

AGENDA
December 6, 1994

I. INTRODUCTION TO SWAP

II. MEDICAID IMPLICATIONS

III. WELFARE IMPLICATIONS

IV. ALTERNATIVE OPTIONS

V. WRAP-UP

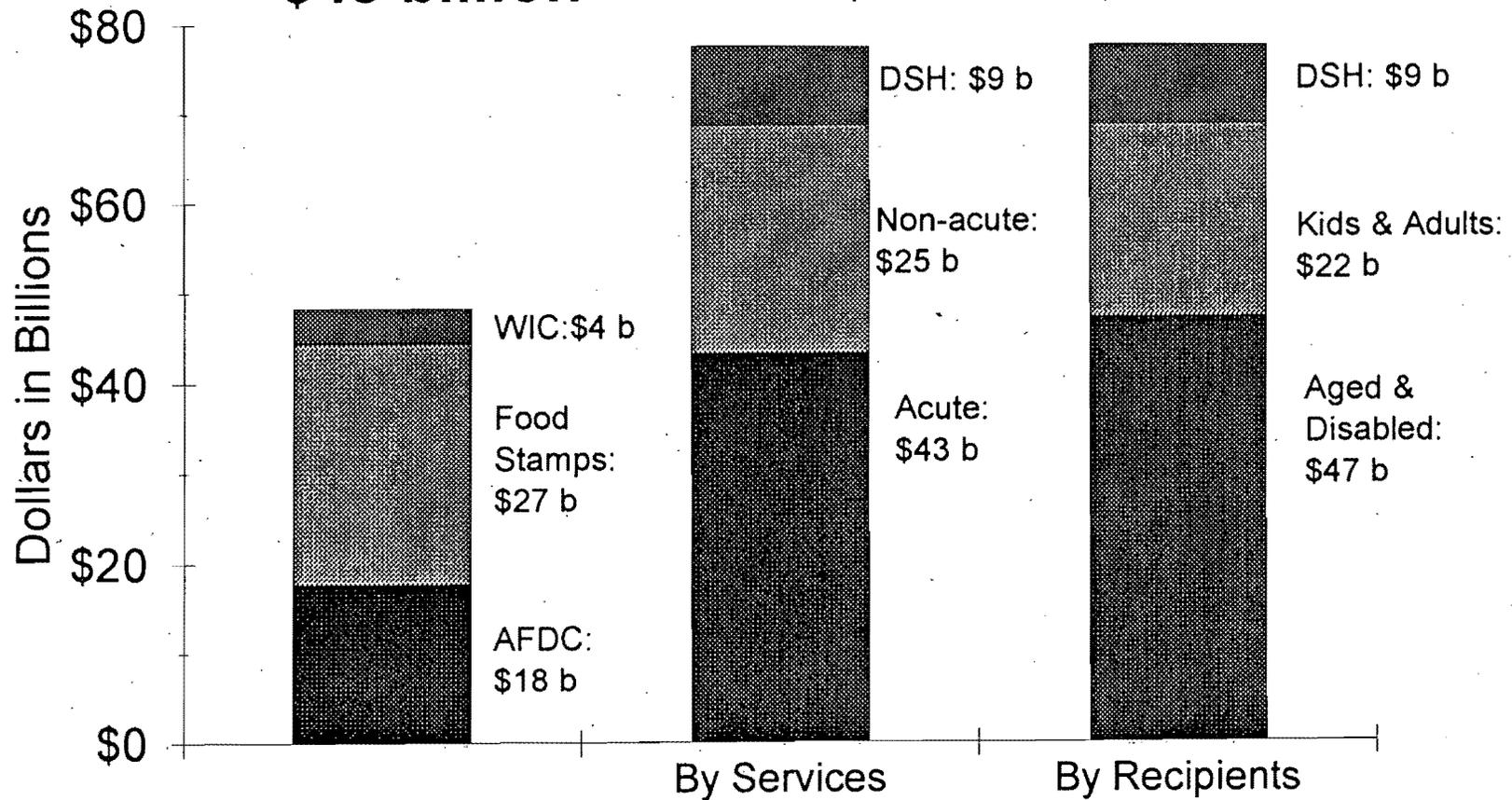
MEDICAID FOR WELFARE SWAP

- **Impact on Federal and State Budgets**
 - **Trends in Welfare and Medicaid Costs**
 - **Coverage and Cost Issues for Medicaid Program**
 - **Impact / Issues for Welfare**
-

Expenditures For the Swap: 1996

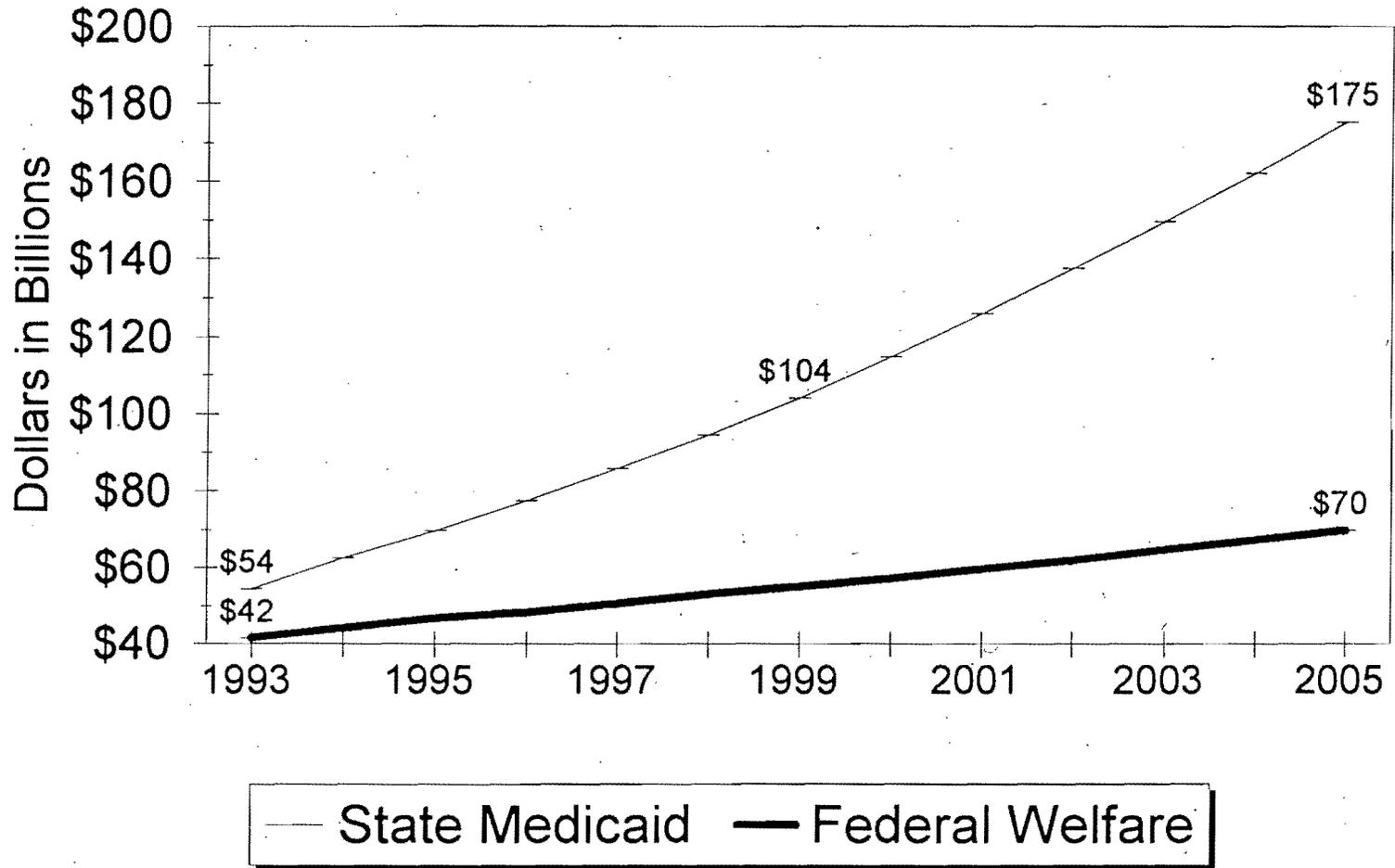
**Fed. Welfare:
\$48 billion**

**State Medicaid:
\$78 billion**



Federal Welfare & State Medicaid

Comparison of Expenditure Trends



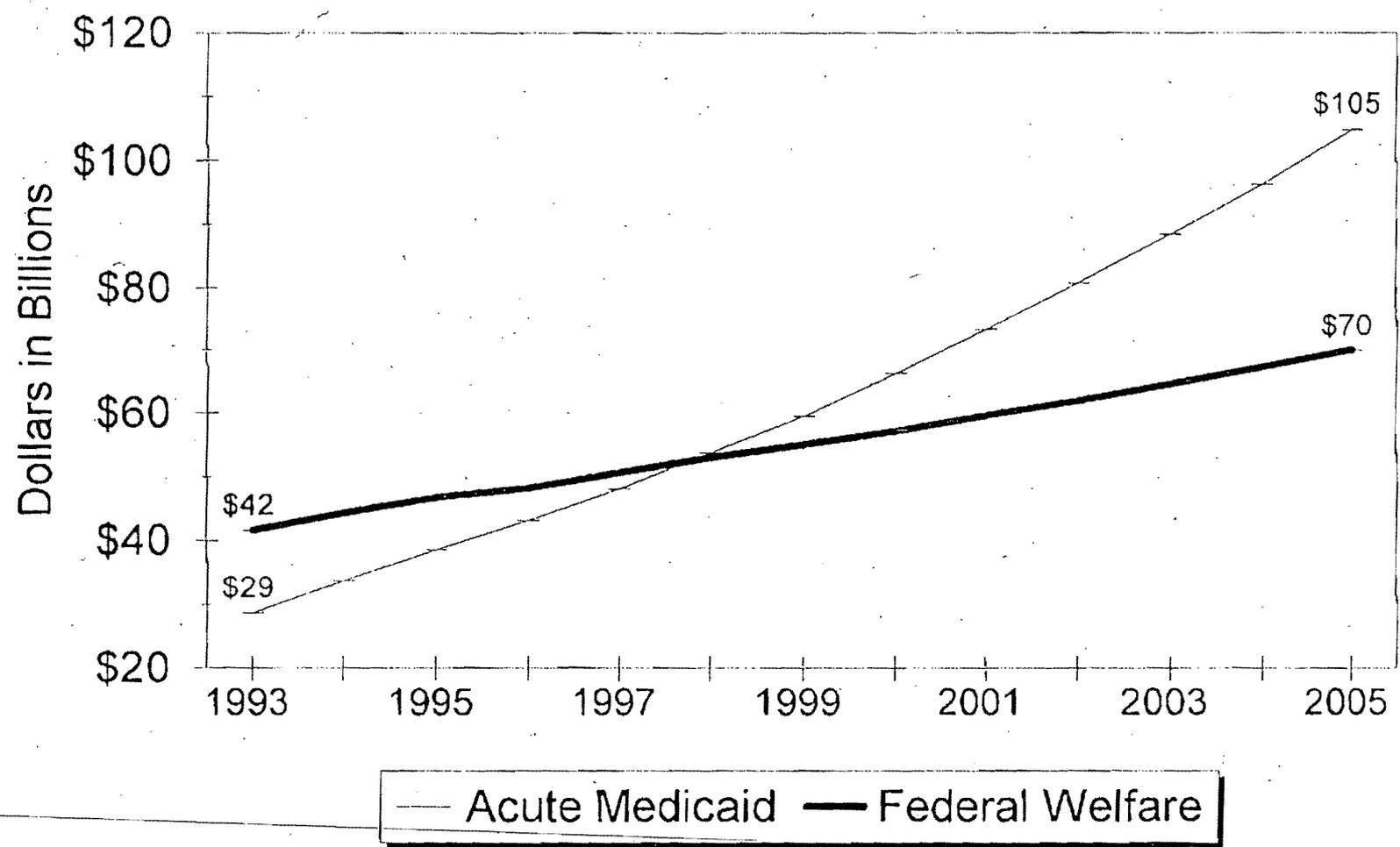
Net Effects of Swap Options on the Deficit

(Fiscal Years, Dollars in Billions)

SWAP FEDERAL AFDC, FOOD STAMPS & WIC FOR:	1996 - 2000	1996 - 2005
All State Medicaid Services for All Current Recipients	\$213	\$640
All State Medicaid Services for Aged and Disabled	\$29	\$176
State Medicaid Acute Care Services Only for All Current Recipients	\$7	\$127
State Medicaid Acute Care Services Only for AFDC and Non-Cash Kids Only	(\$143)	(\$278)

Increases in the Deficit indicated by positive numbers. Decreases in the Deficit indicated by negative numbers.

Federal Welfare & State Acute Medicaid Comparison of Expenditure Trends



**Estimated State Fiscal Effects of
Medicaid for AFDC/Food Stamps/WIC Swap**

(state fiscal effects in millions)

State	Fiscal Year 1996			Fiscal Year 2002		
	Projected State Costs on Acute Care Medicaid	Projected Federal Costs AFDC + FNS	State Gain (Loss)	Projected State Costs on Acute Care Medicaid	Projected Federal Costs AFDC + FNS	State Gain (Loss)
California	\$6,941	\$6,882	\$59	\$12,979	\$8,838	\$4,141
Connecticut	\$446	\$478	(\$32)	\$835	\$614	\$221
Indiana	\$742	\$778	(\$36)	\$1,388	\$999	\$389
Michigan	\$1,584	\$2,086	(\$502)	\$2,962	\$2,679	\$283
Mississippi	\$219	\$647	(\$428)	\$410	\$831	(\$421)
Texas	\$2,048	\$3,540	(\$1,492)	\$3,830	\$4,546	(\$716)
U.S. Total	\$43,150	\$48,297	(\$5,147)	\$80,700	\$62,022	\$18,678

* Medicaid estimates for 1996 were calculated by HCFA; estimates for 2002 assume the national growth rate for acute care services.

** Food & Nutrition Services program estimates past 2000 were calculated by ASPE staff.

Issues for a Federal Medicaid Acute Care Program

- Reimbursement
 - Services
 - Eligibility
 - Administration
-

**Trends in Maximum Benefit Levels
Over the Past 25 Years**

(Percentage changes reflect changes in real dollars)

100% Federally Funded Programs

Food Stamps 3%

Basic SSI 6%

Shared State and Federal Programs

AFDC -47%

100% State Funded Programs

SSI Supplement
elderly individuals -63%

elderly couples -75%

General Assistance NA

BENEFIT VARIATION ACROSS PROGRAMS

AFDC and Food Stamp Monthly Benefits
For a one-parent family of three persons, July 1994

State	AFDC Benefit Only	Food Stamp Benefit Only	AFDC & Food Stamps Combined (State Contribution)	% of Total Benefit Provided By State
Mississippi	\$120	\$295	415 (25)	6%
Texas	\$188	\$295	483 (67)	14%
Indiana	\$288	\$278	566 (105)	19%
Michigan	\$459	\$227	686 (200)	29%
California	\$607	\$183	790 (304)	38%
Connecticut	\$680	\$161	841 (340)	40%

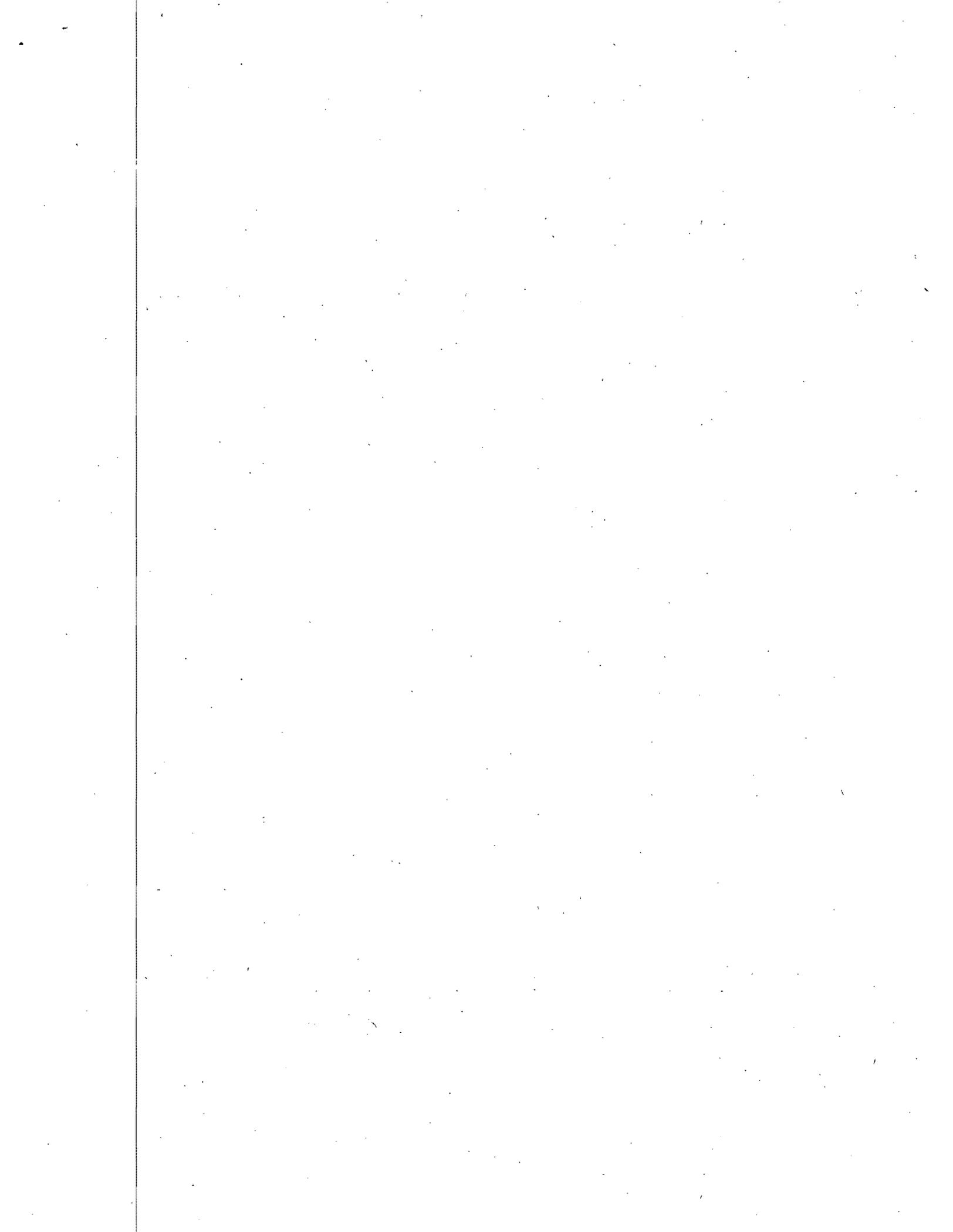
- * AFDC is a program where federal share varies from 50% to 80%
- * Food Stamps is a program with 100% federal share (except administrative costs).

State programs for a single person in FY 1993

State	Maximum GA Benefit Able Bodied	Average State SSI Supplement
Mississippi	No GA	No SSI Supp.
Texas	No GA	No SSI Supp.
Indiana	Case by Case	NA
Michigan	No GA	\$29
California (LA Cty)	\$303	\$180
Connecticut	\$314	NA

- * General Assistance is 0% federal share
- * "NA" indicates not available





Regs

Narrative - Gene Lyca 4:30 - 5:30

~~David & Bruce~~

Mike Tyler

 Agriculture

Feb. 14/16 - 4:00 - 6:00

- Bruce
- David - Mike

Friday 8:00 6:30 night

A Lot, -
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FOIA

B List:

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- dining
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- Political direction

- Privatization

Mike McCann?

- HISA
- Budget Document
- Tax points
- Qd AS

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Kassebaum Welfare/Medicaid Swap #14

Welfare and Medicaid Responsibility Exchange Act of 1994
by Senator Nancy Landon Kassebaum
March 7, 1994

Mr. President, later this year the Senate will take up the issue of welfare reform. I know this is a high priority to the chairman of the Finance Committee, Senator Moynihan, and many other members on both sides of the aisle.

While welfare reform has gotten much less attention than the current debate over health care, I believe the need to act on this issue is at least as important and as urgent. Today, I am introducing legislation to help address this concern.

Without question the current welfare system has helped feed, clothe, house, and educate millions of children. It also is without question that we have done so at an enormous price, not only in terms of money but in terms of creating a dependency that has led us in the wrong direction.

With the best of intentions, we have tried to protect children from material poverty. In the process, we have helped trap too many children in a different kind of poverty--where personal responsibility, individual initiative, and a sense of belonging to community have no real meaning.

The real tragedy of our present welfare system is not the questions it constantly raises about the misuse of taxpayers' money--important as that concern is--but that the present system is failing children and families. Welfare was never intended to become a way of life, but in too many cases that is the reality we now face.

After 60 years and hundreds of billions of dollars, federal welfare efforts still have not won the war on poverty. Today, one out of five children live in poverty. Five million families with ten million children receive welfare assistance. Each year, a half million children are born to unwed teenage mothers, the vast majority of whom will end up on welfare.

The trends are clear, and they are not good. They suggest we already have lost a large part of the present generation, and we will lose even more of the next. That is why I believe the stakes in welfare reform are extremely high. Our failure or success will determine, to a large extent, whether millions of children get a fighting chance to lead healthy, responsible, productive lives.

Unfortunately, the history of our repeated attempts to reform welfare demonstrate that good intentions never guarantee success. If we want to succeed this time, and I believe we must, then we must go beyond patchwork, piecemeal change and fundamentally rethink our approach to helping families with children.

For me, the first basic question to be addressed is not how to reform welfare, but who should do the reforming. I believe a critical flaw in the present system is not only a lack of personal responsibility--it is a lack of responsibility at every level of government.

Our largest welfare programs today are hybrids of state and federal funding and management. The states do most of the administration, within a basic framework of federal regulation, while the federal government provides

most of the money. The result is a hodgepodge of state and federal rules and regulations, conflicting eligibility and benefit standards, and constant push-and-pull between state and federal bureaucracies.

This may suit the needs of government bureaucracy. It clearly is not meeting the needs of children in poverty.

The first step toward real welfare reform, I believe, is to make a clearcut decision about who will run the plan, who will have the power to make key decisions, and who will be held responsible for the outcome.

The legislation we are introducing answers that question: It would give the states complete control and responsibility for Aid to Families with Dependent Children, the food stamp program, and the women, infants and children nutrition program. In order to free state funding to operate these programs, I would have the federal government assume a greater share--in some cases the states' full share--of the Medicaid program.

In budget terms, I am proposing a straight swap. The states assume all funding for welfare and the nutrition programs and pay for it with money they now send to Washington for the Medicaid program. The federal government keeps funding it now provides to the states for welfare and food programs and uses it to further reduce the state share for Medicaid. No state would lose money and neither would the federal government.

For example, in my state of Kansas, the state share of Medicaid this year will total almost \$390 million. Federal spending for AFDC, food stamps and WIC will total about \$267 million. Under this legislation, the state share of Medicaid would be reduced to about \$123 million. That would free up the \$267 million in state funds to take over the entire federal share of AFDC, food stamps and WIC.

Nationwide, state payments for Medicaid that now total about \$62.3 billion would be reduced to about \$21 billion. The balance would be kept by the states to take over the roughly \$41 billion that the federal government spends for welfare and the nutrition programs.

In terms of government responsibility, this approach would for the first time draw a clear line between the states and Washington. It would fix responsibility for welfare at the state level--with no federal strings attached.

It also would begin the process of making the federal government responsible for Medicaid--an issue we already must address in health care reform. The explosive growth in Medicaid costs is a major cause of budget problems at both the federal and state level. Clearly, we must overhaul this program, and I plan to introduce legislation soon to lay out my own views on Medicaid reform.

I believe the exchange of responsibilities proposed in this bill makes sense for two reasons.

First, giving states both the power and the responsibility for welfare--with their own money at stake--would create powerful incentives for finding more effective ways to assist families in

need. Nearly half the states already are experimenting with welfare reforms. This would give them broad freedom to test new ideas.

Second, I do not think Washington can reform welfare in any meaningful, lasting way. The reality is that we cannot write a single welfare plan that makes sense for five million families in 50 different and very diverse states.

Washington does not have a magic answer to the welfare problem. The governors and state legislatures have no magic solutions either, but they have the potentially critical advantage of being closer to the people involved, closer to the problems, and closer to the day-to-day realities of making welfare work.

In this case, I believe proximity does matter, perhaps powerfully so. One of the most important factors in whether families succeed or fail is their connection to a community, to a network of support.

For some families, this is found in relatives or friends. For others it might be a caring caseworker, a teacher or principal, a local church, a city or county official. These human connections are not something we can legislate, and they are not something that money can buy.

True welfare reform will require a renewal of local and state responsibilities for children and families in need. I believe that can only happen if the federal government steps aside and allows the states to get on with this work.

Mr. President, I ask unanimous consent that a summary of the bill and the text of the bill appear in the Record following my remarks.

BASIC INFORMATION ABOUT
THE KASSEBAUM SWAP PROPOSAL

WHAT IS BEING "SWAPPED:"

The basic purpose of the "swap" proposal is to transfer responsibility for welfare assistance programs to the states, while beginning the process of shifting responsibility for Medicaid to the federal government.

WHY THE SWAP IS THE BEST APPROACH TO WELFARE REFORM:

States are in a much better position than the federal government to make determinations about programs providing cash and noncash assistance for low-income individuals and families. In the past decade, most, if not all, of the innovation in the area of welfare reform has originated at the state and local levels. The number of waivers of federal mandates, regulations and rules being requested by states demonstrates a number of significant things:

There is a need to change the currently federally mandated system of welfare assistance because it is not working well.

Federal rules, regulations, and mandates have become a barrier to operating effective welfare assistance programs.

In the past decade, the momentum for restructuring the welfare system has been generated by the states--the innovations that are being discussed in Congress and by the administration are the result of state efforts to devise and operate more effective welfare systems.

States need the flexibility to adapt their basic assistance programs to better meet the needs of individuals and families in need of welfare assistance.

Economic conditions, employment, educational and training opportunities, and available support services vary widely among states--a "one-size-fits-all" federal welfare assistance program is not able to adapt readily either to this diversity of situations or changing conditions.

In contrast, the federal government is in a better position to devise and administer basic health care services for low-income individuals and families. As the health care reform debate has demonstrated, there is a need for the development of a broader view of health care financing and service provision--an appropriate role for the federal government.

KEY PROVISIONS OF THE "SWAP" PROPOSAL:

- The states will assume full fiscal and administrative responsibility for the Aid to Families with Dependent Children (AFDC), food stamp, and Nutritional Assistance for Women, Infants, and Children (WIC) programs.
- For five years, there will be a maintenance-of-effort requirement that funds currently obligated by states and the federal government for these programs be used to provide cash and noncash assistance for low-income individuals and families. States will have the responsibility and flexibility to design and operate assistance programs without federal rules, regulations, and mandates.
- In return, the states will receive a federal supplement to the state share of Medicaid expenditures equal to the amount currently spent by the federal government in a given state for AFDC, food stamps, and WIC (adjusted annually to account for changes in population and inflation).
- State Medicaid benefits and plan options will be frozen at the January 1, 1994, levels. In the process of redesigning state welfare systems, states may change Medicaid eligibility as long as the aggregate expenditures for the state do not grow faster than the projected costs for Medicaid under the current law.
- After five years, the federal government will assume responsibility for Medicaid (or its equivalent under a new national health care plan).

ST	Medicaid State Share 1994	AFDC 1994	Food Stamp Program 1994	WIC 1994	Medicaid - (AFDC+FSP+WIC)
AL	496,028,000	83,109,394	501,072,318	71,117,000	(159,270,712)
AK	127,480,000	62,106,365	53,930,360	10,698,000	745,275
AZ	561,553,000	196,232,543	433,217,573	59,910,000	(127,807,116)
AR	280,248,000	47,447,808	230,226,756	44,093,000	(41,519,564)
CA	8,106,973,000	3,138,454,180	2,383,573,707	385,760,000	2,199,185,113
CO	562,152,000	100,902,860	246,489,856	34,343,000	180,416,284
CT	1,169,094,000	200,241,366	162,316,932	41,522,000	765,013,702
DE	141,216,000	22,810,473	51,879,148	8,406,000	58,120,379
DC	331,973,000	67,497,817	91,765,506	10,112,000	162,597,677
FL	2,759,117,000	515,387,946	1,434,158,960	136,789,000	672,781,094
GA	1,196,057,000	299,014,716	726,666,754	105,205,000	65,170,530
GU	3,265,000	4,117,898	20,134,757	4,407,000	(25,394,655)
HI	240,870,000	76,179,538	142,104,169	19,924,000	2,662,293
ID	106,409,000	22,362,518	62,816,383	20,634,000	596,099
IL	2,577,265,000	470,670,185	1,141,965,464	132,974,000	831,655,351
IN	1,246,783,000	178,494,601	443,916,509	70,816,000	553,555,890
IA	403,073,000	112,964,096	159,768,255	31,426,000	98,914,649
KS	389,627,000	83,830,974	153,451,007	29,868,000	122,477,019
KY	567,845,000	170,288,835	462,339,685	61,968,000	(126,751,520)
LA	1,189,270,000	135,474,713	708,910,185	83,406,000	261,479,102
ME	333,149,000	75,912,184	121,629,486	15,603,000	120,004,330
MD	1,169,535,000	187,355,694	366,699,285	44,421,000	571,059,021
MA	2,257,484,000	409,618,332	358,125,142	55,007,000	1,434,733,526
MI	2,165,169,000	742,491,923	907,155,282	107,593,000	407,928,795
MN	1,123,929,000	247,909,622	263,434,572	46,072,000	566,512,806
MS	277,997,000	72,649,192	447,649,248	53,802,000	(296,103,440)
MO	969,665,000	183,211,175	517,917,671	66,638,000	201,898,154
MT	110,143,000	37,866,499	60,644,145	12,395,000	(762,644)
NE	254,845,000	56,480,146	88,686,882	18,846,000	90,831,972
NV	218,467,000	28,933,525	92,968,695	12,498,000	84,066,780
NH	469,725,000	29,899,689	50,451,268	11,302,000	378,072,043
NJ	2,512,671,000	356,204,375	535,153,839	73,384,000	1,547,928,786
NM	167,605,000	91,000,782	212,249,777	29,408,000	(165,053,559)
NY	11,671,460,000	1,635,945,100	1,978,040,977	248,959,000	7,808,514,923
NC	1,170,938,000	260,069,792	528,141,489	91,268,000	291,458,719
ND	76,991,000	22,352,465	40,241,397	11,164,000	3,233,138
OH	2,274,868,000	626,425,152	1,204,369,263	133,740,000	310,333,585
OK	312,354,000	143,755,609	322,588,775	50,064,000	(204,054,384)
OR	432,164,000	140,703,219	260,003,127	34,869,000	(3,411,346)
PA	3,081,206,000	545,182,143	1,077,272,223	133,530,000	1,325,221,634
PR	108,500,000	81,428,646	0	11,498,000	15,573,354
RI	360,163,000	72,488,392	80,877,781	12,615,000	194,181,827
SC	329,076,000	92,177,779	333,186,251	64,504,000	(160,792,030)
SD	91,284,000	18,491,010	48,068,465	14,175,000	10,549,525
TN	1,173,316,000	174,536,082	657,518,220	70,822,000	270,439,698
TX	2,985,841,000	379,095,548	2,439,266,641	280,620,000	(113,141,189)
UT	138,662,000	61,015,569	110,178,897	30,550,000	(63,082,466)
VT	112,742,000	40,791,796	43,818,976	10,136,000	17,995,228
VI	3,337,000	2,952,912	23,096,959	6,609,000	(29,321,871)
VA	977,626,000	130,107,102	487,117,037	66,494,000	293,907,861
WA	1,192,094,000	374,839,770	414,222,392	52,316,000	350,715,838
WV	307,478,000	97,381,077	275,728,184	29,384,000	(95,015,261)
WI	968,395,000	303,207,247	254,049,134	53,734,000	357,404,619
WY	53,260,000	19,936,306	29,483,438	7,889,000	(4,048,744)
=====					
	62,308,437,000	13,730,004,680	24,240,739,202	3,325,287,000	21,012,406,118