	-20	-25	0	-80
Study by the Bureau of the Census /b								
Family Support Payments								
Budget Authority	—	10	10	10	10	10	10	60
Outlays	—	2	10	10	10	10	10	52
Research, Evaluations, and National Studies /b								
Family Support Payments								
Budget Authority	—	15	15	15	15	15	0	75
Outlays	—	3	15	15	15	15	12	75
Grants to Indian Tribes that received JOBS Funds /b								
Family Support Payments								
Budget Authority	—	8	8	8	8	8	8	46
Outlays	—	6	8	8	8	8	8	44

(Continued)

FEDERAL BUDGET EFFECTS OF TITLE IV, THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY ACT OF 1996
SUBTITLE A – TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT 06/17/96
As reported by the Committee on Ways and Means on June 12, 1996

Assumes enactment date of October 1, 1996.

(by fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	7-year total
Grants to Territories								
Family Support Payments								
Budget Authority	—	115	115	115	115	115	115	690
Outlays	—	115	115	115	115	115	115	690
Penalties for State Failure to Meet Work Requirements								
Family Support Payments								
Budget Authority	—	0	0	-50	-50	-50	-50	-200
Outlays	—	0	0	-50	-50	-50	-50	-200
Grants to States that Reduce Out-of-Wedlock Births								
Family Support Payments								
Budget Authority	—	0	25	25	25	25	25	125
Outlays	—	0	25	25	25	25	25	125
Bonus to Reward High Performance States								
Family Support Payments								
Budget Authority	—	0	0	200	200	200	200	800
Outlays	—	0	0	200	200	200	200	800
Hold States Harmless for Cost-Neutrality Liabilities								
Family Support Payments								
Budget Authority	—	50	0	0	0	0	0	50
Outlays	—	50	0	0	0	0	0	50
Establish Rainy Day Loan Fund								
Family Support Payments								
Budget Authority	—	0	0	0	0	0	0	0
Outlays	—	0	0	0	0	0	0	0
Effect of the Temporary Assistance Block Grant on the Foster Care Program								
Foster Care Program								
Budget Authority	—	0	0	10	25	35	45	115
Outlays	—	0	0	10	25	35	45	115

(Continued)

FEDERAL BUDGET EFFECTS OF TITLE IV, THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY ACT OF 1996
SUBTITLE A – TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT 06/17/96
As reported by the Committee on Ways and Means on June 12, 1996

Assumes enactment date of October 1, 1996.

(by fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	7-year total
TOTAL DIRECT SPENDING, SUBTITLE A, BY ACCOUNT								
Family Support Payments								
Budget Authority	—	-709	-1,130	-1,307	-1,671	-2,402	-3,399	-10,618
Outlays	—	-642	-1,084	-1,272	-1,636	-2,367	-3,362	-10,364
Food Stamp Program								
Budget Authority	—	30	65	125	365	495	645	1,725
Outlays	—	30	65	125	365	495	645	1,725
Foster Care Program								
Budget Authority	—	0	0	10	25	35	45	115
Outlays	—	0	0	10	25	35	45	115
Medicaid								
Budget Authority	—	a/	a/	a/	a/	a/	a/	a/
Outlays	—	a/	a/	a/	a/	a/	a/	a/
DIRECT SPENDING TOTAL, ALL ACCOUNTS—Title IV, Subtitle A								
Budget Authority	—	-679	-1,065	-1,172	-1,281	-1,872	-2,709	-8,778
Outlays	—	-612	-1,019	-1,137	-1,246	-1,837	-2,672	-8,524

Note: CBO's estimates for FY 2002 assume that the level of the Temporary Assistance for Needy Families Block Grant will remain the same as in FY 2001.

a\ Title II of the bill limits the amount of funds provided to states under Medicaid.

b\ The bill appropriates funds for FY 1996 for the Temporary Assistance for Needy Families Block Grant; Grants to Indian Tribes that received JOBS funds; Study by the Census Bureau; and Research, Evaluations, and National Studies. Because we assume an enactment date in FY 1997, we show no costs for these appropriations. If, however, the bill passes sooner than the effective date that CBO has assumed, additional costs in FY 1996 would be scored.

FEDERAL BUDGET EFFECTS OF TITLE IV,THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY ACT OF 1996
SUBTITLE B - SUPPLEMENTAL SECURITY INCOME 06/17/96
As reported by the Committee on Ways and Means on June 12, 1996

Assumed date of enactment: October 1, 1996.
(By fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	7-year total
DIRECT SPENDING								
SSI Benefits to Certain Children								
Supplemental Security Income								
Budget Authority	–	-125	-1,150	-1,500	-1,800	-1,675	-2,000	-8,250
Outlays	–	-125	-1,150	-1,500	-1,800	-1,675	-2,000	-8,250
Family Support Payments								
Budget Authority	–	a/	a/	a/	a/	a/	a/	a/
Outlays	–	a/	a/	a/	a/	a/	a/	a/
Food stamps b/								
Budget Authority	–	15	155	200	225	245	270	1,110
Outlays	–	15	155	200	225	245	270	1,110
Medicaid								
Budget Authority	–	c/	c/	c/	c/	c/	c/	c/
Outlays	–	c/	c/	c/	c/	c/	c/	c/
Subtotal, provision								
Budget Authority	–	-110	-995	-1,300	-1,575	-1,430	-1,730	-7,140
Outlays	–	-110	-995	-1,300	-1,575	-1,430	-1,730	-7,140
Reduction in SSI Benefits to Certain Hospitalized Children With Private Insurance								
Supplemental Security Income								
Budget Authority	–	-40	-55	-60	-70	-60	-65	-350
Outlays	–	-40	-55	-60	-70	-60	-65	-350
Mandatory Appropriation to Cover Certain Costs of Reviews d/								
Supplemental Security Income								
Budget Authority	–	200	75	25	–	–	–	300
Outlays	–	200	75	25	–	–	–	300
End Payment of Pro-Rated Benefits for Month of Application								
Supplemental Security Income								
Budget Authority	–	-55	-130	-150	-160	-165	-175	-835
Outlays	–	-55	-130	-150	-160	-165	-175	-835
Pay Large Retroactive Benefit Amounts in Installments								
Supplemental Security Income								
Budget Authority	–	-200	-15	-15	-15	-15	-15	-275
Outlays	–	-200	-15	-15	-15	-15	-15	-275
Permit recovery of Supplemental Security Income overpayments from Social Security benefits								
Supplemental Security Income								
Budget Authority	–	-45	-35	-30	-25	-25	-25	-185
Outlays	–	-45	-35	-30	-25	-25	-25	-185

FEDERAL BUDGET EFFECTS OF TITLE IV,THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY ACT OF 1996
SUBTITLE B - SUPPLEMENTAL SECURITY INCOME 06/17/96
As reported by the Committee on Ways and Means on June 12, 1996

Assumed date of enactment: October 1, 1996.
(By fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	7-year total
Tighten Restrictions on Payment of Social Security Benefits to Prisoners; Make Payments to Prison Officials Who Report Ineligible Recipients								
Old-Age, Survivors and Disability Insurance--benefits saved								
Budget Authority	--	-5	-20	-35	-40	-40	-45	-185
Outlays	--	-5	-20	-35	-40	-40	-45	-185
Supplemental Security Income--benefits saved								
Budget Authority	--	-5	-10	-15	-15	-20	-20	-85
Outlays	--	-5	-10	-15	-15	-20	-20	-85
Old-Age, Survivors and Disability Insurance--payments to prison officials								
Budget Authority	--	3	7	8	9	9	11	47
Outlays	--	3	7	8	9	9	11	47
Supplemental Security Income--payments to prison officials								
Budget Authority	--	2	5	6	6	7	7	33
Outlays	--	2	5	6	6	7	7	33
Subtotal, provision								
Budget Authority	--	-5	-18	-36	-40	-44	-47	-190
Outlays	--	-5	-18	-36	-40	-44	-47	-190

TOTAL DIRECT SPENDING--TITLE IV, SUBTITLE B	1996	1997	1998	1999	2000	2001	2002	7-year total
Supplemental Security Income								
Budget Authority	--	-268	-1,315	-1,739	-2,079	-1,953	-2,293	-9,647
Outlays	--	-268	-1,315	-1,739	-2,079	-1,953	-2,293	-9,647
Food Stamps b/								
Budget Authority	--	15	155	200	225	245	270	1,110
Outlays	--	15	155	200	225	245	270	1,110
Medicaid								
Budget Authority	--	c/	c/	c/	c/	c/	c/	c/
Outlays	--	c/	c/	c/	c/	c/	c/	c/
Family Support Payments								
Budget Authority	--	a/	a/	a/	a/	a/	a/	a/
Outlays	--	a/	a/	a/	a/	a/	a/	a/
Old-Age, Survivors and Disability Insurance								
Budget Authority	--	-2	-13	-27	-31	-31	-34	-138
Outlays	--	-2	-13	-27	-31	-31	-34	-138
TOTAL, ALL ACCOUNTS								
Budget Authority	--	-255	-1,173	-1,566	-1,885	-1,739	-2,057	-8,675
Outlays	--	-255	-1,173	-1,566	-1,885	-1,739	-2,057	-8,675

NOTE: The bill would also repeal section 1618 of the Social Security Act, which establishes maintenance-of-effort requirements for state supplementation programs for SSI beneficiaries; CBO judges that provision's principal effect would be on state budgets, with only small and indirect implications for the federal budget. That judgment assumes that California cuts its supplements no more than was contemplated in the Governor's November 1995 budget submission, and that California would thereby be permitted to continue treating a portion of its supplements as a "cashout" of the small food stamp benefits that SSI recipients could otherwise receive. Both of those assumptions are subject to revision if CBO obtains more information about California's intentions or about the legal status of the cashout option, which would be ambiguous if the bill were enacted.

a/ Proposed to be block-granted elsewhere in the bill.
b/ Assumes enactment of other food stamp changes contained in the bill.
c/ Proposed changes in Title II to the Medicaid programs result in these provisions having no effect on federal Medicaid spending.
d/ This appropriation would cover the heavy one-time costs of reviewing about 300,000 to 400,000 disabled child beneficiaries and about 1.4 million SSI recipients who are identified as aliens, or whose citizenship is unknown. Without this funding, CBO would assume that SSA would attempt to comply with the law but could not meet the deadlines set in the bill, and savings in benefits would be smaller. In addition to the one-time costs of about $300 million, the bill would require that most disabled children who qualify even under the tighter eligibility criteria be reviewed every 3 years to see if their medical condition has improved. That cost, which CBO estimates at about $100 million a year beginning in 1998, could be met by raising the caps on discretionary spending as permitted in P.L. 104-121. The cap adjustment in that law, however, was designed to cover periodic reviews and not the heavy volume of one-time reviews that would be mandated in 1997 by this legislation.

FEDERAL BUDGET EFFECTS OF TITLE IV, THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY ACT OF 1996
SUBTITLE C -- CHILD SUPPORT ENFORCEMENT 06/14/96
As reported by the Committee on Ways and Means on June 12, 1996

Assumes enactment date of October 1, 1996.

(outlays by fiscal year, in millions of dollars)	1996	1997	1998	1999	2000	2001	2002	7-year total
New Enforcement Techniques								
State directory of new hires								
Family support payment	0	0	-1	-4	-6	-9	-10	-30
Food Stamp program	0	0	-1	-7	-12	-18	-21	-59
Subtotal	0	0	-2	-11	-18	-27	-32	-89
State laws providing expedited enforcement of child support								
Family support payment	0	0	0	-17	-35	-55	-77	-185
Food Stamp program	0	0	0	-6	-13	-21	-30	-70
Subtotal	0	0	0	-23	-48	-76	-107	-255
State laws concerning paternity								
Family support payment	0	-16	-18	-20	-22	-24	-26	-127
Food Stamp program	0	-3	-3	-4	-4	-4	-5	-23
Subtotal	0	-19	-21	-24	-26	-28	-31	-149
Suspend Drivers' Licenses								
Family support payment	0	-4	-9	-14	-19	-20	-21	-88
Food Stamp program	0	-2	-5	-8	-12	-12	-13	-52
Subtotal	0	-7	-14	-22	-31	-33	-34	-140
Adoption of uniform state laws								
Family support payment	0	10	2	-7	-11	-15	-21	-41
Food Stamp program	0	0	-1	-3	-4	-6	-9	-24
Subtotal	0	10	1	-9	-15	-22	-29	-65
SUBTOTAL, NEW ENFORCEMENT	0	-16	-36	-89	-139	-186	-233	-699
Lost AFDC Collections due to Reduced Cases Funded by Block Grant Funds								
Family support payment	0	0	29	63	142	200	224	658
Food Stamp program	0	0	0	0	0	0	0	0
Subtotal	0	0	29	63	142	200	224	658
Eliminate $50 Passthrough and Exclude Gap Payments from Distribution Rules at State Option								
Family support payment	0	-222	-236	-260	-285	-311	-336	-1,650
Food Stamp program	0	114	122	139	147	164	171	858
Subtotal	0	-108	-114	-121	-139	-147	-165	-793
Distribute Child Support Arrears to Former AFDC Families First								
Family support payment	0	0	62	69	76	148	183	539
Food Stamp program	0	0	-11	-12	-14	-27	-33	-96
Subtotal	0	0	51	57	63	122	150	442
Hold States Harmless for Lower Child Support Collections								
Family support payment	0	0	17	29	34	39	29	148
Food Stamp program	0	0	0	0	0	0	0	0
Subtotal	0	0	17	29	34	39	29	148

(continued)

FEDERAL BUDGET EFFECTS OF TITLE IV, THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY ACT OF 1996
SUBTITLE C -- CHILD SUPPORT ENFORCEMENT 06/14/96
As reported by the Committee on Ways and Means on June 12, 1996

Assumes enactment date of October 1, 1996.

(outlays by fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	7-year total
Other Provisions with Budgetary Implications								
Automated data processing development								
Family support payment	0	83	91	129	129	8	0	440
Food Stamp program	0	0	0	0	0	0	0	0
Subtotal	0	83	91	129	129	8	0	440
Automated data processing operation and maintenance								
Family support payment	0	12	55	52	52	46	40	257
Food Stamp program	0	0	0	0	0	0	0	0
Subtotal	0	12	55	52	52	46	40	257
Technical assistance to state programs								
Family support payment	0	44	47	46	48	47	45	278
Food Stamp program	0	0	0	0	0	0	0	0
Subtotal	0	44	47	46	48	47	45	278
State obligation to provide services								
Family support payment	0	0	0	3	11	22	39	75
Food Stamp program	0	0	0	0	0	0	0	0
Subtotal	0	0	0	3	11	22	39	75
Federal and state reviews and audits								
Family support payment	0	3	3	3	3	3	3	20
Food Stamp program	0	0	0	0	0	0	0	0
Subtotal	0	3	3	3	3	3	3	20
Grants to States for Visitation								
Family support payment	0	10	10	10	10	10	10	60
Food Stamp program	0	0	0	0	0	0	0	0
Subtotal	0	10	10	10	10	10	10	60
Food Stamp Block Grant Interaction								
Family support payment	0	0	0	0	0	0	0	0
Food Stamp program	0	-3	-5	-7	-7	-6	-5	-32
Subtotal	0	-3	-5	-7	-7	-6	-5	-32
SUBTOTAL, OTHER PROVISIONS	0	149	201	237	247	131	133	1,098
TOTAL , BY ACCOUNT--Title IV, Subtitle C								
Family support payment	0	-80	53	85	127	88	81	354
Food Stamp program	0	106	95	92	81	70	57	501
TOTAL	0	26	148	177	209	157	138	855

FEDERAL BUDGET EFFECTS OF TITLE IV, THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY ACT OF 1996
SUBTITLE D - RESTRICTING WELFARE AND PUBLIC BENEFITS FOR ALIENS 06/17/96
As reported by the Committee on Ways and Means on June 12, 1996

Assumed date of enactment: October 1, 1996.
(By fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	7-year total
DIRECT SPENDING								
Supplemental Security Income								
Budget Authority	–	-375	-2,400	-2,600	-2,775	-2,425	-2,700	-13,275
Outlays	–	-375	-2,400	-2,600	-2,775	-2,425	-2,700	-13,275
Medicaid								
Budget Authority	–	a/	a/	a/	a/	a/	a/	a/
Outlays	–	a/	a/	a/	a/	a/	a/	a/
Family Support Payments								
Budget Authority	–	b/	b/	b/	b/	b/	b/	b/
Outlays	–	b/	b/	b/	b/	b/	b/	b/
Food Stamps c/								
Budget Authority	–	-460	-670	-610	-590	-560	-550	-3,440
Outlays	–	-460	-670	-610	-590	-560	-550	-3,440
Student loans d/								
Budget Authority	-*	-*	-*	-*	-*	-*	-*	-*
Outlays	-*	-*	-*	-*	-*	-*	-*	-*
Foster care e/								
Budget Authority	-*	-*	-*	-*	-*	-*	-*	-*
Outlays	-*	-*	-*	-*	-*	-*	-*	-*
Child nutrition								
Budget Authority	–	–	–	-15	-85	-115	-120	-335
Outlays	–	–	–	-15	-75	-110	-120	-320
Earned income tax credit								
Budget Authority	–	-224	-232	-236	-242	-245	-251	-1,430
Outlays	–	-224	-232	-236	-242	-245	-251	-1,430
TOTAL DIRECT SPENDING								
Budget Authority	–	-1,059	-3,302	-3,461	-3,692	-3,345	-3,621	-18,480
Outlays	–	-1,059	-3,302	-3,461	-3,682	-3,340	-3,621	-18,465
REVENUES								
Earned income tax credit	–	28	29	29	30	30	31	177
DEFICIT EFFECT	–	-1,087	-3,331	-3,490	-3,712	-3,370	-3,652	-18,642

a/ Proposed changes in Title II to the Medicaid program result in these provisions having no effect on federal Medicaid spending.
b/ Proposed to be block-granted elsewhere in the bill.
c/ Includes interactions with other food stamp provisions of the bill.
d/ Section 4424 would require that aliens lawfully admitted for permanent residence who seek to borrow money under several student loan programs have co-signers. CBO estimates negligible savings.
e/ Foster care benefits paid on behalf of alien children would be exempt from any restrictions. Foster care benefits paid to alien parents would be subject to deeming requirements. CBO estimates negligible savings.

FEDERAL BUDGET EFFECTS OF TITLE IV, THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY ACT OF 1996
SUBTITLE F - CHILD PROTECTION BLOCK GRANT PROGRAM AND FOSTER CARE, ADOPTION ASSISTANCE, AND INDEPENDENT LIVING PROGRAMS 06/17/96
As reported by the House Committee on Ways and Means on June 12, 1996.
Assumed date of enactment: October 1, 1996.

(by fiscal year, in millions of dollars)

	1,996	1,997	1,998	1,999	2,000	2,001	2,002	1996-2002
Direct Spending								
Child Protection Block Grant								
Budget Authority	0	240	255	262	270	278	286	1,591
Outlays	0	96	224	268	265	273	281	1,407
Child Welfare Studies a\								
Budget Authority	0	26	26	16	16	16	16	116
Outlays	0	11	26	18	16	16	16	103
Repeal Family Preservation and Support								
Budget Authority	0	-240	-255	-262	-270	-278	-286	-1,591
Outlays	0	-96	-224	-268	-265	-273	-281	-1,407
Extend Enhanced Match Rate for Computer Purchases for Foster Care Data Collection								
Budget Authority	0	80	0	0	0	0	0	80
Outlays	0	66	14	0	0	0	0	80
TOTAL DIRECT SPENDING--Title IV, Subtitle F								
Budget Authority	0	106	26	16	16	16	16	196
Outlays	0	77	40	18	16	16	16	183

Notes:

a\ The bill appropriates funds for FY 1996 for child welfare studies. Because we assume an effective date in FY 1997, we show no costs for these appropriations. If, however, the bill passes sooner than the effective date that CBO has assumed, additional costs in FY 1996 would be scored.

FEDERAL BUDGET EFFECTS OF TITLE IV, THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY ACT OF 1996
SUBTITLE G - CHILD CARE 06/17/96
As reported by the House Committee on Ways and Means on June 12, 1996.
Assumed date of enactment: October 1, 1996.

(by fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	1996-2002
Direct Spending								
New Child Care Block Grant								
Budget Authority	0	1,967	2,067	2,167	2,367	2,567	2,717	13,852
Outlays	0	1,680	2,027	2,132	2,277	2,427	2,532	13,075

Note: To draw down child care block grant remainder, this subtitle requires states to maintain fiscal year 1994 spending.

FEDERAL BUDGET EFFECTS OF TITLE IV , THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY ACT OF 1996
SUBTITLE H -- MISCELLANEOUS
As reported by the Committee on Ways and Means on June 12, 1996

06/17/96

Assumes enactment date of October 1, 1996.

(by fiscal year, in millions of dollars) Section	1996	1997	1998	1999	2000	2001	2002	1996-2002
DIRECT SPENDING AND REVENUES								
4903 Reduction in block grants to states for social services								
Social Services Block Grant								
Budget Authority	0	-280	-280	-280	-280	-280	-280	-1,680
Outlays	0	-250	-280	-280	-280	-280	-280	-1,650
4904 Denial of earned income credit on basis of disqualified income a/								
Budget Authority	0	-3	-169	-151	-146	-152	-160	-781
Outlays	0	-3	-169	-151	-146	-152	-160	-781
Revenue	0	1	26	27	23	23	25	125
Net Deficit Effect	0	-4	-195	-178	-169	-175	-185	-906
4905 Modification of adjusted gross income definition for earned income credit a/								
Budget Authority	0	-2	-106	-112	-119	-129	-138	-607
Outlays	0	-2	-106	-112	-119	-129	-138	-607
Revenue	0	*	18	21	22	25	28	114
Net Deficit Effect	0	-2	-125	-133	-141	-154	-166	-722
4906 Modification of earned income credit amount and phaseout a/								
Budget Authority	0	-1	-59	-61	-63	-69	-72	-326
Outlays	0	-1	-59	-61	-63	-69	-72	-326
Revenue	0	5	262	278	300	322	348	1,515
Net Deficit Effect	0	-6	-321	-339	-363	-391	-420	-1,841
Interactions among revenue provisions	0	0	10	-3	-3	-4	-6	-6

TOTAL, MISCELLANEOUS--TITLE IV, Subtitle H	1996	1997	1998	1999	2000	2001	2002	1996-2002
Direct Spending								
Social Services Block Grant								
Budget Authority	0	-280	-280	-280	-280	-280	-280	-1,680
Outlays	0	-250	-280	-280	-280	-280	-280	-1,650
Earned Income Tax Credit								
Budget Authority	0	-6	-334	-324	-328	-350	-370	-1,714
Outlays	0	-6	-334	-324	-328	-350	-370	-1,714
TOTAL, ALL ACCOUNTS								
Budget Authority	0	-286	-614	-604	-608	-630	-650	-3,394
Outlays	0	-256	-614	-604	-608	-630	-650	-3,364
Revenues								
Revenues a/	0	6	316	323	342	366	395	1,748

a/ Estimates provided by the Joint Committee on Taxation. Components may not sum to totals because of rounding.

Unions & Medicaid

AFSCME's proposed amendments:

TO BE PUBLISHED IN THE FEDERAL REGISTER:

States must include representatives of principal groups that would be potentially affected by a waiver in the discussion, planning, application, and implementation process of that waiver proposal from its inception and in a significant and substantive way.

including the workforce,

In considering whether a state has significantly and substantively involved such groups, the Department will, prior to the exercise of its discretion, (a) consider whether the state has used a commission or other similar process whereby representatives of impacted groups participate in the development of the proposal and of statements as to its impacts, and of means to alleviate any adverse impacts; (b) assess whether the waiver application addresses significant issues raised by affected parties in a fair and equitable manner, and (c) determine whether the waiver implementation process provides for continued monitoring and oversight and involvement of affected parties.

Where it is determined that restructuring of the delivery system will result from the waiver, the state shall provide for a process of ongoing planning and participation by affected parties regarding operational and workforce issues in the delivery sytem. States shall state what steps will be taken to ensure that key components and assets of the delivery and medical education systems, including human resources, are preserved and enhanced in any restructuring.

States will retain final authority over the content of a waiver proposal.

TO BE ADDED TO HHS' DRAFT GUIDELINES FOR STATES ON WAIVERS:

Impact statements should include but are not limited to the impacts on : the health of beneficiary populations; providers, especially key safety net providers in underserved areas; and the employment of the workforce. Impact statements should address any restructuring of the delivery system that is likely to occur.

Definition of major interests include provider, consumer, and workforce representatives. Workforce representatives are unions and other employee organizations representing affected employees.

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New Waiver Guidelines
DRAFT

TO BE PUBLISHED IN THE FEDERAL REGISTER:

States must include representatives of principal groups that would be potentially affected by a waiver in the discussion, planning, application, and implementation process of that waiver proposal from its inception and in a significant and substantive way.

In considering whether a state has significantly and substantively involved such groups, the Department will, prior to the exercise of its discretion, (a) consider whether the state has used a commission or other similar process whereby representatives of impacted groups participate in the development of the proposal and of statements as to its impacts, and of means to alleviate any adverse impacts; (b) assess whether the waiver application addresses significant issues raised by affected parties, and (c) determine whether the waiver implementation process provides for continued monitoring and oversight.

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Impact statements should include but are not limited to the impacts on : the health of beneficiary populations; providers, especially key safety net providers in underserved areas; and the employment of the workforce.

Definition of major interests include provider, consumer, and workforce representatives. Workforce representatives are unions and other employee organizations representing affected employees.

ANTI-DISPLACEMENT PROTECTIONS

Recommendation:

Add the following to the attached anti-displacement protections in the administration's current welfare reform plan:

"No participant may be assigned to fill any established unfilled vacancy.

(-) The provisions of this section apply to any work-related programs and activities under this part, and under any other work-related programs and activities authorized (in connection with the [Personal Responsibility/Work First and Personal Responsibility Act]) under section 1115."

"(8) Nondisplacement in Work Activities.—

"(A) In General.—A State program under this part or under part G or H may not be operated in a manner that results in—

"(i) the displacement of any currently employed worker or position (including partial displacement such as a reduction in the hours of nonovertime work, wages, or employment benefits), or the impairment of an existing contract for services or a collective bargaining agreement;

"(ii) the employment or assignment of a participant or the filling of a position when

"(I) any other individual is on layoff from the same or an equivalent position, or

"(II) the employer has terminated the employment of a regular employee or otherwise reduced its workforce with the effect of filling the vacancy so created with a participant subsidized under the program under this part or under part G or H; or

"(iii) an infringement of the promotional opportunity of a currently employed individual.

Funds available to carry out the program under this part or under part G or H may not be used to assist, promote, or deter union organizing.

"(B) Enforcing Nondisplacement Protections.—

"(i) Grievance Procedure.—Each State shall establish and maintain a grievance procedure for resolving complaints alleging violation of a prohibition or requirement of subparagraph (A). Such a procedure shall include an opportunity for a hearing. The procedure's remedies shall include, but are not limited to, termination or suspension of payments to the employer, prohibition of the placement of the program participant, reinstatement of an employee, and other relief to make an aggrieved employee whole.

"(ii) Other Laws or Contracts.—Nothing in clause (i) shall be construed to prohibit a complainant from pursuing a remedy authorized under another Federal, State, or local law or a contract or collective bargaining agreement for a violation of a prohibition or requirement of subparagraph (A).

"(b) Annual Reports.—

"(1) Compliance with performance measures.—Each State that operates a program under this part shall submit to the Secretary annual reports on its performance relative to the performance-based measures established under section 413(a)(4).

"(2) Compliance with participation rates.—Each State that operates a program under this part for a fiscal year shall submit to the Secretary a report on the participation rate achieved by the State for the fiscal year.

Medicaid Rosary

August 3, 1995

Health Division

Office of Management and Budget
Executive Office of the President
Washington, DC 20503

Please route to:

Nancy-Ann Min
Barry Clendenin BC
Mark Miller MM

Decision needed	___
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With informational copies for:
PP, HFB Chron, HD Chron

Subject: Medicaid Per Capita Paper

From: Bonnie Washington BW

Phone 202/395-4930
Fax: 202/395-3910
Room: 7026

Attached is an updated version of the HHS/OMB staff Medicaid per capita paper that we sent to you on August 1.

This draft incorporates our comments on the Growth Rate Limits section, but does not include the OMB staff recommendation on Section 1115 Demonstrations. This version will be used as a basis for ~~Thursday's~~ Friday's meeting with Judy Feder and Chris Jennings.

The OMB staff recommendation on Section 1115 Demonstrations is also attached. HHS has a copy of this paper and may have developed their own staff recommendation for the meeting.

Attachments

FEDERAL MEDICAID PER CAPITA GROWTH LIMIT: ISSUES

FRAMEWORK

In an effort to 1) provide incentives to states to control the growth of Medicaid per capita spending and 2) achieve federal Medicaid savings without endangering coverage, the President's budget includes a proposal to limit the rate of growth in federal Medicaid spending per capita.

The application of federal growth limits on per capita spending is distinct from the aggregate Federal cap in block grants in that it takes enrollment out of the cost containment equation, promoting efficiency rather than coverage reduction as the means of reducing costs. The policy preserves critical aspects of the current Medicaid program, including: existing Medicaid eligibility rules; mandatory services as well as state flexibility to cover optional benefits; and the current matching approach to spending. None of these would be guaranteed under a block grant.

Within these parameters, this paper outlines a set of issues that must be addressed in deciding how a limit on federal per capita growth would actually work. The paper outlines policy options and recommendations. Options were evaluated against several criteria:

- Is it administratively feasible?
- Would it contain federal Medicaid spending ? Does the option offer positive or negative incentives to states (e.g., to game, control growth, etc.)?
- Does it put an unnecessary burden on states?

The major issues to be addressed are:

1. **Grouping expenditures:** is the per capita growth limit applied to all expenditures, using the total Medicaid recipient growth, or to multiple groups? What expenditures are included in these groups?
2. **Base year:** what is the base year?
3. **Growth rate limits:** what rates should be used?
4. **Transition period:** should there be one?
5. **1115 demonstrations:** how should they be treated?

Issues such as DSH and flexibility are not discussed in this paper, and there is a short discussion of reallocation issues at the end of this paper.

MAJOR ISSUES

1. GROUPING EXPENDITURES UNDER THE PER CAPITA GROWTH LIMIT

1A. Should a per capita growth limit apply to expenditures as a single grouping (i.e., one single per capita amount) or to multiple subgroupings of expenditures?

Options:

a. Single group of expenditures for all recipients and services

b. Multiple groups of expenditures
   - I) by eligibility group (e.g., aged, disabled, adults, children)
   - ii) by type of service (e.g., long-term care, acute care)
   - iii) eligibility/service combination

Recommendation:
Establish multiple groups corresponding to broad Medicaid eligibility categories -- specifically, the aged, disabled, adults and children.

Rationale and Issues:
Spending for the Medicaid population is comprised of a wide range of services and types of recipients. Per capita spending -- and growth in per capita spending -- varies by eligibility group and, in some cases, by type of service. Consequently, substantial cost implications arise from the decision about the level and manner of aggregation of the expenditures (note: the estimates in the President's proposal were based on the application of the limit to expenditures for all recipients and services; any change from this will affect the cost estimates).

Disaggregation of per capita spending into more refined components should more accurately capture demographic and other differences among states, and changes within states over time. However, the manner in which component per capita amounts are defined (e.g., by eligibility group or type of service) is critical and will influence the incentives states face in making coverage and other decisions. For example, states might prefer to cover those population or service categories whose cost growth is low relative to the federal growth limit. Or, if the per capita categories overlap or are similar, states might "game" by shifting lower cost individuals into categories with higher per capita costs in order to avoid reaching the cap on Federal matching payments.

Using expenditures for the aged, disabled, adults and children would constrain states' ability to reclassify individuals. With the exception of the disabled, the categories are tightly "sealed," preventing the shifting strategies described above. However, the disabled category is vulnerable to shifting, because the disabled include children, adults and the elderly. Cost data on the disabled are not adequate to determine whether separate categories for disabled children, adults and aged are justified. Still, a separate disabled category is warranted because the per capita costs of the disabled differ dramatically from those of non-disabled recipients. Additionally, the recommended per capita groupings are administratively feasible as they reflect current eligibility breakouts. However, a disadvantage of not disaggregating further is that the mix of people in these categories could change as a result of welfare reform or changes in state optional coverage.

Creating separate per capita amounts for mandatory vs. optional eligibility groups is not recommended since we do not have the evidence that per capita costs or cost growth differ on that dimension. However, per capita spending by the medically needy, and perhaps their cost growth, may have unique characteristics, distinguishing them from the other categories. Including medically needy spending in recommended categories may skew average spending and growth. Creating a separate per capita amount for the medically needy may warrant more discussion. It is also worth mentioning that the AFDC and SSI eligibility categories could change under welfare reform.

Application of different growth limits by type of service could be justified because of the differential growth of different types of services. However, some service categories are not easily delineated from each other, and states may be able to categorize expenditures in the service categories with the higher rates. Adding a service dimension to the recipient expenditure groups would also add a significant administrative burden.

1B. Are special expenditures -- administration, DSH, VFC, IHS, illegal immigrants, Medicare cost sharing -- included or excluded from the caps?

Options:

a. Include them in calculation of base expenditures to be capped

b. Exclude them from calculation of base expenditures to be capped

Recommendation: and administration

Exclude DSH ~~and~~, VFC, Include expenditures for undocumented immigrants. Need further consideration of 100% IHS expenditures and costs associated with QMBs.

Rationale and Issues:

DSH and VFC are programs that are not directly related to Medicaid spending on benefits, and they can be excluded from the cap. Administration costs would be difficult to allocate across the recipient groups, and seem appropriate to treat separately.

Expenditures for emergency services for undocumented immigrants are Medicaid-covered benefits that are financed jointly by the federal and state funds, like any other Medicaid benefit. The President's budget included a proposal to provide discretionary grant funds to states disproportionately affected by illegal immigration to assist them with their state share of these costs.

Historically, state Medicaid programs have served as a pass-through for 100% federal payments to Indian Health Services facilities. This arrangement is consistent with the treaty relationships with the Native American groups. Indian beneficiaries are included in the broad Medicaid eligibility categories and cannot be broken out. However, except for the costs of services provided in IHS facilities, their costs cannot be broken out. Because the costs of services from IHS facilities are excluded from general Medicaid benefit spending, but the eligibles are counted, states could argue that their base year per capita spending amounts are understated. This result, along with the fact that the federal government pays 100% for services in IHS facilities, could increase the incentive for states to encourage these recipients to seek care at IHS facilities, remaining outside whatever Medicaid delivery systems the state is developing. We recommend consultation with the IHS and the tribal representatives before we decide this issue.

The costs of Qualified Medicare Beneficiaries (QMBs) and Specified Low-Income Medicare Beneficiaries (SLMBs) are included in the costs for the aged and disabled, and are impossible to distinguish from the dual eligibles' costs. There is a concern that subjecting them to the same limits as apply to the eligiblity group they are mixed in with would put states at risk for any increases in Medicare premiums or cost sharing.

For these groups, there is a question both of whether or not the expenditures and recipients can be excluded, and whether or not they should be excluded. While, in each case, there are reasons why a limitation on expenditures may be problematic, there is also a potentially dangerous precedent set by beginning to exclude subsets of expenditures from the caps.

2. BASE YEAR AND THE FREQUENCY OF REBASING

2A. To what year's expenditures are the caps applied?

Options:

a. One, specified year (no rebasing)
b. Average of several previous years' spending (no rebasing)
c. Every year immediately preceding limit (rebase annually)

Recommendations:

One specified year: 1995.

Rationale and Issues:

Choosing a year close to the actual implementation year will require fewer "updating" factors and will mitigate states' criticism that the base year does not reflect state experience. Using the current year (FY 1995) as a base year may provide states an opportunity to increase their base spending amount in anticipation of this capping formula. However, the limited time left to affect spending levels combined with several states' constrained or reduced SFY 1995-1996 budgets minimizes these effects. FY 1995 may not completely reflect the effects of recently-enacted DSH limits, but may reflect these effects better than FY 1994 spending.

Averaging several years of historical spending would smooth the growth rates, and could account for payment lags or other anomalies. However, an average over a few years (e.g., 1992-1995) would have to be adjusted for the effects of general growth in that period and growth attributable to expansions in that period. An average base year amount would also be difficult to trend forward to the year of implementation.

Rebasing, or updating the base year on an annual or periodic basis, would have implications for states that experience low per capita growth. Under a fixed base year (ie., no rebasing), the per capita limit for a given year would be applied to the federal limit from the year before -- even if a state's actual spending in the previous year stayed below the federal growth limit. By contrast, rebasing would allow the cap to operate off of the previous year's actual spending. For states that hit the limit in every year, having a fixed base or a moving base would make no difference. However, if the 1999 per capita growth limit were based on the 1998 actual spending, rather than 1995 per capitas trended forward, and a state had per capita growth in 1998 that was below the cap, then the 1999 limit would be lower than the limitation off the fixed base.

Rebasing would offer greater potential for federal savings, since it would lower the limit when states' expenditure growth is low. Rebasing also prevents the problem of the base year becoming disconnected from states' experiences as time goes on; 2005 expenditures may have little relationship with 1995 expenditures. On the other hand, rebasing would penalize states that achieve spending growth below the capped rate, and could be difficult to administer.

2B. Are the caps applied to the federal share of expenditures in the base year, and trended forward, or are they applied to all expenditures (total computable) for the relevant groups in the base year, and the FMAP for the current year is subsequently applied?

Options:

a. Total computable actual spending by state by category

b. Federal actual spending by state by category

Recommendation:

Each state's total computable spending (federal and state shares) by category in the chosen base year.

Rationale and Issues:

The growth cap is intended to constrain Federal spending. However, applying a growth limit to a federal base amount does not adjust for FMAP changes in a state over time. Without rebasing, a federal growth limit would assume a fixed FMAP. For the purposes of limiting federal per capita growth, a set growth rate could be applied to an aggregate per capita base amount. That product could be multiplied by the current FMAP to generate the federal spending limit in that year. This method would maintain future FMAP changes.

3. GROWTH RATE LIMITS

What should the per capita growth limit be? Should it be applied to all groups?

Are there state-specific factors that should be accommodated?

Options:
a. Price index only
b. Price index plus some adjustment for health care factors (e.g., utilization and intensity changes)
c. Same or different rate for all expenditure groups
d. National or state specific rates

Recommendation:
National uniform applied to each eligibility category

Rationale and Issues:
A trend factor that accounts for both price and utilization would better reflect the components of Medicaid per capita growth than a price index alone. Price indices alone would not account for changes in volume and intensity. Accounting for utilization may mean adding percentage points to a given price inflator. Deciding which national trend factor to use for both price and, potentially, utilization requires further intensive analysis. However, the simplicity of the trend formula is an important consideration for how the proposal will be received. Use of separate utilization factors for each eligibility category may add complexity and set a precedent of making special exceptions for certain groups.

There are several considerations in determining which trend factor to use (e.g. CPI, GDP, MCPI) to account for changes in price and utilization. The disadvantage of the price indices (CPI and MCPI) is that they may overstate inflation. However, once the they are published, they are not subsequently revised. Changes in GDP would allow Federal Medicaid per capita spending to remain a constant share of the economy. On the other hand, in a recessionary period, prices might continue to rise while GDP might fall. Additionally, the GDP for prior years is updated annually. Any large revisions could be controversial -- payments to states would be under- or over-stated.

State rates would best reflect state variation in price and utilization, and could possibly be consistent with budget neutrality calculations in the 1115 waivers. They also offer the possibility of reallocating federal funds in a more equitable way, if the state-specific cap were calibrated to give certain states (e.g., those with higher proportions of poor people) higher rates. However, state-specific rates would be extremely difficult to develop and would be subject to gaming.

4. TRANSITION, IMPLEMENTATION

4a. Can this policy be implemented immediately or should there be a transition period?

Options:
a. Limit becomes effective October 1, 1995 (or following Congressional action)

b. Transition period with limits enforced beginning at some later date (e.g., October 1, 1996)
c. Transition for subset of states (e.g., high per capita growth states, 1115 states)

Recommendation:
A uniform, specified transition period, after which the limits would be fully implemented and enforced.

Rationale and Issues:
As estimated, the per capita limit policy does not have a transition period for states. For the reasons below, it seems fair and reasonable to permit states (and HCFA) a phase-in to adapt to this change in Federal Medicaid policy.

- A number of <u>administrative and systems changes</u> have to occur in order to permit HCFA and the states to monitor spending relative to the per capita limits.

- States may need time to <u>establish new programs or mechanisms</u> designed to keep their spending within the limits.

- States whose <u>legislatures meet biennially</u> may not have sufficient time to enact necessary changes.

There could be a rationale for a state-specific transition provisions to accommodate, for example, states whose per capita growth dramatically exceeds the federal limits, or states with two-year budgets. However, because 1) all states will able to make a reasonable case for some transition period and 2) a transition period relatively short in duration is preferred, a uniform transition policy seems sensible.

The length of the transition should also take into account the ability of states to implement the changes needed to conform to the new limits. Eleven States have biennial legislative sessions -- Arkansas, Kentucky, Maine, Montana, Nevada, North Carolina, North Dakota, Oregon, Texas, Vermont, and Wisconsin. Of those 11 states, Kentucky is the only state which will have a legislative session in 1996. In addition, 10 other states have biennial budget cycles although their legislature meets annually -- Connecticut, Hawaii, Indiana, Minnesota, Nebraska, New Hampshire, Ohio, Virginia, Washington, and Wyoming. A substantive program change which does not include a transition period may place under hardship on those states which have recently approved biennial budgets and/or will not have a regular legislative session in 1996.

In considering what the length of the transition period should be, accommodation of states' needs for time to "adjust" must be weighed carefully against the complications that a long transition introduces with respect to updating from the base year to the year of implementation. The longer the transition period allowed between the base year and the first year of implementation, the more the base year per capita amounts will have to be adjusted, and the more complicated, controversial and error-prone the decisions regarding update factors will be.

Finally, it is inevitable that including a transition period will cause some loss of savings relative to the estimates in the President's Budget. However, early year savings estimates are small anyway, and lost savings could be recaptured in later years by, for example, very small adjustments to the rate-of-growth limit.

4b. **Should the payment mechanism to states be changed under this system?**

Options:

a. Retain the current system of quarterly grant awards and subsequent reconciliation to annual limits

b. Design a new process that does not have the reconciliation mechanism

Recommendation:
Retain the existing system.

Rationale and Issues:
Under the existing system, quarterly grant awards are made to states based on their estimates of Medicaid spending in that quarter. A reconciliation process occurs later, when actual state spending data are complete and audited. This system, which is well understood by the states, will still work well; however, it would need to be changed so that awards would be made only up to the federal per capita limit. A retrospective per cap limit would require additional data reporting and monitoring for recipients by limit category. Currently, states provide only statistical data on such recipient counts which is often not complete or inaccurate.

An alternative could be a prospective payments system, whereby states would receive their capped payments up front with an end-of-the year reconciliation. This has two major problems. First, it alters the current system of a federal grant based on matched proportion of expenditures incurred on behalf of individuals -- a capitation payment would not be connected to actual total or state expenditures. Second, it would increase the financial risk faced by the states. A prospective approach would entail reconciling the aggregate payment amount for differences between actual recipient counts and projections and differences between actual per capita spending and the per capita limit.

5. **SECTION 1115 DEMONSTRATIONS**
What is the future of the 1115 authority under this policy? Will states who have already received waivers get exempted or special treatment? What happens to states who apply next year?

Options:

a. Apply federal Medicaid per capita limits to all demonstration enrollees, including expansion groups.

b. Exempt demonstration states from per capita limits
c. Phase-in enforcement of limits

Recommendation:
Undecided.

Rationale and Issues:

- Should all enrollees be considered Medicaid beneficiaries (in states which have expanded eligibility to uninsured) for the purpose of both the base and following years? Demonstration states' would be able to maintain coverage of expansion groups under lower per capita rates if new eligibles are counted in their base.

- Over time can other states also add coverage for the uninsured? A per capita methodology that prevents states from expanding coverage under Medicaid, or maintaining the expansions that they have already implemented, would be a significant policy change for this Administration.

- How would keeping expansion eligibles in the base affect a per capita calculation? Do we adjust their per capita? What about 1902(r)(2) without a waiver?

  -- Current demonstration eligibles and (r)(2) expansion groups could be an additional rate cell -- e.g., expansion groups -- using state experience to create the base rate. How could this be developed for expansions that states want to pursue after per capita limits are implemented?

  Possibilities: Create a per capita amount based on similar already-enrolled groups (i.e., AFDC adults, poverty level children); modified budget-neutrality concept for this purpose -- new upper limit based on enrollment before the expansion, same per capita rates.

- Do we retain budget neutrality for demonstration programs? How is it calculated? If demonstration states are exempted from lower per capita rates, the Federal government would continue using our budget neutrality methodology. Under new per capitas, the budget neutrality approach could also give these States some additional latitude to continue covering uninsured residents.

- Which states would be exempted from per capita limits -- implemented, approved, pending? Demonstration exemptions, if any, could be considered for those States that have actually implemented expanded coverage, or have an approved demonstration and authorizing legislation when per capita limits are enacted.

OTHER ISSUES:

One issue that is not thoroughly addressed in this paper is the idea of reallocation of federal Medicaid expenditures. Federal funds could be redistributed among states. For example, the federal government can determine a national per capita and adjust the national per capita for each state based on differences in health care costs and other factors, e.g., a state's total taxable resources or poverty rate. The federal government could then pay a certain percent of the state's per capita. While interstate variation based on utilization levels and other factors would be minimized, such an approach would open up a "formula fight" as states scramble to protect their share of federal Medicaid expenditures.

OMB Staff Recommendation

5. SECTION 1115 DEMONSTRATIONS

What is the future of the 1115 authority under this policy? Will states who have already received waivers get exempted or special treatment? What happens to states who apply next year?

Options:

a. Apply federal Medicaid per capita limits to all demonstration enrollees, including expansion groups.
b. Exempt demonstration states from per capita limits.
c. Phase-in enforcement of limits.

Recommendation:

OMB staff recommend allowing states with approved waivers to include their expansion populations as part of the Medicaid population in the per capita limit calculations. The state's per capita spending amount for adults and children could be used as a proxy for per capita spending for the expansion populations. For expansion populations, states would not be allowed to provide services beyond those specified under the waiver. The count of expansion populations would be based on the level of coverage in effect at the time the per capita cap is implemented.

Spending for current law eligibles and expansion populations in waiver states would be subject to the same per capita growth limits as other states.

OMB staff believe that one issue requires further consideration. It is unclear if, over time, other states could also add coverage for the uninsured. A per capita limit that prevents states from expanding coverage under Medicaid would be a significant policy change for this Administration. It is unclear how budget neutrality for any new expansions would be addressed.

Medicaid Restructuring File

FEDERAL MEDICAID PER CAPITA GROWTH LIMIT: ISSUES

FRAMEWORK

In an effort to 1) provide incentives to states to control the growth of Medicaid per capita spending and 2) achieve federal Medicaid savings without endangering coverage, the President's budget includes a proposal to limit the rate of growth in federal Medicaid spending per capita.

The application of federal growth limits on per capita spending is distinct from the aggregate Federal cap in block grants in that it takes enrollment out of the cost containment equation, by promoting efficiency rather than coverage reduction as the means of reducing costs. The policy preserves critical aspects of the current Medicaid program, including: existing Medicaid eligibility rules; mandatory services as well as state flexibility to cover optional benefits; and the current matching approach to spending. None of these would be guaranteed under a block grant.

Within these parameters, this paper outlines a set of issues that must be addressed in deciding how a limit on federal per capita growth would actually work. The paper outlines policy options and recommendations. Options were evaluated against several criteria:

- Is it administratively feasible?
- Would it contain federal Medicaid spending ? Does the option offer positive or negative incentives to states (e.g., to game, control growth, etc.)?
- Does it put an unnecessary burden on states?

The major issues to be addressed are:

1. **Grouping expenditures:** is the per capita growth limit applied to all expenditures, using the total Medicaid recipient growth, or to multiple groups? What expenditures are included in these groups?
2. **Base year:** what is the base year?
3. **Growth rate limits:** what rates should be used?
4. **Transition period:** should there be one?
5. **1115 demonstrations:** how should they be treated?

Issues such as DSH and flexibility are not discussed in this paper, and there is a short discussion or reallocation issues at the end of this paper.

MAJOR ISSUES

1. GROUPING EXPENDITURES UNDER THE PER CAPITA GROWTH LIMIT

1A. Should a per capita growth limit apply to expenditures as a single grouping (i.e., one single per capita amount) or to multiple subgroupings of expenditures?

Options:

a. Single group of expenditures for all recipients and services

b. Multiple groups of expenditures

  I) by eligibility group (e.g., aged, disabled, adults, children)

  ii) by type of service (e.g., long-term care, acute care)

  iii) eligibility/service combination

Recommendation:

Establish multiple groups corresponding to Medicaid eligibility categories -- specifically, the aged, disabled, adults and children.

Rationale and Issues:

Spending for the Medicaid population is comprised of a wide range of services and types of recipients. Consequently, per capita spending -- and growth in per capita spending -- varies by eligibility group and, in some cases, by type of service. Consequently, there are very different cost implications to the decision about the level of aggregation of the expenditures (note: the estimates in the President's proposal were based on the application of the limit to expenditures for all recipients and services; any change from this will affect the cost estimates).

Disaggregation of per capita spending into more refined components should more accurately capture demographic and other differences among states, and within states over time. However, the manner in which component per capita amounts are defined (e.g., by eligibility group or type of service) is critical and will influence the incentives states face in making coverage and other decisions. For example, states might prefer to cover those population or service categories whose cost growth is low relative to the federal growth limit. Or, if the per capita categories overlap or are similar, states might "game" by shifting lower cost individuals into categories with higher per capita costs in order to avoid reaching the cap on Federal matching payments.

Using expenditures for the aged, disabled, adults and children would constrain states' ability to reclassify individuals. With the exception of the disabled, the categories are tightly "sealed," preventing the shifting strategies described above. However, the disabled category is vulnerable to shifting, because the disabled include children, adults and the elderly. Cost data on the disabled are not adequate to determine whether separate categories for disabled children, adults and aged are justified. Still, a separate disabled category is warranted because the per capita costs of the disabled differ dramatically from those of non-disabled recipients. Additionally, the recommended per capita groupings are administratively feasible as they reflect current eligibility breakouts. However, a disadvantage of not disaggregating further is that the mix of people in these categories could change as a result of welfare reform or changes in state optional coverage.

Creating separate per capita amounts for mandatory vs. optional eligibility groups is not recommended since we do not have the evidence that per capita costs or cost growth differ on that dimension. However, per capita spending by the medically needy, and perhaps their cost growth, may have unique characteristics, distinguishing them from the other categories. Including medically needy spending in recommended categories may skew average spending and growth. Creating a separate per capita amount for the medically needy may warrant more discussion. It is also worth mentioning that the AFDC and SSI eligibility categories could change under welfare reform.

Application of different growth limits by type of service could be justified because of the differential growth of different types of services. However, the service categories in some instances are not easily delineated from each other, and states may be able to categorize expenditures in the service categories with the higher rate. Adding a service dimension to the recipient expenditure groups would also add a significant administrative burden.

1B. Are special expenditures -- administration, DSH, VFC, IHS, illegal immigrants, Medicare cost sharing -- included or excluded from the caps?

Options:

a. Include them in calculation of base expenditures to be capped

b. Exclude them from calculation of base expenditures to be capped

Recommendation:
Exclude DSH and VFC. Include expenditures for undocumented immigrants. Need further consideration of 100% IHS expenditures and costs associated with QMBs..

Rationale and Issues:
DSH and VFC are programs that are not directly related to Medicaid spending on benefits, and they can be excluded from the cap. Administration costs would be difficult to allocate across the recipient groups, and seem appropriate to treat separately.

Expenditures for undocumented immigrants are Medicaid-covered benefits that are financed jointly by the federal and state funds, like any other Medicaid benefit. The President's budget included a proposal to provide discretionary grant funds to states disproportionately affected by illegal immigration to assist them with their state share of these costs.

Historically, state Medicaid programs have served as a pass-through for payments to Indian Health Services facilities. This arrangement is consistent with the treaty relationships with the Native American groups. However, Indian beneficiaries are included in the broad Medicaid eligibility categories and cannot be broken out. Nor can their costs be broken out, except that Medicaid reimburses costs of services received at IHS facilities at 100%. Because the costs of services from IHS facilities are excluded from general Medicaid benefit spending, states could argue that their base year capita spending amounts are understated (the eligibles are counted but their full costs are not). This result, along with the fact that they will receive 100% for services in IHS facilities, could increase the incentive for states to encourage these recipients to seek care at IHS facilities, remaining outside whatever Medicaid delivery systems the state is developing. We recommend consultation with the IHS and the tribal representatives before we decide this issue.

The cost of Qualified Medicare Beneficiaries (QMBs) and Specified Low-Income Medicare Beneficiaries (SLMBs) are within the costs for the aged and disabled, and impossible to distinguish from the dual eligibles'. There is a concern, however, that subjecting them to the same limits as the respective group would put states at risk for any increases in Medicare premium or cost sharing.

For both groups, there is a question both of whether or not the expenditures and recipients can be excluded, and whether or not they should be excluded. While in each case, there are reasons why a limitation on expenditures may be problematic, there is also a potentially dangerous precedent set by beginning to exclude subsets of expenditures from the caps.

2. BASE YEAR AND THE FREQUENCY OF REBASING

2A. To what year's expenditures are the caps applied?

Options:

a. One, specified year (no rebasing)

b. Average of several previous years' spending (no rebasing)

c. Every year immediately preceding limit (rebase annually)

Recommendations:

One specified year: 1995.

Rationale and Issues:

Choosing a year close to the actual implementation year will require fewer "updating" factors and will mitigate states' criticism that the base year does not reflect state experience. Using the current year (FY 1995) as a base year may provide states an opportunity to increase their base spending amount in anticipation of this capping formula. However, the limited time left to affect spending levels combined with several states' constrained or reduced SFY 1995-1996 budgets minimizes these effects. FY 1995 may not completely reflect the effects of recently-enacted DSH limits, but may reflect these effects better than FY 1994 spending.

Averaging several years of historical spending would smooth the growth rates, and could account for payment lags or other anomalies. However, an average over a few years (e.g., 1992-1995) would have to be adjusted for the effects of general growth among years and growth attributable to expansions in that period. An average base year amount would also be difficult to trend forward to the year of implementation.

Rebasing, or updating the base year on an annual or periodic basis, would have implications for states that experience low per capita growth. Under a fixed base year (ie., no rebasing), the per capita limit for a given year would be applied to the federal limit from the year before -- even if a state's actual spending in the previous year stayed below the federal growth limit. Rebasing would allow the cap to operate off of the previous year's actual spending. For states that hit the limit in every year, having a fixed base or a moving base would make no difference. However, if the 1999 per capita growth limit were based on the 1998 actual spending, rather than 1995 per capitas trended forward, and a state had per capita growth in 1998 that was below the cap, then the 1999 limit would be lower than the limitation off the fixed base.

Rebasing would offer greater potential for federal savings, since it would lower the limit when states' expenditure growth is low. Rebasing also prevents the problem of the base year becoming disconnected from states' experiences as time goes on; 2005 expenditures may have little relationship with 1995 expenditures. On the other hand, rebasing would penalize states that achieve spending growth below the capped rate, and could be difficult to administer.

2B. Are the caps applied to the federal share of expenditures in the base year, and trended forward, or are they applied to all expenditures (total computable) for the relevant groups in the base year, and the FMAP for the current year is subsequently applied?

Options:

a. Total computable actual spending by state by category
b. Federal actual spending by state by category

Recommendation:
Each state's total computable spending (federal and state shares) by category in the chosen base year.

Rationale and Issues:
The growth cap is intended to constrain Federal spending. However, applying a growth limit to a federal base amount does not adjust for FMAP changes in a state over time. Without rebasing, a federal growth limit would assume a fixed FMAP. For the purposes of limiting federal per capita growth, a set growth rate could be applied to an aggregate per capita base amount. That product could be multiplied by the current FMAP to generate the federal spending limit in that year. This method would maintain future FMAP changes.

3. GROWTH RATE LIMITS

What should the per capita growth limit be? Should it be applied to all groups? Are there state-specific factors that should be accommodated?

Options:

a. Price index only
b. Price index plus some adjustment for health care factors (e.g., utilization and intensity changes)
c. Same or different rate for all expenditure groups
d. National or state specific rates

Recommendation:
National uniform index for each eligibility category

Rationale and Issues:
A trend factor that accounts for both price and utilization would better reflect the components of Medicaid per capita growth than a price index alone. Price indices alone would not account for changes in volume and intensity. Accounting for utilization may mean adding percentage points to a price inflator based on an historical ratio for each category. Deciding which national trend factor to use for both price and the potentially category-specific utilization requires further intensive analysis. However, the simplicity of the trend formula is an important consideration for how the proposal will be received.

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State rates would best reflect state variation in price and utilization, and would be consistent with budget neutrality calculations in the 1115 waivers. They also offer the possibility of reallocating federal funds in a more equitable way, if the state-specific cap were calibrated to give certain states (e.g., those with higher proportions of poor people) higher rates. However, state-specific rates would be extremely difficult to develop and may be subject to gaming. Although choosing a national rate for the per capita limit proposal may appear to contradict the budget neutrality trending policy, the objectives of the two policies are dissimilar. For 1115 budget neutrality, the intent in generating a baseline is to measure what the specific state *would have spent* without the demonstration. For per capita growth limits, the intent is to develop a fixed growth limit in federal spending as an incentive for states to constrain their per capita growth.

4. TRANSITION, IMPLEMENTATION

4a. Can this policy be implemented immediately or should there be a transition period?

Options:

a. Limit becomes effective October 1, 1995 (or following Congressional action)
b. Transition period with limits enforced beginning at some later date (e.g., October 1, 1996)
c. Transition for subset of states (e.g., high per capita growth states, 1115 states)

Recommendation:
A uniform, specified transition period, after which the limits would be fully implemented and enforced.

Rationale and Issues:
As estimated, the per capita limit policy does not have a transition period for states. For the reasons below, it seems fair and reasonable to permit states (and HCFA) a phase-in to adapt to this change in Federal Medicaid policy.

- A number of <u>administrative and systems changes</u> have to occur in order to permit HCFA and the states to monitor spending relative to the per capita limits.

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The length of the transition should also take into account the ability of states to implement the changes needed to conform to the new limits. Eleven States have biennial legislative sessions -- Arkansas, Kentucky, Maine, Montana, Nevada, North Carolina, North Dakota, Oregon, Texas, Vermont, and Wisconsin. Of those 11 states, Kentucky is the only state which will have a legislative session in 1996. In addition, 10 other states have biennial budget cycles although their legislature meets annually -- Connecticut, Hawaii, Indiana, Minnesota, Nebraska, New Hampshire, Ohio, Virginia, Washington, and Wyoming. A substantive program change which does not include a transition period may place under hardship on those states which have recently approved biennial budgets and/or will not have a regular legislative session in 1996.

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4b. **Should the payment mechanism to states be changed under this system?**

Options:

a. Retain the current system of quarterly grant awards and subsequent reconciliation to annual limits

b. Design a new process that does not have the reconciliation mechanism

Recommendation:
Retain the existing system.

Rationale and Issues:
Under the existing system, quarterly grant awards are made to states based on their estimates of Medicaid spending in that quarter. A reconciliation process occurs later, when actual state spending data are complete and audited. This system, which is well understood by the states, will still work well; however, it would need to be changed so that awards would be made only up to the federal per capita limit. A retrospective per cap limit would require additional data reporting and monitoring for recipients by limit category. Currently, states provide only statistical data on such recipient counts which is often not complete or inaccurate.

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Options:

a. Apply federal Medicaid per capita limits to all demonstration enrollees, including expansion groups.

b. Exempt demonstration states from per capita limits

c. Phase-in enforcement of limits

Recommendation:
Undecided.

Rationale and Issues:

- Should all enrollees be considered Medicaid beneficiaries (in states which have expanded eligibility to uninsured) for the purpose of both the base and following years? Demonstration states' would be able to maintain coverage of expansion groups under lower per capita rates if new eligibles are counted in their base.

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OTHER ISSUES:
One issue that is not thoroughly addressed in this paper is the idea of reallocation of federal Medicaid expenditures. Federal funds could be redistributed among states. For example, the federal government can determine a national per capita and adjust the national per capita for each state based on differences in health care costs and other factors, e.g., a state's total taxable resources or poverty rate. The federal government could then pay a certain percent of the state's per capita. While interstate variation based on utilization levels and other factors would be minimized, such an approach would open up a "formula fight" as states scramble to protect their share of federal Medicaid expenditures.

Medicaid Restructuring File

August 4, 1995

Dear President Clinton:

The undersigned organizations are opposed to eliminating the entitlement status of individuals under the Medicaid program. We applaud your commitment to retaining Medicaid's entitlement status in your proposed balanced budget plan, and we encourage you to stand firm on this critical principle as negotiations on the budget continue throughout the year.

As you know, the Medicaid program provides basic health and long term care services to over 33 million American men, women, and children. Eliminating the entitlement status would jeopardize health coverage for these seniors, families, children, and persons with disabilities, at a time when employers are dropping coverage and the number of uninsured persons continues to rise. The enactment of such a proposal would represent a major step backwards from the goal of universal coverage.

We urge you to veto any proposals which eliminate the guarantee of health care services for our nation's most vulnerable citizens.

Advocates for Youth
Aid for AIDS
AIDS Action Council
AIDS Healthcare Foundation
Alliance to End Childhood Lead Poisoning
Alta Med HIV Services
Alzheimer's Association
American Academy of Pediatrics
American Association for Marriage and Family Therapy
American Association of University Women
American Association on Mental Retardation
American Civil Liberties Union
American Federation of State, County and Municipal Employees
American Geriatrics Society
American Network of Community Options and Resources
American Nurses Association
American Psychological Association
American Public Health Association
American Rehabilitation Association
American Social Health Association
Americans for Democratic Action
Association for the Care of Children's Health
Bazelon Center for Mental Health Law
Caring for Babies with AIDS
Catholic Charities USA
Catholic Health Association
Center for Community Change
Center for Law and Social Policy
Center for Public Policy Priorities-Benedictine Resource Center
Center for Women Policy Studies
Center on Budget and Policy Priorities
Central Conference of American Rabbis
Child Welfare League of America
Children Now
Children's Defense Fund
Church Women United
Citizen Action
Coalition for a Better Acre
Coalition for Family and Children's Services in Iowa
Coalition for New Priorities
Connecticut Association for Human Services
Family Planning, Inc.
Family Service America
Food Research and Action Center (FRAC)
Gay and Lesbian Medical Association
GMW Consultants, Inc.
Health Crisis Network
Hill Country Community Clinic
Housing Works
Human Rights Campaign Fund

International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers (IUE)
International Union, UAW
Legal Action Center
Los Angeles Gay & Lesbian Community Services Center
Mennonite Central Committee, Washington Office
Mobilization Against AIDS
National AIDS Fund
National Alliance to End Homelessness
National Association for Home Care
National Association of Child Advocates
National Association of Children's Hospitals
National Association of Counties
National Association of People with AIDS
National Association of Protection of Advocacy Systems, Inc.
National Association of Public Hospitals
National Association of Social Workers
National Black Women's Health Project
National Citizens' Coalition for Nursing Home Reform
National Coalition of State Alcohol & Drug Treatment & Prevention Associations
National Community Mental Healthcare Council
National Council of Jewish Women
National Easter Seal Society
National Farmers Union
National Gay and Lesbian Task Force
National Hemophilia Foundation
National Jewish Community Relations Advisory Council
National League of Cities
National Lesbian & Gay Health Association
National Mental Health Association
National Minority AIDS Council
National Native American AIDS Prevention Center
National PTA
National Women's Health Network
National Women's Law Center
NETWORK: A National Catholic Social Justice Lobby
New York StateWide Senior Action Council
North Hudson Community Action Corporation
Northern Valley Catholic Social Services
Office of Domestic Social Development, United States Catholic Conference
Political and Social Action Committee, Washington Ethical Society
San Francisco AIDS Foundation
Save the Children
SENSES
Service Employees International Union
Shasta Community Health Center
Tarzana Treatment Center, Inc.
Texas Alliance for Human Needs
The Arc
The Council of Women's and Infants' Specialty Hospitals
The National Children's Center

The United Methodist Church, General Board of Church in Society, Ministry of God's Human Community
Therapeutic Communities of America
U.S. Conference of Mayors
Union of American Hebrew Congregations
Unitarian Universalist Association of Congregations
United Cerebral Palsy Associations
United Church of Christ, Office for Church in Society
United Methodist Church
Universal Health Care Action Network
Valley Unity Action Group
Washington Ethical Action Office, American Ethical Union
Wider Opportunities for Women
Women and Poverty Project
Women's Legal Defense Fund
World Hunger Year