



Committee On Finance

William V. Roth, Jr., Chairman

CHAIRMAN'S MODIFICATIONS TO S. 1795

DIVISION A — REFORMING NONMEDICAL WELFARE PROGRAMS

June 26, 1996

On June 26, 1996, the Committee adopted (by voice vote) an amendment to increase funding for Native Americans by decreasing funding for aliens. This amendment would increase the amount available in the supplemental pool (by \$551 M between FY 98 and FY 02) for services provided by the Indian Health Service and related facilities and would decrease (by a comparable amount) for certain services to certain aliens.

On June 26, 1996, the Committee adopted (by voice vote) an amendment to entitle only 15 states to all supplemental payments available for undocumented aliens. The 15 states eligible for such payments would be those with the highest number of undocumented aliens as a percentage of total state population.



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On 6/26/96, the committee adopted (by voice vote) an amendment to increase the supplemental pool amount for services provided by the Indian Health Service and related facilities in the amount of \$551 M from FY 98-FY 02, and decrease comparable funding from the supplemental pool amount for certain health care services to certain aliens.

On 6/26/96, the Committee adopted (by voice vote) an amendment to make only the 15 states with the highest number of undocumented aliens as a percentage of total state population ~~thereout~~ eligible for supplemental payments for undocumented aliens.



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On 6/26/96, the Committee adopted (by voice vote) an amendment to increase funding from the supplemental pool amount for native Americans and to decrease, by a comparable amount, such funding for certain services to aliens.

On 6/26/96, the Committee adopted (by voice vote) an amendment to make the 15 states with the highest number of undocumented aliens as a percentage of total state population the only states eligible for supplemental payments for undocumented aliens.

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DIVISION A--REFORMING NONMEDICAL WELFARE PROGRAMS

<u>Title/Page</u>	<u>Explanation of Change</u>
1. I-p.19	Delete lines 16-23 and insert at end of state plan items fair and equitable treatment language and administrative procedure for individuals whose assistance has been denied, reduced or terminated.
2. I-p.21	Add to state plan a certification by the chief executive officer of the State regarding program fraud and abuse.
3. I-p.30-31	Modify effective date for supplemental grant to begin in 1998 and continue through 2001 (instead of 1997-2000).
4. I-p.39-44	Modify effective date for contingency fund to begin in 1998.
5. I-p.45	Limit 30 percent transferability from TANF to only the child care and development block grant.
6. I-p.52	Increase the minimum work participation rates after 1996 as follows: 1997: 25% 1998: 30% 1999: 35% 2000: 40% 2001: 45% 2002: 50%
7. I-p.56	Limit exemption for families with children under 1 year of age to a maximum of 1 year per family.
8. I-p.57	Increase hours of work required per week for all families after 1999 as follows: 2000: 30 hours 2001: 30 hours 2002 & after: 35 hours
9. I-p.57	Add work requirement on second spouse in a 2-parent family if the family receives federally funded child care.

<u>Title/Page</u>	<u>Explanation of Change</u>
10. I-p.57	Decrease weeks of job search which may be counted as work from 12 weeks to 4 weeks. States with unemployment rates above the national average may count up to 12 weeks of job search.
11. I-p.61	Increase age of child to under age 11 (instead of under age 6) for a single custodial parent who is unable to work because child care is not available; clarify that such families are not exempt in calculation of work participation rates.
12. I-p.62	Modify worker displacement provision to make clear that the provision includes partial displacement of existing employees; add requirement for states to establish a grievance procedure.
13. I-Insert at p.63	Add provision to disallow use of federal TANF block grant funds to provide additional benefits to families that have children while on welfare, unless the State passes a law to specifically allow such additional benefits. If the state affirmatively legislated on this subject within 2 years prior to the date of enactment of this bill, the state is not required to revisit this issue.
14. I-p.64	Add minimum reduction of monthly cash assistance of 25% for individuals who fail to cooperate in paternity establishment (page 64, lines 6-10).
15. I-p.67-68	Delete "unless the state agency determines that the individual's current living arrangement is appropriate".
16. I-p.77-78	Delete requirement to disregard SSI, old age assistance, foster care, and adoption assistance payments [delete paragraph beginning on page 77, line 17].

<u>Title/Page</u>	<u>Explanation of Change</u>
17. I-Insert at p.78	Add a provision to require States to provide health coverage under the new Medicaid program for 1 year to (1) families leaving the IV-A welfare program because of increased earnings from employment or as a result of increased child support collection as long as family income is below the poverty level; and (2) current AFDC recipients who will no longer be eligible under a state's new IV-A welfare program. (To qualify, the family must have been on the welfare rolls for 3 of the previous 6 months, and must not have been sanctioned by the state.)
18. I-Insert at p.78	Clarify that children receiving IV-E foster care and adoption assistance payments will be guaranteed health coverage under the new Medicaid program.
19. I-p.80	Add to the penalty for failure to meet work participation requirements, an additional 5% penalty for each consecutive failure to meet the work participation requirements.
20. I-p.83	Clarify the educational expenditures that count toward the state maintenance of effort for TANF funds; impose a 15% limit on administrative costs that count toward state maintenance of effort.
21. I-p.84	Increase from 75% to 80% the state maintenance of effort to receive TANF funds. Add report language clarifying how maintenance of effort applies to 2001.
22. I-p.92	Add penalty of up to 5% for States who have failed to comply substantially with any provision of IV-A or the state plan.
23. I-p.112	Modify effective date on line 14 to begin with fiscal year 1998.
24. I-p.114	Strike 1996 and 1997 from line 4.
25. I-At approp. place	Add a provision to establish a welfare formula fairness commission to review and make recommendations on the new funding for IV-A welfare programs.

<u>Title/Page</u>	<u>Explanation of Change</u>
26. I-At approp. place	Add a provision to clarify that any program or activity that receives federal funds under this title shall be subject to the Age Discrimination Act of 1975, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, and the Civil Rights Act of 1964.
27. II-p.177	Eliminate changes in section 203 of the bill relating to Social Security benefits.
28. II-p.184	Include report language clarifying that the Social Security Administration is to give proper consideration to children with multiple impairments, children too young to be tested, and children with rare disorders.
29. II-p.185	Add a provision to require the Social Security Administration to annually publish a notice requesting suggested improvements in the disability determination procedures for children.
30. II-p.190	Modify effective date so that no individual under age 18 subject to a redetermination of eligibility will be disenrolled from SSI before 6/30/97.
31. II-p.196	Delete section 213(a)-(b) of the bill relating to disposal of assets and trusts.
32. II-p.204	Add a provision to allow the Social Security Administration to provide emergency advance SSI payments to individuals presumptively eligible for such benefits.
33. II-p.229	Delete section 251 of the bill to conform the age of eligibility for SSI benefits to retirement age for Social Security old-age benefits.
34. III-p.334	1-year delay in payment of enhanced match for systems required by Family Support Act.
35. III-pp.336-337	1-year delay in effective date for technical assistance funding under section 345(a) of the bill.
36. III-pp.390-391	1-year delay in effective date for grants for access and visitation programs under section 381 of the bill.

<u>Title/Page</u>	<u>Explanation of Change</u>
37. IV-p.411	Delete the word "serious" on line 10 (relating to communicable diseases).
38. IV-p.411	Clarify that current law is retained for certain noncitizen children who do not qualify for IV-A assistance may be eligible for IV-E foster care and adoption assistance if they otherwise meet the eligibility requirements of IV-E.
39. V-p.447	Add a provision to reduce the annual limits on discretionary spending by the projected savings from reductions in federal government positions.
40. VII-pp.450-571	Delete Title VII of the bill (relating to child welfare and child protection block grant programs).
41. VII-p.450	Add a provision to extend for 1 year enhanced federal funding (75% rather than 50%) to states for implementation of their Statewide Automated Child Welfare Information Systems (SACWIS).
42. VIII-p.575	Modify child care block grant maintenance of effort to the greater of 1994 or 1995 child care expenditures.
43. XI-p.774	Modify reduction in Title XX funds to reflect 20% reduction for fiscal year 1997 through 2002.
44. XI-At approp. place	Add earned income credit provisions to (1) modify AGI for certain income and losses; (2) modify definition of disqualified income and index amount; and (3) suspend indexing on individuals without children [see Joint Committee on Taxation description].

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Explanation of Change

DIVISION B--RESTRUCTURING MEDICAID

45. 779 Children over 12 years of age and under 19 years of age whose family income does not exceed 100 percent of poverty are added to the list of guaranteed eligibles. Phase-in of eligibility of these children will proceed as in current law.
46. 779 Add language clarifying that the amount, duration and scope of benefits specified under the State plan must be sufficient in amount, duration and scope to reasonably achieve its purpose. The State Medicaid agency may place appropriate limits on a service based on such criteria as medical necessity or on utilization control procedures.
47. 780 Physician assistant services are added to pediatric and family nurse practitioner and nurse midwife services as guaranteed benefits, to the extent these individuals are authorized to practice under State law or regulation.
48. 780 EPSDT services for children are not to be less than the amount, duration and scope of such benefits under Title XIX as in effect on June 1, 1996.

<u>Title/Page</u>	<u>Explanation of Change</u>
49. 802 and as appropriate	<p>Change provisions regarding FQHCs and RHCs as follows:</p> <ul style="list-style-type: none"> -- FQHC and RHC services would be included as a guaranteed benefit. Strike the 8 quarter time limitation in section 1501 (a) (2) (F). -- The definition of FQHC services (section 1571(f) (2)) would be revised to include ambulatory services offered by an FQHC which are otherwise included in the State plan, as under current law. -- The definition of "medical assistance" (section 1571 (a) would be amended to include FQHC and RHC services. -- Cost-based reimbursement would be repealed on the first day of the new Medicaid program. Strike the transitional payment in section 1502(d). - States would have to comply with two set-asides (one for FQHCs and one for RHCs), equal to 95% of all medical assistance payments for services provided at FQHCs or RHCs during the base year. -- Each set-aside would be based on all medical assistance payments to FQHCs and RHCs in the base year, not just payment for "FQHC services" or "RHC services" as defined under title XIX. -- There would be no waiver of a set-aside in any year under the new Medicaid program, section 1115, or any other law. -- The base year would be either 1995 or 1996, the year in which payments for services at FQHCs or RHCs were the greatest. -- Each State's set-aside for FQHCs and FHCs would grow annually at the same rate as the Federal base allotment for that State. -- The state plan must detail how the state will implement the set-aside requirement. This part of the plan will be subject to notice and comment. -- State annual reports must include detailed information on how the state is carrying out the set-aside requirement, sufficient to determine compliance. -- The independent assessment of performance of the state plan will specifically address how well the state

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Explanation of Change

has implemented the set-aside requirement.
-- If the Secretary finds that a State has failed to comply with the set-aside, the Secretary is authorized to withhold from the state the amount that would have been paid had the State complied with the set-aside, and to make payments up to such amount directly to the FQHCs and RHCs in the state.

-- States may set solvency standards that are appropriate for FQHC or RHC capitated health plans which differ from solvency requirements of private health maintenance organizations so long as the standards are adequate to protect against the risk of insolvency.

-- State supplemental payments to FQHCs and RHCs made at a state option to augment capitation payments may be counted as qualified Medicaid expenditures.

--Clarify that states would receive federal matching payments (within their state allocation) for supplemental payments to FQHCs and RHCs that contract in Medicaid managed care.

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802

Add language stating that a Medicaid plan shall not impose treatment limits or financial requirements on mental illness services which are not imposed on services for other illnesses or diseases. The plan may require pre-admission screening, prior authorization of services, or other mechanisms limiting coverage of mental illness services to services that are medically necessary. Nothing in this subsection shall give rise to a private right of action.

	<u>Title/Page</u>	<u>Explanation of Change</u>
51.	802	<p>1) Strike 1503(a) and (b). Add language stating that:</p> <p>-The state plan shall not impose any cost-sharing on the guaranteed population for any guaranteed benefit except as provided in current law, including as approved under any waiver in affect upon date of enactment.</p> <p>-The state plan shall not impose any cost-sharing on the optional population for any guaranteed benefit, except as provided in current law, including as approved under any waiver in affect upon date of enactment.</p> <p>-The state plan may impose cost-sharing on the guaranteed population for any optional benefit as provided in current law, including as approved under any waiver in affect upon date of enactment.</p> <p>-The state plan may impose cost-sharing on the optional population for any optional services based on a sliding scale schedule.</p>
52.	863	<p>2) Add a provision prohibiting balance billing for amounts greater than the Medicaid payment amount and allowed cost-sharing. In addition, denial of care or services to individuals eligible for such care or services based on an individual's inability to pay a deduction, cost sharing or similar charge is prohibited. The individual to whom the care or services is furnished remains liable for payment of the deduction, cost sharing or similar charge.</p> <p>3) Strike 1503 (c) (5).</p> <p>Change effective dates on supplemental allotment for certain health care services for certain aliens to fiscal years 1998-2002.</p>

<u>Title/Page</u>	<u>Explanation of Change</u>
53. 865	Line 9, change "1997" to "1998". Line 11, change "1998" to "1999". Line 13, change "1999" to "2000". Line 15, change "2000" to "2001". Line 17, change "2001" to "2002".
54. 880	Strike p. 880, line 8 through p.882, line 12. Add language stating that beginning in 1998, the definition of Native American health care providers will be expanded to include tribal and urban Indian organizations. Reimbursement for these facilities will be 100% FMAP, funded from annual allocations totaling \$1.85 billion. Funding will be distributed on a provider basis. Tribes and states may enter into agreements for the provision of medical services.
55. 883	Add language to clarify that costs of independent external quality review programs qualify for 75 percent federal reimbursement.
56. 893	Retain current law restrictions on provider-related donations and health care related taxes.
57. 897	Add a provision clarifying that states cannot supplant present state health funding with Medicaid base allotment funding.
58. 907	Add a provision which requires that States include in the state plan objectives and performance goals related to standards of care and access to services for children with special health care needs (as defined by the state).
59. 913	Add a provision requiring the Secretary of HHS to develop a uniform data collection system for Medicaid expenditure and beneficiary information.
60. 914	Add a provision which requires the State plan to assure that beneficiaries have access to nursing facilities within 50 miles of their residence or within a reasonable distance in rural areas.

	<u>Title/Page</u>	<u>Explanation of Change</u>
61.	914	Add a provision which requires the State plan to assure access to primary care services within 30 miles of residence or within a reasonable distance in rural areas.
62.	914	Add a provision which requires the State plan to: -ensure compliance with the federal health, safety and welfare standards for individuals with developmental disabilities receiving services in ICFs/MR, home and community-based services and related supportive services, and community-supported living arrangements as well as procedures to ensure public participation in the development of the plan, and to ensure the involvement of consumers, family members, and the local community in planning and quality assurance. -ensure that treatment services for such individuals are based on an individualized plan which includes a goal to maintain, enhance or support, or prevent or minimize the deterioration of skills to maximize the potential and independence of the individual.
63.	915	Add a provision that requires States to include proposed payment rates and underlying methodologies for all providers, including institutional providers, in the public notice process. States must then publish final payment rates, methodologies, and justifications based on public comments.
64.	957	Add a provision which clarifies that a community spouse is protected from having liens placed against a family farm that is his/her primary residence as a condition for spouse receiving long-term care.
65.	959	Restore current law prohibition on collecting from trusts that are established for disabled individuals under age 65, until death of the disabled individual.

<u>Title/Page</u>	<u>Explanation of Change</u>
66. 1011	<p>Add a provision allowing states to waive the restriction on training of nurses aides in nursing facilities that have operated under a waiver, been subject to an extended or partial extended survey or have been assessed a civil money penalty within the previous 2 years if the state:</p> <ul style="list-style-type: none"> -determines that there is no other such program offered within a reasonable distance of the facility; -assures that an adequate environment exists for operating the program in the facility, and -provides notices and assurances to the state long-term care ombudsman.
67. 1043	<p>Require the Secretary of HHS to report to Congress annually, beginning 2 years after enactment, on whether changes in reimbursement rates to nursing homes affect the quality of care.</p>
68. 1044	<p>Add provision which requires the Secretary, in consultation with the States, to establish, monitor and enforce minimum health, safety and welfare standards for individuals with developmental disabilities receiving services in ICFs/MR, home and community-based health care services and related supportive services, and community-supported living arrangements and transitional living arrangements, including assurances that such individuals receiving care are protected from neglect, physical and sexual abuse, financial exploitation, inappropriate involuntary restraint, and the provision of health care services by unqualified personnel.</p>
69. 1044	<p>Add current law restrictions on State or local officers or employees relating to conflict of interest (Section 1902 (a) (4) (C)).</p>
70. 1044	<p>Add a provision requiring States to implement an ongoing program to measure, evaluate and improve quality of care in their Medicaid programs including independent external review of managed care organizations.</p>

<u>Title/Page</u>	<u>Explanation of Change</u>
71. 1046	<p>Strike language in (12) and add:</p> <p>(12) (A) Acute inpatient mental health services, including services furnished in a State-operated mental hospital in the case of an adult.</p> <p>(12) (B) Inpatient mental health services, including services furnished in a State-operated mental hospital and residential or other 24-hour therapeutically planned structured services in the case of a child.</p>
72. 1046	<p>Strike language in (13) and add:</p> <p>(13) Outpatient and intensive community-based mental health services, including psychiatric rehabilitation, day treatment, intensive in-home services for children, and partial hospitalization.</p>
73. 1051	<p>Clarify that the definition of EPSDT services has the meaning given the term early and periodic screening, diagnostic and treatment services under section 1905(r) of Title XIX as in effect on June 1, 1996.</p>
74. 1061	<p>Strike language in the definition of covered entities related to furnishing drugs at a cost no greater than the acquisition cost plus a dispensing fee.</p>

<u>Title/Page</u>	<u>Explanation of Change</u>
75. 1104	Add a provision establishing a National Commission on Medicaid to report to Congress on the impact of Medicaid reform and make recommendations. It will not include expedited procedures for consideration.
76. Insert as appropriate.	<p>Add a provision regarding minimum standards for Medicaid managed care plans, including:</p> <ul style="list-style-type: none"> -- If Medicaid beneficiaries are required to enroll in a managed care plan, they must be given the choice between at least 2 such plans or between a managed care plan and a primary case management provider. -- Special needs children, the homeless, and migrant agricultural workers may not be required to enroll in a managed care plan. -- Managed care plans must make medically necessary services available 24 hours a day, seven days a week. -- Managed care plans must contract with a reasonable number of primary care and specialty care providers to meet the health care needs of their Medicaid enrollees. -- States must require health plans to make adequate provision against the risk of insolvency. -- States must prohibit managed care health plans from: discriminating in enrollment based on health status or need for care; fraudulent enrollment and the use of false and misleading marketing information; and from affiliating with any providers barred from Federal government contracting. -- States must require that managed care plans provide specified financial information to the state and agree to allow audit and inspection of books and records needed for verification. -- States may not automatically enroll individuals who do not choose a plan into health plans that are out of compliance with standards. -- States must establish sanctions (including intermediate sanctions and

Title/Page

Explanation of Change

- civil money penalties) for use in enforcing compliance with the minimum standards, and correcting failure to provide medically necessary services that are required under a contract with the state.
77. xx Add report language to clarify that the Governor may appoint the state's Drug Use Review Committee to serve as the committee which develops any drug formulary which might be used by the state's Medicaid program.
78. xx Add report language to clarify that a state Veterans Home may require veterans receiving Aid and Attendance and Unusual Medical Expenses to contribute all but a per diem to the cost of their care.
79. xx Add report language to clarify that the definition of medical assistance includes services of certain Christian Science facilities and organizations.
80. xx Add report language to encourage states to assure access to pregnant women and children to appropriate levels of basic, specialty and subspecialty care.



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CHAIRMAN'S MODIFICATIONS TO S. 1795

TECHNICAL AMENDMENTS

DIVISION A — REFORMING NONMEDICAL WELFARE PROGRAMS

June 26, 1996

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CHAIRMAN'S MODIFICATIONS TO S. 1795

TECHNICAL AMENDMENTS

DIVISION A--REFORMING NONMEDICAL WELFARE PROGRAMS

<u>Title</u>	<u>Page</u>	<u>Explanation of Change</u>
I	17	In line 11, insert, "the Secretary has found". Adds language clarifying that the Secretary has the authority to determine whether the State Plan contains all the required elements
I	23	Clarifies language so that only states that had an Emergency Assistance request approved in 1994 or 1995 qualify for additional money in their block grant
I	37	Drops several lines of text to clarify that the performance bonus is based on all the purposes of title I and not just employment
I	55	Adds the terms "average monthly" before "number of families" in Subparagraph (3) to clarify that the calculation for pro rata reduction of participation rates is based on the average monthly number of IV-A recipients
I	65	Drops the phrase "Except to the extent necessary to enable the State to comply with section 457" to correct a drafting error from H.R. 4 that erroneously changed the child support assignment rules; the effect of the change is to ensure that families retain the right to all arrearages that accrue after the family leaves welfare
I	81	Inserts language to clarify that the good cause exemption applies to applicants who have cause not to cooperate with child support officials

<u>Title</u>	<u>Page</u>	<u>Explanation of Change</u>
I	83	Strike lines 17, 18 and insert "state expenditures that consist of funds transferred from state program not described in subclause (I) or from local programs that are not funded by the states"
I	89	Rename as more precise header, "Required Replacement of Grant Fund Reductions Caused by Penalties"
I	99	Drops the requirement that States report information on the number of welfare recipients who leave welfare for work; this requirement is no longer necessary because the bill does not allow States to count welfare recipients who leave welfare for work toward fulfilling participation standards
I		Adds the year "2001" to authorize payments to Indian tribes that formerly received JOBS funds, covering the length of the TANF block grant (1996-2001)
I	114, 115	Change "1995" to "1996" to clarify that waivers may be continued
I	117	Add language on reductions on FTEs at the Department of Health and Human Services into this section
I	119	Adds State option to contract with charitable, religious or private organizations to provide services to definitions section
I	125	Adds transition language so States would not be entitled to both money from current funding under Title IV-A and the new State entitlement program under Title VIII of the Committee provision
I		Moves language that appeared in the wrong order because of a printing error
I	136	Drops the word "agency" to clarify that States have the option of deciding whether the agency administering TANF, child support, or title XV can make good cause determinations
I	136	Changes "cooperate" to "cooperation" to make the sentence grammatically correct

<u>Title</u>	<u>Page</u>	<u>Explanation of Change</u>
I	165	Language required by CBO to ensure that states can not obtain child care funds from two sources simultaneously
II	182	Corrects language so that the effective date of application for benefits is uniformly applied for individuals qualifying at age 65 (per Social Security Administration).
II	188	Restores a one-time appropriation in H.R.4 of \$0.3 billion to the Social Security Administration to conduct redeterminations and continuing disability reviews required under this bill.
III	231	Replaces "and" with "or" to clarify that recipients need meet either the good cause exception or other exceptions (but not both) that are recognized by states
III	241	Adds the phrase "except for amounts collected pursuant to Section 464" in Subparagraph (v) at the request of CBO to clarify the distribution rules for purposes of scoring
III	243	Drops the parenthetical material from the subparagraph on "Federal Share" which was left over from previous drafts; the material was necessary when all the current Title IV-E programs were placed in a new Title IV-B; dropping the new Title and restoring IV-E as under current law obviated the need for this material; also clarifies that "assistance" refers to foster care maintenance payments under Title IV-E
III	244	Given the changes in Medicaid that are contemplated as part of the welfare reform bill, this change in the subparagraph on "Federal Medical Assistance Percentage" establishes the Medicaid match rate on September 30, 1996 for each State as the rate that will be the Federal medical assistance percentage (FMAP) for purposes of this section

<u>Title</u>	<u>Page</u>	<u>Explanation of Change</u>
III	244	Four changes are made to the provision on gap payments (gap payments are payments States can make to welfare recipients from child support collections up to the amount of the difference between the State standard of need and the State payment standard for AFDC): 1. the provision is made a State option; 2. language is added to clarify that the gap payment is paid to the family in addition to the welfare payment otherwise payable to the family; 3. the word "paid" is substituted for the word "distributed" to be consistent with Title IV-A terminology; and 4. the relationship between gap payments and the hold harmless language in subparagraph (d) and the termination of the \$50 passthrough is clarified
III	245	Changes the effective date of the new distribution rules from "July 1, 1996" to "October 1, 1996" in Subparagraph (c) to give States more time to implement the rules
III	258	Strikes language that would eliminate the city of New Orleans from the one-year extension provided to Louisiana from the requirement of single-source distribution of child support payments
III	299	Removes a stray ")" that appeared in the text
III	303	Changes the reference from "(a) (1)" to "(a) (1) (A)" in Subparagraph (F) on income withholding; this change has the effect of limiting the mandate on States to provide expedited procedures for wage withholding only to non-AFDC cases that elect to participate in the child support program

<u>Title</u>	<u>Page</u>	<u>Explanation of Change</u>
III	325	Changes "1997" to "1998" under the effective date for "Incentive Adjustments"; this change eliminates a drafting oversight that had States receiving Federal reimbursement during fiscal year 1998 both under the current incentive system as well as the new incentive system that will begin in fiscal year 1999
III	376	Inserts the word "to" to make the sentence grammatically correct
III	380	At the request of the Department of State, we changed the term "child support" to "support" throughout this section on international agreements; however, we inadvertently missed one occurrence of the term
III	468	Eliminates the reference to part E under "For Failure to Maintain Effort" which was inadvertently left over from a previous draft
IV	397	Changes the Medicaid reference from title XXI (the Medicaid title in the Balanced Budget version of H.R. 4) to title XV (the Medicaid title in this bill)
IV	411	Corrects a drafting error that resulted in a reference to just part B of title IV instead of to both part B and part E
XI	760	Changes the wording of the provision to clarify that in States in which the Governor previously had exclusive control over Federal block grant funds, State legislatures now would share control through the appropriations process. However, States would continue to spend Federal funds in accord with Federal law
XI	768	Adds the provision that nothing in Federal law prevents States from testing welfare recipients for use of controlled substances

<u>Title</u>	<u>Page</u>	<u>Explanation of Change</u>
XI	774	Clarifies the correct levels of funding for SSBG as follows: 1996: \$2,381,000,000 1997: \$2,380,000,000 1998-2002: \$2,240,000,000

DIVISION B--RESTRUCTURING MEDICAID

778	Line 19, insert ", using the methodology provided for determining eligibility for payment of supplemental security income benefits under title XVI" after "who".
778	Line 21, strike "the payment of supplemental security income benefits under Title XVI" and insert "payment of such benefits".
778	Line 24, insert ", using the methodology provided for determining eligibility for payment of supplemental security income benefits under title XVI" after "who".
779	Line 1, strike "the payment of supplemental security income benefits under title XVI" and insert "payment of such benefits".
779	Line 11, insert ", " after income and delete "and"; after resource, insert ", and eligibility".
783	Lines 18, 20 and 25, insert ", " after income and delete "and"; after resource, insert ", and eligibility".
784	Line 14, insert ", " after income and delete "and"; after resource, insert ", and eligibility".
785	Lines 5, 7, and 9, insert ", " after income and delete "and"; after resource, insert ", and eligibility".

<u>Title</u>	<u>Page</u>	<u>Explanation of Change</u>
	785	Line 12, strike "March" and insert "May".
	787	Line 3, indent the heading.
	789	Line 4, insert a closing parenthesis after "(5)".
	791	Line 17, strike "under" and insert "over".
	797	Strike line 7 and all that follows through "and" on line 9 as unnecessary
	832	After line 15, insert the following: "The administrative procedure under subparagraph (A) shall include impartial decision makers and a fair process and timely decisions".
	832	Line 4, insert "AND JUDICIAL" after "ADMINISTRATIVE".
	850	Line 24, strike "for a fiscal year" and insert "for fiscal year 1997 is 126.98 percent and for a subsequent fiscal year".
	859	Lines 4 and 10, strike "(D)" and "(E)" and insert "(E)" and "(F)", respectively.

<u>Title</u>	<u>Page</u>	<u>Explanation of Change</u>
	859	<p>After line 3, insert the following new subparagraph (and redesignate the succeeding subparagraphs accordingly):</p> <p>"(D) FLOORS AND CEILINGS ON PROGRAM NEED. -</p> <p>(i) IN GENERAL. - In no case shall the value of the program need for a State for a fiscal year be less than 90 percent, or be more than 115 percent, of the program need based on national averages (determined under clause (ii)) for that State for the fiscal year.</p> <p>(ii) PROGRAM NEED BASED ON NATIONAL AVERAGES. - For purposes of clause (i), the 'program need based on national average' for a fiscal year is equal to the sum of the product (for each of the population groups) of the following 3 factors (for that group, year, and State or District):</p> <p>(I) WEIGHTING FACTOR FOR GROUP. - The weighting factor for the group (described in subparagraph (C) (i)).</p> <p>(II) TOTAL NUMBER OF NEEDY IN STATE. - For all groups, the average annual number of residents in poverty in each State or District (as defined in subparagraph (C) (ii) (I)).</p> <p>(III) NATIONAL PROPORTION OF NEEDY IN GROUP. - The proportion, of all individuals who received medical assistance under this title in all of the States and the District in all such groups, that were individuals in such group.</p>
	861	Line 9, strike "(2) (A)" and insert "(2) (C) (ii) (I)".
	871	Line 2, delete "the percentage by which" and insert "the number of percentage points by which".
	933	Lines 12 and 20, strike "1507" and insert "1508".
	1089	Line 21, insert after drug ", including a biological product or insulin,".

<u>Title</u>	<u>Page</u>	<u>Explanation of Change</u>
	1093	Line 16, strike "subparagraph (C) or (D) of paragraph (2)" and insert "paragraph (2) (D)".
	1100	Conform new Title XV to Secretary's waiver authority in Section 1115 of the Social Security Act.
	1100	TRANSFER OF CERTIFYING AUTHORITY FOR CHRISTIAN SCIENCE FACILITIES--Amend sections 1902(a) and 1908(e) (1) of Title XIX of the Social Security Act by striking "The First Church of Christ, Scientist, Boston, Massachusetts," and inserting "The Commission for Accreditation of Christian Science Nursing Organizations/Facilities, Inc."
Insert in appropriate place		Conform eligibility to low-income persons for Medicaid to changes in Title I of the bill.

Amendment By Senators Hatch, Pressler, Murkowski and Baucus

Indian Medicaid Funding

Amendment to Section 1511 of the Chairman's Mark

Amendment to the supplemental pool amount for services provided by the Indian Health Service and related facilities to increase the supplemental allotment for Medicaid services in the amount of \$551,000,000 to be apportioned in the following manner:

FY 98	+\$110,200,000
FY 99	+\$110,200,000
FY 00	+\$110,200,000
FY 01	+\$110,200,000
FY 02	+\$110,200,000

With a corresponding decrease in funding from the supplemental pool amount for certain health care services to certain aliens in the following manner:

FY 98	-\$110,200,000
FY 99	-\$110,200,000
FY 00	-\$110,200,000
FY 01	-\$110,200,000
FY 02	-\$110,200,000

Amendment # 12 - Medicaid

Senator Chafee

Supplemental Allotment for Undocumented Aliens

Description: States eligible for supplemental payments would be the 15 states with the highest number of undocumented aliens as a percentage of total state population.

S. 1795 Personal Responsibility & Work Opportunity
Act of 1996

6-26-96

Fundamental Shift

^{Simpson}
Pressler - give states op to do something different
failure to deal w/ MC, SS, affluence testing, CPI → when you talk about
negative impact on the kids
no way there will be good times w/ such a huge debt

Rockefeller - done much to improve the bill,
but we still have a b grant on welfare
can't assume that govs can do better than Feds, in
fact given the pressures on govs it's likely they would
do less well (e.g. down BMW plant & kids -- BMW may win)
reason 2 bills linked, so the President will be forced to
veto -- Pres has to veto the bill if it strips so much
from MA
saddest thing re: mark up -- don't want to cre
no guarantee - no Fed course of action - no benefit pkg
- 2.5 yrs & you're out

^{Pressler}
^{Contract?} - provision of health is 100% federal responsibility
concern re: fund for illegal immigrants
give higher priority to native Amer than illegal aliens --
but it is reversed
funding should be equitable -- but Native Amers 1st
- commends on funds for rural health clinics -- safety net
bill represents progress & fair

Breaux - much better than it started
govt. obligation to help low-income Amer
has to be more than providing a check
~~has to be tough on work but~~
must take care of kids after time limit expires
miles apart in MA -- suggest we pass what we agree
on (welfare)
money doesn't follow people
any guarantee to provide evg w/o funding is a
meaningless guarantee (from govs)
no op for Fed enforcement -- for what is a fed prog
- don't have true natl prog - can't go to Fed it to assure ^{Fed} stands

Breaux - dif defs of disability -- not the way for natl program

D'Amato - MA funding conts. to grow at rate that will bankrupt
when we look at the govs, how can we think they wouldn't
take care of the elderly & kids (e.g. Lawton Chiles,
gov of NY)

building artificial excuses to cont. the power in Washington
give govs ability to manage programs (may not use funds
in exact same way, but will still meet needs)

why should some states get 50¢/\$1 while others get 80¢/1
more equitable formula -- 60-40 match

"we're going to pass this - Pres will veto - "let's not get
too exercised"

Conrad - engaged in political ^{exercise} process - combines welfare & MA scuz
agree on welfare, but not MA
actually attempted to agree while working on Breaux-Chafetz
compromise
NY better or generous scuz they will get 1/2 as much
money
in compromise gave flex to states, but also had basic guarantee

Gramm
BROWN - doesn't believe Clinton really wants welfare ref - but wants
credit for it
not so excited about the bill (compared to what they had
proposed earlier) & important 1st step
"bill of rotten basic conflict"
Dems love the system as it is --
Reps claim will let states run their own progs, s' yet
^{some} people don't believe govs would take care of people
in their states -- he rejects that
now have Fed studs which states have to fund
now giving money, but ^{making hand} telling them how to run the system
have to decide -- if we let states run it, get rid of
state mandates, RAN Vests

Graham (FL) - need to give states greater degree of flex
need to repeal Boren

pick out areas in which we agree 'do them & we'll

save some \$
in welfare, ^{object to} eligibility restraints on illegal aliens

massive cost-shift to ^{provider} states ^{local communities} (e.g. musical chairs,

legal alien, sponsor, provider - music stops, Fed
govt sits - abdicated - legal won't be able to pay,
sponsor won't be able to pay, but provider will be
left w/ the bill.)

Moseley-Braun - legislation based on fund premise

welfare represents no more than legislative child abuse

" reform should not be punishing for children

welfare is response to poverty, may be flawed,
by focusing on adults, ^{we} conveniently ignore kids
destroys what exists now & puts in draconian
substitute

doesn't answer Q of what happens to the kids
legislation will push 1.5 mil children into poverty

same core concept in both Wel & MA ^{bills} are flawed
wash our hands as nat'l commun to provide care
for the sick, elderly

the cut will be borne by someone -- as push
cost down, you will just put burden on
new taxpayers

not going to have fewer sick or disabled cuz of bill
this is not supportive of kind of Amer comm we have to
be (would vary widely state-to-state)

L

staff summary - Lindy

Title I proposal to reform AFDC → block grant

Similar to make-up last fall

ann b grants to states - greater of 92-94 expendit

sup b grant for high pop growth states (98-01)

cont. fund (from gov) \$2 bl/cap - way to draw on if large
food stamps (if state has gone down in turn, but only uses a portion then Fed share would be reduced)

loan fund for rainy day

CBO projects use to be 11.56 for 5 year period

NW ✗

performance bonus fund - reward states for getting persons off welfare

in 1997, min % is increased by 5% but 50% reached in 2002 remains same

hrs, modified to 30 in 2001 - 35 in 2002

work activities, incl job search, but now could be used for 4, rather than 12 weeks

5 yr lifetime time limit has 20% hardship exemption

(Sen level - changed to 15 in conference)

family cap - restriction for states to use funds

borns on welfare unless state ^{affirmatively} acted to opt out

maintenance of effort set 75%, w/ pos reduction for high perform

Breaux - what happens to kids after 5 yrs

Answer - can't use federal funds

B - even if states wanted to

A - can't use fed funds

B - if state dropped ^{after} 2 years

A - states free to have lower limit, optional to help up until 5 years

Graham Q - range of fed expenditures for high % state

A - for FY 94 avg mo ben for family (total fed + state) to \$120/mo in MS to hi \$735 in AK -- avg nationwide \$376/mo

Q - after 10 yrs, what do you anticipate to be hi %

A - don't have 10 yr projection -- only have \$ amt.

Q - is philosophy of this bill that current disparities be continued, exacerbated, or constrained re: Fed \$

A - phil of bill is work 5yr time limit -- does not attempt to get everyone to avg.

Q - what is philosophy of cont. disparities, based on old system ^{which we say is flawed} what is philosophy of new system?

Mosely-Brown: Is there an estim of how many kids affected

At end of time limit, what provision, if any, is there from kids?

A: commit. did no analysis of how many kids would be affected.

from HHS: w 2 yr 5.4 mil 492th children or 2.6 mil at end of 5 yrs

Moynihan: if bill would pass, it would save \$, but would increase child poverty

M-B: Assuming time-limits, if child born after fam exceeded time limit

A: Allows states to exempt up to 20% of their pop -- Fed's will not define this pop -- not an absolute 5 year limit

M-B: Is there analysis of impact on municipalities or rural communities w/ high poverty?

A: No, haven't segregated by ^{parts of} states

Title II : SSI

deny SSI to wrongdoers

consist w/ Admin proposals

Bradley Q: could they shift AFDC to SSI
shift from 50% Fed costs (AFDC)
to 100% Fed costs (SSI)
unintended consequences

Title III : Child Support Enforcement

~~not~~ substantially same pkg as was in last bill

better enforcement of child supp across state-lines

Title IV : Non-Citizens

mostly changes in HR 4

- all ^{recipients} _{new} ^{old} for new
- 1) for SSI & food stamps - must work in US for 40 quarters, eff 1/1/96
 - 2) all fed means-tested prog - have to wait for 5 yr, exemptions for emerg. medical
 - 3) better enforce & broader deeming of income/resources

Title V : Reduction In Govt Posi

reduce Fed phys

Title VI :

has been dropped at request Sen Chafee/Rock
substi - to cont. enhanced match at 75% for 1 yr

Title VIII : Child Care

- increased funding to meet work reqs

Title IX : Misc Provision

- same as senate bill

- reduction is 20% (not 10%)

- added EICredit proposals for non-citizens ^(staff) (Ken Kies)

1) compliance proposals req include tax-payer ID #s

2) expand def of disqualified income - threshold indexed & reduced

3) modify adj. gross income to determine phase-out

4) suspend inflation adj for families w/o children

Medicaid Dennis Smith

substantially differs

written guarantees for benes/svcs

recs of NGA included - for guaranteed pops

bill expanded beyond NGA to provide addl guar

further expansion - for older kids & transitional

- reflects cur law in benef.

states may offer opt. offered in cur law

- people w/ disabil - states have option to cont. current law

states may choose to provide own def, but if so,

must provide 90% of their \$ to cover this pop

↳ could not access umbrella for these persons

- current law defs of EPSDT

- cont. " " amt, duration, & scope

- provides states to determine del. system

- repeals Boren

- no prov. for Fed right of action for prov

- conts current protections for nh res.

& Sec's abili to enforce nh stand

- how funds allotted among states - refined base to be more pens to states w/ higher pop of elderly
- MA bill moves to syst where \$ follows persons in policy
- provider sup umbrella (est. cost \$26b)
- special grant (\$4 bil, base of) for Native am & aliens
- cur law provisions retained w: nhr
- Secre: can enforce submit of state plan
- FMAP change (modeled on GAO)

Breaux: use word guaranteed, but isn't correct that a person eligible for MB today, this person could lose elig. based on state's change in def of disability, not enough \$

A: state opt to def disabled, but req to cover those yes, they may lose eligibility

*

"there are persons who could lose eligibility of MA"

Q: isn't this an unfunded mandate

A: - states would have to guar pens - believe there is enough flux to -- can use

A: umbrella is not capped - funded by increases in \$, in 1st yr, if state exper growth above anticipated, they would access umbrella for all those persons, amt based on per bene expend -- next yr state would have incr in allotment to cover at least some of this

Q: what does June O'Neill (CBO) mean that amt not cumulative.

A: legis prot. base allot ↑ by people in prog need

Q: is there guar of \$ follow people

A: Has been address - doesn't follow as closely as current

Q: Person may lose elig if state changed welfare standards for elig

A: states have choice to change welfare eligibility

Moyn: If 5 yr time limit

A: correct, except MA based on fed policy level

Breaux: A guarantee w/o adequate funding is a meaningless guarantee - Dem gets.

recess til 2pm

Conrad - MA is a poison pill to getting welfare reform
 Moyn - vote yes is vote in favor of bill

(R) Roth
 Chafee
 Gramm
 Pressler

*Hatch
 Nickles
 Simpson
 Grassley*

(D) Moynihan
 Baucus
 Bradley
 Pryor
 Rockefeller
 Breaux
 Graham

1. Baucus - strike MA ^{title} from welfare bill (S. 1795)

- Rockefeller & Conrad don't favor splitting bcz they don't think either bill is very good or has little chance for improvement
- ~~Moyn~~ - should ~~not~~ vote to split to save President from vetoing
- Roth - for true reform, should link MA & welfare

~~Chafee N~~
~~Conrad N~~
~~Moyn N~~

Moyn N
 Bauc Y
 Rock N
 Breaux Y
 Conrad Y
 Graham N
 Mosely N
 C

→ to strike MA
 3 Y (Baucus, Breaux, Conrad)
 17 N

→ amendment not agreed to

2. Chafee - grandfather vulnerable pops
 will not present -- no offset

Withdrawn

3. Chafee - cont. guarantee of MA cvg for individuals receiving cash assistance under SSI
 (focus on payments to under 65 / disabled)
 federal definition of disabled & those should be covered
 - Conrad opposes bcz of opposition that we don't hurt the states

Y Chafee, Moyn, Baucus, Braa, Pry, Rock, Breaux, Conrad, Mosely, Graham
 10 Y
 10 N

4. Pryor - guarantee indivs now eligible for wh would not become ineligible

(under block grant concept, there is no such guarantee
 elig for svcs are guaranteed -- states could define s
 Nickels made pt that this amend is inflexible

Staff: would receive

Con: if you have guarantee & have no \$, would you have unfunded mandate

Y - Repr Y
 9 Y
 11 N

PASSED

5. Hatch - ensure adequacy of funding for Native Amer health svcs under MA
 (adjust MA allocation to meet the needs)
 - use an offset from illegal aliens
 (Bradley - which "certain svcs" & which "certain aliens")

voice vote Y will look for better offset

6. Rockefeller - guaranteed cvg for elderly indivs who suffer from Alz disease & req nh svcs
 (Roth - under current bill, already guarantees nh svcs if MA eligible)
 (Rock - if state leaves Alz out of disability definition, these persons
 Y - Moyn, Bauc, Brad, Pryor, Rock, Breaux, Con, Graham, Nos 9Y
 11N

7. Chafee - strike language which permits states to deny cvg for abortion svcs even in cases of rape, incest, & life of the mother.
 (Nickels - read H.R. in 1986 of Clinton as gov -- saying he does not support Fed spending for abortion)
 (Breaux - asked if def included broad definition of genl health of the mother - (Chaf responded it did not, just referred to life of mom)
 Y - Chafee, Simpson, Moyn, Bauc, Brad, Pry, Rock, Con, Graham, Nos
 N - Breaux
 10Y
 10N

8. Conrad - guarantee of nh svcs for veterans
 - restores current law entitled w/ current law Fed income asset intrdr
 - reqs states to provide bens to vets who req nh in amt, duration, & scope
 - guarantee Fed of enforcement
 (Simpson - gives special status regardless of svc status -- regardless of time spent -- special exemption to group who already has special access)
 N - Reps Y - Dems 9Y
 11N

9] Chafee - states eligible for supplemental pmts would be the 15 states w/ the highest % of undocumented aliens as a percentage of total state pop

voice vote Y

10. Breaux - require states to provide in-kind assistance to the child if parents cut off after 2 & make it optional if parents cut off after 5
(Breaux - says amend is permissive -- allows state to provide now bill mandates states cannot use fed dollars on these kids after 5 yrs)
(Rock - can't imagine child will pay the price for parent -- vote speaks to sense of civic responsibility.)
Y Chafee, Dems

10Y

10N

11. Breaux - provides states flex of providing children in-kind assistance if parents cut off after 5 years
(Nickel said Clinton even supports 5yr limit)
(HR 4 had same language - ltr from
Y Chafee, Dems

10Y

10N

12. Conrad - restore guarantee of medical asst for kids & pregnant women
- current law ^{entirely} guarantee w/ current law Fed income asset
- provide bens in amt, duration, scope
- guarantees federal court enforcement
Y-Chafee, Dems

10Y

10N ~~10N~~

~~violations~~

strike 216 from bill

voice vote y

vote for the bill / final passage

Chief Reps. Y N Dems
Gingrich
Holt
Sten

11 Y

9 N

record legislation favorably
out of committee

DEPARTMENT OF HEALTH AND HUMAN SERVICES
ASSISTANT SECRETARY FOR PLANNING AND EVALUATION
OFFICE OF HEALTH POLICY



*cleared
6/26/96*

PHONE: (202) 690-6870 FAX: (202) 401-7321

From: Jail

Date:

To: Chris
Nancy Ann

Phone: (202) 690-_____
(202) 690-6870
FAX: (202) 401-7321

Phone: _____
Fax: _____

Number of Pages (Including Cover): _____

Comments: For final clearance

MEDICAID - CHAIRMAN'S MARK

Overview

The administration has consistently stressed that Medicaid reform requires an enforceable guarantee of coverage backed up by the assurance of federal-state funding partnership in which federal funding adjusts for changes in enrollment.

The Chairman's mark still repeals Medicaid: the mark remains a block grant, without an enforceable or a funded guarantee. The mark does fix a number of provisions in the bill in the context of that structure -- but the structure itself remains fundamentally flawed.

Specifics

The Chairman's mark remains a block grant.

- The mark does retain the current law constraints on state use of provider donations and taxes.
- However, the overall structure remains a block grant in which federal funds are not based on Medicaid enrollment, and with totally inadequate federal financial support for state enrollment increases.

Without the assurance of funding, any "guarantee" cannot be real.

- The chairman's mark does retain "required" coverage of children age 12-18; retains the current standard for determining the amount, duration, and scope of benefits, and retains the EPSDT program. Further, it appears to address some of the concerns about copayments, and about certain types of asset transfers and family financial protections.
- However, these requirements are hollow in a block grant funding structure. And, the bill does not address the underlying problem of the enforceability of the individual's guarantee; does not address the problem of states having the option to use state definitions of disability; does not address the issues of statewideness and comparability of benefits; and does not provide the complete array of family financial protections that exist under current law.

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- However, these requirements are hollow in a block grant funding structure. And, the bill does not address the underlying problem of the enforceability of the individual's guarantee; does not address the problem of states having the option to use state definitions of disability; does not address the issues of statewide and comparability of benefits; and does not provide the complete array of family financial protections that exist under current law.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

ROUTE SLIP

TO <u>Lead</u> <u>Jennings</u> <u>Abernathy</u>	Take necessary action	<input type="checkbox"/>
	Approval or signature	<input type="checkbox"/>
	Comment	<input type="checkbox"/>
	Prepare reply	<input type="checkbox"/>
	Discuss with me	<input type="checkbox"/>
	For your information	<input checked="" type="checkbox"/>
	See remarks below	<input type="checkbox"/>
FROM <u>Kountoupes</u>	DATE	

REMARKS

FY1 - Welfare
Letter from
90+ Repubs

Congress of the United States
Washington, DC 20515

June 26, 1996

The Honorable Newt Gingrich
Speaker of the House
U.S. House of Representatives
H-232 U.S. Capitol
Washington, DC 20515

The Honorable Trent Lott
Senate Majority Leader
United States Senate
S-230 U.S. Capitol
Washington, DC 20510

Dear Speaker Gingrich and Majority Leader Lott:

As you negotiate the make-up of the first of the Fiscal Year 97 Budget Reconciliation bills, we wish to express our continued strong support for separating the welfare and Medicaid reform proposals. We believe that separating the bills is clearly in the best interest of the American people.

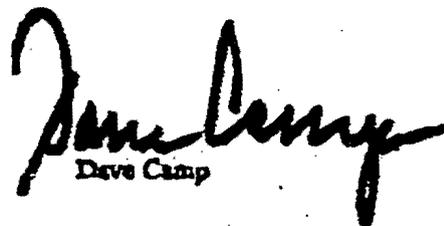
While we all agree that the need for immediate reforms in both the welfare and Medicaid programs has exceeded critical mass, we are not swayed by the view that the two programs must be reformed together or not at all. Even if only one of the bills is signed into law this year our nation's governors will have substantially greater flexibility to make the local changes we all support.

All the talk in the world about reforming the American welfare state is useless unless our reforms are signed into law or the veto of the president is overridden by Congress. We have worked too hard to bring about changes in the welfare program as a group and as individuals to risk its final passage.

We hope that you will consider throughout your discussions our strong belief that a separate welfare reform bill is the right thing to do.

Sincerely,


John Ensign


Dave Camp

Speaker Newt Gingrich
Majority Leader Trent Lott
June 26, 1996
Page Two

Clay Shaw Shaw

George Dunn Dunn

Greg Laughlin Laughlin

Jim Rasmussen Rasmussen

Tom Bunning Bunning

Jeff Hayes Hayes

Jim McCrory McCrory

Wally Herger Herger

Tom Christensen Christensen

Barbara Cubin Cubin

Al Hancock Hancock

Bob Portman Portman

Bill Thomas Thomas

Phil English English

Alan Houghton Houghton

Nancy Johnson N. Johnson

Sam Johnson S Johnson

Jack Zimmer Zimmer

Paul Seastrom Seastrom

John Kingston Kingston

Speaker Newt Gingrich
Majority Leader Trent Lott
June 26, 1996
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Richard Pombo Pombo

Mike Cooley Cooley

Sheldon Chumley Chenoweth

Walter B. Jones W. Jones

John Watts Watts

Clayton Bass Bass

Joe Scarborough Scarborough

Mike Castle Castle

Don Young Young(?)

James V. Hansen Hansen

Jim Saxton Saxton

Frank Riggs Riggs

John Tate Tate

Jack Dickey Dickey

Conrad Funderburk Funderburk

John Quinn Quinn

Jack Wamp Wamp

Clay Blate Blate

John Livingston Livingston

Speaker Newt Gingrich
Majority Leader Trent Lott
June 26, 1996
Page Four

Chas. T. Canady Canady

~~Handwritten signature~~

Harold Raskin Ras-lehtinen

Jim Meyers Meyers

James A. D. Hunter Hunter

~~Handwritten signature~~

Sam Manzulla Manzulla

Regula Regula

Stan Gundersen Gundersen

Moorehead Moorehead

Bill Guttentag Guttentag

Forbes Forbes

Jim Kolbe Kolbe

Campbell Campbell

Tommy Combes Combes

Kelly Kelly

John Horn Horn

Petri Petri

Bob Goss Goss

Phil I. Ehrlich Ehrlich

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Bob Bennett Bennett

Jim Cooper Cooper

K. R. Dornan Dornan

Sam Brownback Brownback

Mark Foley Foley

Colt Smith Smith

Greg Frank Franks

Phil Crane Crane

Martin Hoke Hoke

Steve Stockman Stockman

Bud Mckean Mckean

John Hastetter Hastetter

John Myers Myers

Jim Walsh Walsh

Mike Laughton Laughton

Mike Crapo Crapo

Jan Wash Wash

Bill Lazio Lazio

John Horn Horn

Jon Lewis Lewis

Walter Gilchrist Gilchrist

Matt Salmon Salmon

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Bill Martini Martini

Ph. G. Tordella Torkildsen

E. Cantor LaTourrette

Joseph Morelli Morelli

John Duncan Duncan

Weldon Weldon

Largent Largent

Paul Hefley Hefley

Schaefer Schaefer

McIntosh McIntosh

Fowler Fowler

Tom Davis Tom Davis



GEORGETOWN UNIVERSITY MEDICAL CENTER

Institute for Health Care Research and Policy

FACSIMILE COVER SHEET

TO: CHRIS JENNINGS

FAX Number:

FROM: JOANNE

Pages:

Comments: ATTACHED IS PAPER WITH A CITE
FOR: 109006 WISCONSIN MEDICAID
RECIPIENTS WILL BECOME
UNINSURED UNDER W-2.

IT'S A COUPLE MONTHS OLD, BUT ACCORDING
TO THE WISCONSIN HOSPITAL ASSOC.
STILL GOOD. BEFORE I DIE,
I WOULD LIKE TO TALK TO YOU ABOUT
WISCONSIN, AND, MORE IMPORTANTLY,
HOW WAIVERS LIKE NY THREATEN
TO TAKE AWAY PER CAPITA CAP T
DSM SAVINGS.

608 / 297
1820**Bureaucracy and the move from welfare to work**

by

Joan Lenherr**WHA Director, Constituent Relations**

The way Wisconsin approaches issues traditionally associated with welfare, including housing, health care, child care and education for low-income women and children, is presently undergoing dramatic changes. The Legislature hopes to shift public policy away from a system that encourages dependency to one that fosters personal responsibility and independence.

The purpose of Wisconsin Works, or W-2, is to replace the Aid to Families with Dependent Children (AFDC) grant with a paycheck. Low-income parents can climb up a ladder of self-sufficiency that begins with state-subsidized transitional, community service and trial jobs. The goal is to move participants to fully unsubsidized employment within five years.

In eliminating AFDC, W-2 also replaces Medicaid with a W-2 health plan or private insurance. Trial job, community service and transitional job participants will be offered W-2 health insurance for which they may be required to pay a premium based upon their level of employment. Participants in unsubsidized jobs must accept the coverage their employer offers if the employer contributes 50% or more of the family premium, regardless of the cost or benefits offered. If these participants choose not to accept the employer's health coverage, they will be uninsured. If the employer offers no insurance or pays less than 50 percent of the premium, participants in unsubsidized jobs are eligible for the W-2 health plan. The nonpartisan Legislative Fiscal Bureau has estimated that W-2 may increase the number of uninsured in Wisconsin by approximately 109,000.

Where public policy goes, bureaucracy must follow. Last year, the Governor's budget moved many of the welfare-related functions within DHSS to DILHR. These changes are already underway and will be completed in January of this year. With this new vision of work not welfare, DHSS will be renamed the Department of Health and Family Services and DILHR will become the Department of Industry, Labor and Job Development. DHFS will administer the health portion of W-2. The jobs portions of W-2 will be administered by DILJD. The name changes reflect that W-2 is essentially a jobs, not a social, program.

In January, the soon-to-be DHFS unveiled its strategic planning and organizational design to administer the new world of W-2. In its new structure, DHFS "will need to concentrate on managing funds, defining programs, contracting for services and tracking outcomes," its planning report states. The biggest change, with the most potential impact on health care contracts, is creation of an Office of Strategic Finance.

Strategic Finance will have control over the DHFS purse strings. As proposed, Strategic Finance will manage DHFS budget development and resource allocations. It will procure regional or statewide managed care contracts, direct proposed state and federal block grant allocation, and develop managed care strategies to consolidate multiple contracts and grants into a small number of larger, negotiated contracts for care. When implemented, Strategic Finance will include the current Office of Policy and Budget. Beyond Policy and Budget's current duties, the new office will be responsible for developing an outcome-based budget process and coordinating the county contracts and Medicaid funds. According to the planning report, Strategic Finance will operate "like an insurance company," weighing the benefit of specialized coverage plans versus managed care.

Strategic Finance's grant allocation duties rely heavily on the eventual passage of federal "Medigrants," which is a continuing source of negotiation between President Clinton and Congress. If the concept of state block grants for Medicaid does not pass, the Wisconsin legislature will have to obtain a federal waiver to carry out portions of its W-2 program.

In addition to Strategic Planning, the offices reporting to the Secretary of DHFS will include Public and Legislative

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Review and Audit. The Office of Administrative Hearings will be transferred to the Department of Administration.

As proposed in the planning report, DHFS will have five divisions, some old and some new. They are as follows:

Division of Health. All licensing and regulatory functions will be consolidated within DOH. Some Medicaid fiscal responsibilities will be transferred from DOH to the proposed Office of Strategic Finance. DOH will retain a leadership role in designing and proposing any policy or program initiatives for the uninsured.

Division of Children and Families. DCFS will focus on child care, foster care, child abuse and neglect. The division will include the Milwaukee Child Welfare Program when the state becomes responsible for its administration. Maternal Child Health and WIC will remain in DOH Division of Supportive Services. DSS will house programs for the mentally ill, aging and disabled populations.

Division of Care and Treatment Facilities. The division responsible for state-operated centers and institutions serving the developmentally disabled and mentally ill will continue in its present form. Division of Health and Management Services. DHMS will remain largely as is.

DHFS plans to complete its structural transition over the next year and a half. Early implementation will start in July.

Understanding welfare reform: What might it mean for hospitals?

by Joan Lenherr, Director of Constituent Relations

Last year, Wisconsin legislators voted to "end welfare as we know it." That means eliminating the 61-year-old Aid to Families with Dependent Children (AFDC) program. AFDC was designed to help destitute single mothers and their children, but critics believe it takes away the incentive to work and perpetuates a cycle of poverty. The program that may replace AFDC is called Wisconsin Works or W-2.

W-2 requires that people work to receive a paycheck and benefits. They might work in a community service job that is funded by the state or in a government-subsidized "trial" job with an employer. Persons who lack skills may have a transitional job with more limited requirements. All of these positions have time limits ranging from 3 - 24 months. The goal is to place W-2 workers in private sector jobs within five years and encourage them to remain independent.

W-2 participants will be eligible for food stamps, child care subsidies and transportation assistance. Those working in trial or private jobs could receive tax credits.

When it comes to health care benefits, W-2 is more like the working world as well. Health insurance in W-2 is tied to employment. People in community service, trial and transitional jobs will be eligible for the state's W-2 health plan. Those in private sector jobs must take their employers' insurance plan if the employer pays at least 50% of the premium for family health coverage. If the employer doesn't meet these standards, participants can enroll in W-2 insurance. There are income limits tied to participation in the W-2 health plan. Enrollees must pay part of the premium, based on their income.

While there's much to admire in W-2, there are some concerns. The program may increase the number of uninsured people. For workers in low-wage, private sector jobs, even 50% of a private insurance plan's premium may be too expensive. These people are prohibited from enrolling in the W-2 health plan. The alternative? Many may choose to go without insurance. When uninsured people access the health care system, they often use emergency rooms for conditions that could have been treated earlier and less expensively by a primary care physician. In January, there were 69,216 adult AFDC recipients and 183,375 children receiving Medicaid in Wisconsin. If even a fraction of this group goes uninsured, the costs down the road to hospitals and the privately insured may be high. The Wisconsin Health & Hospital Association and other health care organizations will continue to work with legislators and government agencies to address this issue.

For more information, contact Joan Lenherr or Nadine Gratz

~~L HAVE CALLED~~
~~with the Wisconsin Health & Hospital Association~~
~~and the Wisconsin Department of Health Services~~

REPUBLICANS STILL INSIST ON ENDING THE MEDICAID GUARANTEE

July 1, 1996

THEY ARE STILL INSISTING ON A BLOCK GRANT FORMULA THAT THE GOVERNORS HAVE ALREADY REJECTED. *The Federal-State partnership is severed. The Republican proposal does not meet the Governors' principle that funding must automatically adjust for all changes in enrollment.* Under the Republican proposal, fully 97% of Federal Medicaid spending is a block grant. The remaining 3% is dedicated to an umbrella fund posing as protection for States with high enrollment growth. However, this umbrella is full of holes because it is difficult to access and provides only a one-time payment for population increases, not sustained support for States with higher than expected enrollment.

MEDICAID CUTS COULD STILL TOTAL \$250 BILLION. While the Republicans cut Federal Medicaid spending by \$72 billion, the total Medicaid cuts could still reach \$250 billion over 6 years if States spend only the minimum required to receive their full grant allocation. This is because the Republican proposal reduces State matching requirements.

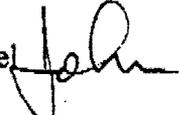
MEDICAID GUARANTEE TO MEANINGFUL BENEFITS NO LONGER SECURE FOR MILLIONS OF CHILDREN, PEOPLE WITH DISABILITIES, AND OLDER AMERICANS. The House Republican Medicaid plan still undermines the guarantee to meaningful health benefits. With total cuts possibly reaching up to \$250 billion, States could be forced to deny health benefits to millions of children, people with disabilities, and older Americans, putting millions of middle class families at risk of paying for health care for their parents, children or family members with disabilities.

- **Children.** Deep total cuts in Medicaid would put severe financial pressure on States to reduce health benefits for many of the 18 million children who currently receive Medicaid.
- **People with Disabilities.** The Republican plan still jeopardizes the Medicaid guarantee for the over 6 million people with disabilities who currently receive Medicaid by allowing States the option to define who meets the disability criteria. The Republican's excessive Medicaid cuts may force States to restrict the eligible disabling conditions, or cut back on benefits.
- **Older Americans.** Many of the Medicaid benefits critical to older Americans and people with disabilities are optional -- including prescription drugs, home and community-based care, and assistive devices such as wheelchairs and communication devices -- and cuts reaching up to \$250 billion could force States to cut back on these optional benefits.

THE GUARANTEE OF FINANCIAL PROTECTION FOR THE MIDDLE CLASS IS ENDED. Under the Republican plan, some Medicaid beneficiaries could be forced to sell their home in order to qualify for Medicaid nursing home benefits. States would have the option to count some people's homes as assets in determining Medicaid eligibility, which could force older Americans and people with disabilities to sell their home or family farm in order to qualify for nursing home benefits.

In addition, the Republican plan could put overwhelming pressure on states and providers to shift nursing home care costs to patients and their families. Because it makes deep funding cuts and would allow nursing homes to cut back on the covered services or shift costs, many patients and their families would pay more for less.

July 1, 1996

TO: Chris Jennings
FROM: John Spiegel 
SUBJECT: Materials on the Medicaid-Welfare link

Jack asked me to pull together some of the documents we have been using in discussing the issue of Medicaid eligibility in a post-welfare reform world. I have attached some of our favorites.

1. **Medicaid Eligibility After Welfare Reform.** An issue paper developed to address the issues that arise from the provisions of the Republican bills. I have also included a longer paper on which the one pager is based. These documents are still being reviewed within the Department, and are still in draft.
2. **Side by side pages.** These three pages of side by side from the Senate mark-up, lay out some of the issues that were debated in the Senate.
3. **Questions and talking points for amendments offered by Levin and Stark.**

If there are other things you need on this, let me know.

MEDICAID ELIGIBILITY AFTER WELFARE REFORM

Summary: Under welfare reform, states will be able to revise their AFDC rules; as a result AFDC enrollment could shrink. For example, states would be able to impose time limits for receipt of AFDC. Not qualifying for (or losing) AFDC typically leads to loss of Medicaid eligibility. Most children and pregnant women will continue to qualify for Medicaid in a poverty-related eligibility category; however, non-pregnant adults in poor households will lose Medicaid if they lose AFDC.

May 21 Republican bill. This bill would give states the option to continue coverage for those eligible for Medicaid under pre-welfare reform rules; however, there is no requirement to do so. Fiscal and administrative incentives lead states clearly to eliminating Medicaid eligibility for this group.

Potential Coverage Loss. Assuming that ten percent of adults losing AFDC can be covered under pregnancy related Medicaid groups, the numbers of adults affected in a given year by states imposing AFDC time limits of two or five years would be:

	Minimum Impact Two Year Limit	Maximum Impact Five Year Limit
1999	831,000	--
2000	1,698,000	--
2001	1,719,000	--
2002	2,084,000	--
2003	2,177,000	131,000
2004	2,217,000	592,000
2005	2,246,000	691,000

These estimates assume that children 13-18 in households under 100% of poverty will continue to be phased in as under current law. If this is not the case, as proposed in the May 21 Republican bill, by 2002 an additional 2.5 million children could lose their guaranteed eligibility for Medicaid, but depending on state decisions, not necessarily their coverage.

Administration Proposal. The goal is to protect Medicaid eligibility for those losing AFDC and therefore a categorical link to Medicaid eligibility as a result of welfare reform.

There are two basic options available to achieve this goal:

1. Continue pre-welfare reform AFDC rule for Medicaid.
2. Use post-welfare reform AFDC rules with modifications to protect Medicaid eligibility for those who would otherwise lose it because of specific changes, i.e., the "but for" option.

Medicaid After Welfare Reform

Defining the problem:

- After welfare reform, AFDC enrollments could shrink as states revise their AFDC rules. Not qualifying or losing AFDC typically leads to lack of access to Medicaid for non-pregnant adults in the household. Most children and pregnant women will continue to qualify for Medicaid in a poverty-related eligibility category. (It is assumed that the phase-in to Medicaid for children age 13-18 under poverty continues.)

Numbers of affected adults (assumes 10 percent of adults losing AFDC can be covered under pregnancy related Medicaid groups):

		Minimum Impact <u>Two year limit</u>	Maximum Impact <u>Five year limit</u>
-	1999	831,000	-
-	2000	1,698,000	-
-	2001	1,719,000	-
-	2002	2,084,000	-
-	2003	2,177,000	131,000
-	2004	2,217,000	592,000
-	2005	2,246,000	691,000

- The goal in Medicaid should be to protect Medicaid for those losing AFDC as a result of welfare reform.

Approaches and Options:

Two broadly defined approaches are possible, both consistent with the general guidance to "continue current AFDC rules for Medicaid," each with its own options.

- The first continues pre-reform AFDC rules in Medicaid.
- The second uses post-reform AFDC rules with modifications to protect Medicaid for those who would otherwise lose it because of specific changes permitted by welfare reform legislation.

The approaches discussed below would come into play for persons who do not qualify for AFDC. It is assumed that receipt of AFDC benefits for any family member leads to automatic Medicaid eligibility for all family members, whether the AFDC benefit is in the form of cash or voucher, whether it is received by some or all family members, and even if the family would not qualify under current rules where pre-reform rules are less generous than post-reform rules.

Approach 1. "Continue current AFDC rules for Medicaid."

Either of the two options described below is consistent with the general approach.

Option 1-1 "Freeze current rules, retain current-law state flexibility to determine eligibility for non-AFDC families."

Current law AFDC requirements would be continued for Medicaid, including flexibility that states have under current law to revise the rules and standards in effect in their state.

- o Enables states to refine, update, and adapt Medicaid rules, for example, to raise income levels.
- o States could continue to use this flexibility in setting levels or defining income, as they do now, to cut the number of Medicaid eligibles.
- o Would require States to administer two different sets of eligibility methods and measures to determine how poor a family is and whether they are "poor enough" to be eligible for Medicaid.

Option 1-2. "Freeze current rules for non-assistance families with no State flexibility."

For purposes of Medicaid states would be required to maintain all the rules in their AFDC State plans in effect on a given date. They would be prohibited from making any changes to these rules, either to income or asset standards, or to program rules such as time limits on disregards of earned income.

- o Similar considerations as above except that Medicaid rules would be frozen in perpetuity. States would have less flexibility than currently to adopt either more or less generous eligibility criteria.
- o Freezing income levels would, in the long-term, restrict access to Medicaid.

Approach 2. The "menu approach" – Options addressing specific causes of AFDC loss:

The three options described below are complementary. It recognizes that a family's AFDC status could be negatively affected as a result of any of three categories of AFDC program changes. Medicaid protection could be required for AFDC loss due to any or all of these reasons:

- Time limits, behavioral conditions on eligibility, or other factors unrelated to financial need, that are more restrictive than current law.
- State-initiated decreases in qualifying income levels. Same flexibility as in current law.
- State changes in definitions/methods of determining how financially needy a family is, e.g., disregards of earnings, student's or child's income, support from other programs. States could use this additional flexibility compared to current law either more or less generously.

Choosing options 1 and 2 but not 3, described below, offers the opportunity to maximize protection of Medicaid eligibility consistent with the principle of cost-effectiveness in eligibility administration.

Option 2-1. "The but-for option":

Require states to provide Medicaid to all AFDC recipients and to persons who would qualify for AFDC benefits but for non-financial eligibility requirements such as: time limits on receipt of benefits, family benefit caps, or noncompliance with such state-imposed behavioral requirements as participation in work activities, school attendance, or childhood immunizations.

- o Addresses most of the ways in which states will be more restrictive after welfare reform as compared to now.
- o Uses the same methods for determining how poor a family is in both programs. Therefore, has conceptual integrity and greater administrative efficiency.

All who are poor enough to receive AFDC would receive Medicaid, including some who do not qualify currently but who would qualify under new, more generous treatment of earned income or work expenses.

Option 2-2. "Maintain income thresholds option:"

States decreasing their AFDC income eligibility levels could be permitted (or, alternatively, required) to maintain them for Medicaid purposes, including maintaining current AFDC levels as a basis for Medicaid medically needy income levels.

- o Allows states to protect Medicaid for higher income people while reducing support levels in AFDC.
- o State flexibility to drop these levels under current law is virtually unrestrained. Requiring states to maintain income levels is inconsistent with the welfare reform goal increasing state flexibility. Also, it could be viewed as a new unfunded mandate.

Option 2-3. "Maintain current law definitions of income/disregards:"

States could be permitted (or required) to use pre-reform AFDC rules for Medicaid in how they measure "income" or "resources." Examples: disregards of earned income or work-related expenses; treatment of student earnings, scholarships or loans; treatment of intermittent income or lump sum payments; exclusions of needs-based assistance from other programs; determining who and whose income are included in the assistance unit.

- o Requiring states to maintain current law definitions would significantly complicate program rules and the eligibility applications and determination process. Permitting states to do so could result in Medicaid rules that are in some cases more restrictive than the comparable rule in AFDC.
- o Judging from what states have done to redefine income/disregards under their section 1115 welfare reform demonstrations, most states would use flexibility expanded by welfare reform to employ more generous definitions that make families, especially working families, eligible for AFDC at higher levels of income.
- o State changes in determining who and whose income are included in the assistance unit is likely to be the main cause of AFDC loss in e.g., how States count income in multi-generational or multi-family households. However, current Medicaid rules that are independent of AFDC would continue to limit family financial responsibility to spouse for spouse and parent for minor child, thus protecting Medicaid for all families potentially affected by new AFDC rules in defining who and whose income is in the "assistance unit."

#	SPONSOR	SUBJECT	ADMINISTRATION'S POSITION	COMMENTS
WELFARE-RELATED MEDICAID AMENDMENTS				
	Breaux	Welfare and Medicaid #16: Assure that welfare reform would not increase the number of uninsured by ensuring that people who currently qualify for Medicaid based on eligibility for AFDC would continue to have Medicaid coverage -- using redrafted Senate-passed bill language.	Support	Best amendment to protect Medicaid coverage. Better drafted. Allows states to lower eligibility levels to May 1988.
	Breaux	Welfare and Medicaid #15: Assure that welfare reform would not increase the number of uninsured by ensuring that people who currently qualify for Medicaid based on eligibility for AFDC would continue to have Medicaid coverage -- using Senate-passed bill language.	Support	Next best amendment; passed the Senate.
	Chafee	Medicaid #7: Maintain current law transitional Medicaid for those leaving welfare for work. One year of transitional Medicaid for individuals with incomes below 185% of poverty.	Support	One of four amendments requiring one year of transitional Medicaid. However, with no legislative language, unable to distinguish between these amendments. Assume also applies to increased child support.

#	SPONSOR	SUBJECT	ADMINISTRATION'S POSITION	COMMENTS
	D'Amato	#1: As in current law, require states to continue transitional Medicaid for one year for those leaving welfare for work.	Support	One of four amendments requiring one year of transitional Medicaid. However, with no legislative language, unable to distinguish between these amendments. Assume also applies to increased child support.
	Moynihan	As in current law, require states to continue transitional Medicaid for one year for those leaving welfare for work.	Support	One of four amendments requiring one year of transitional Medicaid. However, with no legislative language, unable to distinguish between these amendments. Assume also applies to increased child support.
	Rockefeller	Medicaid #2: Transitional Coverage for Working Welfare Families -- Require a continuation for basic health coverage for welfare recipients who leave welfare for work for one year.	Support	One of four amendments requiring one year of transitional Medicaid. However, with no legislative language, unable to distinguish between these amendments. Assume also applies to increased child support.
	Breaux	Medicaid #22: All individuals currently eligible for coverage by Medicaid will not lose their coverage (while still eligible).	Support	Need legislative language.
	Chafee	Medicaid #6: Require state to use uniform federal income and resource standards in making Medicaid eligibility determinations.	Support	Need legislative language.

#	SPONSOR	SUBJECT	ADMINISTRATION'S POSITION	COMMENTS
	Chafee	Medicaid #11: Assure that current eligibles do not lose Medicaid when they stop receiving AFDC cash benefits.	Support	Support particularly if this means benefits are provided to those under current law. Need legislative language.
	Chafee	Welfare #7: Clarifies that current law retained making children eligible for IV-E foster care and adoption assistance automatically eligible for Medicaid.	Support	Necessary if Medicaid Title is deleted. Need legislative language.

Ways & Means

Questions and Talking Points for
Medicaid Eligibility for Families Affected by Various Provisions
Amendment

Question

What happens to the Medicaid eligibility of families and individuals who lose cash assistance under the temporary assistance and child welfare provisions this bill? What happens to people that are time limited, children that are under a family cap, and families that fail to have their children immunized, for example?

Talking Point

This bill requires states to treat as if they were still on cash assistance, all AFDC recipients and families who would qualify for AFDC benefits but for non-financial eligibility requirements such as: time limits on receipt of benefits, family benefit caps, or noncompliance with such state imposed behavioral requirements as participation in work activities, school attendance, or childhood immunizations, thus conveying their eligibility for Medicaid.

*Draft HHS
suggestion*

**Amendment to H.R. 3507
Medicaid Eligibility for Families Affected by Various Provisions**

Page 73, line 13, insert before "(8)" the following --

"(8) EFFECTS OF DENIAL OF CASH ASSISTANCE. --In the event that a family is denied cash assistance because of the time limit established in subsection (7) or any other time limit on cash assistance established by a State, or any other changes implemented under titles I and VII of the Personal Responsibility and Work Opportunity Act of 1996 --

"(I) for purposes of determining eligibility for any other Federal or federally assisted program based on need, such family shall continue to be considered eligible for such cash assistance."

Renumber "(8)" and all that follows accordingly.

AMENDMENT TO BUDGET RECONCILIATION WELFARE RECOMMENDATIONS
OFFERED BY MR. LEVIN

RETAIN CURRENT LAW MEDICAL ASSISTANCE ELIGIBILITY

On page 41, after line 25, add the following:

"(12) CONTINUED ELIGIBILITY FOR CERTAIN ASSISTANCE.-- A State to which a grant is made under section 403 shall assure that any individual who would have been eligible for aid in that State under the plan in effect pursuant to part A of IV as of June 5, 1996 shall remain eligible for medical assistance under the State's plan approved under Title XIX."

**Questions and Talking Points for
Transitional Medicaid for Families that Leave Temporary Assistance
Because of Employment, Child Support or the Time Limit**

Questions

1. We know one of the key services that poor, working families have to have to stay employed is medical coverage. Currently, families that leave AFDC for work or because of income from child support payments are guaranteed a period of transitional Medicaid benefits. Would these same families still be guaranteed transitional Medicaid coverage under your bill? What happens if someone in these family gets sick?
2. Under your bill, what happens to families that are cut off from assistance because of time limits? Are they still going to get Medicaid or do they lose their medical benefits as well as their cash?
3. I know that some poor children are covered by Medicaid anyway, but what happens to the mothers? Do they lose Medicaid as well as their cash benefits? What happens to those kids for whom Medicaid coverage isn't phased in?

Talking Points

- o H.R. 3507 eliminates transitional Medicaid coverage for families moving into self-sufficiency. Families that leave cash assistance for work or because of child support income will no longer be guaranteed a period of transitional Medicaid assistance. Furthermore, families that reach the time limits also lose their Medicaid coverage -- in particular, adults who are not pregnant and older children.
- o A 1994 Census Bureau study found that over a 20-month period, only eight percent -- less than 1 in 10 -- of the people who left welfare were able to find a job with health insurance. Transitional Medicaid is one of the essential supports that poor families must have to successfully move from welfare to work. Transitional health care coverage helps ensure that single parents do not have to choose welfare over work simply because they cannot afford health care for their families.
- o We know that this committee does not have the jurisdiction to reauthorize Medicaid law. All this amendment says is that under their block grant plans, states must certify that they will provide transitional Medicaid to families that leave welfare for work or because of child support.
- o The amendment also says that families that are cut off from cash assistance benefits, because they reached the time limit, must be treated as if they were still on cash

draft HHS suggestion

Amendment to H.R. 3507

**Transitional Medicaid for Families that Leave Temporary Assistance
Because of Employment, Child Support or the Time Limit**

Page 21, line 15, insert before "Sec. 403" the following --

"(6) CERTIFICATION OF EXTENSION OF ELIGIBILITY FOR MEDICAL ASSISTANCE. -- A certification by the chief executive officer of the State, that the State, during the fiscal year, will provide transitional Medicaid benefits to families that become ineligible for assistance under the provisions of the following sections of this Act as they are in effect on September 30, 1996: section 406(h), section 1902(a)(10), and sections 1925(a) through 1925(d), the provisions of section 1925(f) notwithstanding."

Page 73, line 13, insert before "(8)" the following --

"(8) EFFECTS OF DENIAL OF CASH ASSISTANCE. --In the event that a family is denied cash assistance because of the time limit established in subsection (7) or any other time limit on cash assistance established by a State --

"(I) for purposes of determining eligibility for any other Federal or federally assisted program based on need, such family shall continue to be considered eligible for such cash assistance."

Renumber "(8)" and all that follows accordingly.

H

Waldman

AMENDMENT TO BUDGET RECONCILIATION WELFARE RECOMMENDATIONS
OFFERED BY MR. STARK

RETAIN CURRENT LAW TRANSITIONAL MEDICAL ASSISTANCE FOR CERTAIN
FAMILIES

On page 41, after line 25, add the following:

"(12) CONTINUED ELIGIBILITY FOR CERTAIN ASSISTANCE.-- A State to which a grant is made under section 403 shall assure that --

(a) any family that is denied cash assistance because of the time limit established in subsection (7) or any other time limit on cash assistance established by a State shall remain eligible for medical assistance under the State's plan approved under Title XIX.

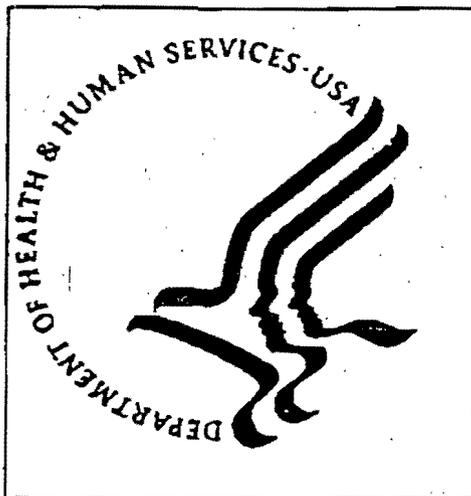
(b) any family that becomes ineligible to receive aid under this part because of hours of or income from employment of the parent, having received such aid in at least 3 of the 6 months immediately preceding the month in which such eligibility begins, shall remain eligible for medical assistance under the State's plan approved under title XIX for an extended period or periods as provided in title XIX.

(c) if a State limits the number of months for which a two-parent family may receive cash assistance, the State shall provide medical assistance to all members of the family under the State's plan approved under title XIX, without time limitation.

(d) any family who becomes ineligible for cash assistance as a result (wholly or partly) of the collection or increased collection of child or spousal support under part D, and who has received such aid in at least three of the six months immediately preceding the month in which such ineligibility begins, shall be deemed to be a recipient of aid under this part for purposes of title XIX for an additional four calendar months beginning with the month in which such ineligibility begins.

Duplicate

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
ASSISTANT SECRETARY FOR PLANNING AND EVALUATION
OFFICE OF HEALTH POLICY**



PHONE: (202) 690-6870 FAX: (202) 401-7321

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From:

Jean

To:

Chris Jennings

Phone:

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(202) 690-6870

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(202) 401-7321

Fax:

Number of Pages (Including Cover):

Comments:

BRIDGETT'S Tables

Comparison of Different Approaches to Medicaid Savings: Seven-Year Estimates

	Republican Block Grant		MCPI Per Capita Cap		FMAP Reduction		Block Grant	
	Dollar Loss	Percent Loss	Dollar Loss	Percent Loss	Dollar Loss	Percent Loss	Dollar Loss	Percent Loss
US	183,382	19.2%	73,779	7.7%	73,779	7.7%	73,779	7.7%
Alabama	2,232	16.1%	770	5.6%	858	6.2%	827	6.0%
Alaska	441	22.1%	171	8.6%	178	8.9%	209	10.4%
Arizona	2,672	20.7%	1,267	9.8%	868	6.7%	1,157	9.0%
Arkansas	2,444	22.1%	710	6.4%	660	6.0%	1,186	10.5%
California	20,099	21.0%	9,895	10.3%	8,485	8.9%	9,259	9.7%
Colorado	1,705	20.9%	571	7.0%	665	8.1%	758	9.3%
Connecticut	1,770	13.6%	311	2.4%	1,152	8.9%	278	2.1%
Delaware	331	19.1%	90	5.2%	153	8.9%	124	7.2%
District of Columbia	863	19.1%	563	12.5%	400	8.9%	323	7.2%
Florida	9,691	23.8%	3,010	7.4%	3,282	8.1%	5,098	12.5%
Georgia	6,093	23.4%	2,089	8.0%	1,861	7.1%	3,139	12.0%
Hawaii	572	20.9%	229	8.4%	242	8.9%	252	9.2%
Idaho	542	18.5%	109	3.7%	183	6.2%	188	6.4%
Illinois	6,120	18.4%	3,512	10.6%	2,949	8.9%	2,105	6.3%
Indiana	4,269	18.5%	2,383	10.3%	1,621	7.0%	1,482	6.4%
Iowa	1,235	15.8%	383	4.9%	552	7.1%	262	3.4%
Kansas	842	14.1%	309	5.2%	454	7.6%	196	3.3%
Kentucky	3,828	20.9%	1,751	9.5%	1,135	6.2%	1,678	9.1%
Louisiana	6,646	19.6%	2,723	8.0%	2,045	6.0%	3,529	10.4%
Maine	844	14.1%	215	3.6%	430	7.2%	179	3.0%
Maryland	2,702	20.0%	1,181	8.8%	1,196	8.9%	1,107	8.2%
Massachusetts	4,457	17.5%	1,663	6.5%	2,263	8.9%	1,369	5.4%
Michigan	6,230	19.4%	4,057	12.6%	2,554	7.9%	2,398	7.5%
Minnesota	2,134	14.6%	755	5.1%	1,184	8.1%	280	1.9%
Mississippi	2,535	20.1%	1,111	8.8%	709	5.6%	1,009	8.0%
Missouri	1,941	13.1%	611	4.1%	1,094	7.4%	466	3.1%
Montana	766	22.5%	223	6.5%	213	6.3%	374	11.0%
Nebraska	728	16.4%	219	4.9%	322	7.2%	178	4.0%
Nevada	586	20.2%	209	7.2%	246	8.5%	267	9.2%
New Hampshire	370	9.9%	70	1.9%	331	8.9%	71	1.9%
New Jersey	4,607	16.4%	1,436	5.1%	2,487	8.9%	1,703	6.1%
New Mexico	1,352	22.3%	445	7.3%	364	6.0%	654	10.8%
New York	20,057	16.8%	8,382	7.0%	10,602	8.9%	5,352	4.5%
North Carolina	6,936	23.9%	1,484	5.1%	1,952	6.7%	3,648	12.6%
North Dakota	382	15.4%	69	2.8%	153	6.1%	70	2.8%
Ohio	7,088	17.5%	4,025	9.9%	2,987	7.4%	2,130	5.2%
Oklahoma	2,250	20.3%	593	5.4%	705	6.4%	944	8.5%
Oregon	1,838	20.7%	435	4.9%	631	7.1%	795	8.9%
Pennsylvania	6,489	16.9%	2,536	6.6%	3,073	8.0%	1,765	4.6%
Rhode Island	897	16.4%	262	4.8%	452	8.3%	207	3.8%
South Carolina	2,804	18.4%	483	3.2%	949	6.2%	1,287	8.4%
South Dakota	396	16.6%	107	4.5%	150	6.3%	102	4.3%
Tennessee	5,453	22.2%	2,787	11.3%	1,613	6.6%	2,683	10.9%
Texas	12,760	20.9%	4,216	6.9%	4,210	6.9%	6,531	10.7%
Utah	1,035	20.2%	233	4.5%	302	5.9%	429	8.4%
Vermont	318	16.0%	107	5.4%	147	7.4%	71	3.6%
Virginia	2,844	21.8%	703	5.4%	1,155	8.9%	1,337	10.3%
Washington	3,719	20.4%	1,612	8.9%	1,467	8.1%	1,575	8.7%
West Virginia	3,321	24.2%	1,146	8.4%	798	5.8%	1,781	13.0%
Wisconsin	2,903	17.6%	1,492	9.1%	1,210	7.3%	893	5.4%
Wyoming	245	19.3%	65	5.1%	84	6.6%	93	7.4%

SOURCE: The Urban Institute. The Republican Block grant constrains total expenditure growth to 7.2% in 1996, 6.8% in 1997, and 4% in subsequent years. The Per Capita Cap allows recipient growth but constrains per capita cost growth to the medical component of the CPI. The FMAP reduction was derived in order to get the same 7-year savings as the per capita cap; it is a flat 4.4% reduction for all states. The Block Grant was designed to get the same 7-year savings as the per capita cap; the rates are: 9.5% in 1996, 8.5% in 1997, and 7.5% in subsequent years.

These estimates are based on the Urban Institute's projected Medicaid expenditures, NOT the CBO's. Thus, these estimates are not consistent with CBO scoring.

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Comparison of Different Approaches to Medicaid Savings: 2002 Estimates

	Republican Block Grant		MCPI Per Capita Cap		FMAP Reduction		Block Grant	
	Dollar Loss	Percent Loss	Dollar Loss	Percent Loss	Dollar Loss	Percent Loss	Dollar Loss	Percent Loss
US	53,676	30.3%	21,363	12.1%	13,679	7.7%	22,491	12.7%
Alabama	660	26.5%	230	9.2%	154	6.2%	262	10.6%
Alaska	123	32.9%	48	12.8%	33	8.9%	58	15.5%
Arizona	792	32.5%	369	15.1%	164	6.7%	364	14.9%
Arkansas	696	33.4%	219	10.5%	124	6.0%	335	16.1%
California	5,926	33.0%	2,850	15.9%	1,593	8.9%	2,761	15.4%
Colorado	483	31.8%	171	11.2%	124	8.1%	216	14.2%
Connecticut	568	24.2%	124	5.3%	208	8.9%	127	5.4%
Delaware	98	30.5%	30	9.2%	29	8.9%	40	12.4%
District of Columbia	259	30.7%	151	17.9%	75	8.9%	107	12.6%
Florida	2,704	35.2%	933	12.1%	620	8.1%	1,405	18.3%
Georgia	1,692	34.5%	622	12.7%	350	7.1%	857	17.5%
Hawaii	161	31.7%	62	12.2%	45	8.9%	71	13.9%
Idaho	160	29.4%	36	6.6%	34	6.2%	60	11.1%
Illinois	1,847	29.8%	939	15.1%	551	8.9%	712	11.5%
Indiana	1,290	29.9%	632	14.6%	303	7.0%	502	11.6%
Iowa	384	26.6%	117	8.1%	102	7.1%	109	7.5%
Kansas	270	25.0%	99	9.2%	82	7.6%	87	8.1%
Kentucky	1,121	32.4%	505	14.6%	214	6.2%	513	14.8%
Louisiana	1,864	30.3%	779	12.7%	370	6.0%	982	16.0%
Maine	276	25.3%	84	7.7%	78	7.2%	82	7.5%
Maryland	800	31.6%	340	13.4%	225	8.9%	349	13.8%
Massachusetts	1,332	28.2%	490	10.4%	418	8.9%	460	9.8%
Michigan	1,830	30.5%	1,052	17.6%	476	7.9%	741	12.4%
Minnesota	687	25.4%	233	8.6%	218	8.1%	162	6.0%
Mississippi	718	30.6%	303	12.9%	131	5.6%	295	12.6%
Missouri	600	22.8%	186	7.1%	193	7.4%	183	7.0%
Montana	211	33.2%	62	9.8%	40	6.3%	100	15.8%
Nebraska	224	27.3%	66	8.1%	59	7.2%	68	8.3%
Nevada	173	32.1%	65	12.1%	46	8.5%	78	14.5%
New Hampshire	115	18.2%	25	4.0%	56	8.9%	31	4.8%
New Jersey	1,402	27.5%	480	9.4%	452	8.9%	581	11.4%
New Mexico	389	33.9%	147	12.8%	69	6.0%	192	16.7%
New York	6,063	27.5%	2,440	11.1%	1,954	8.9%	1,886	8.6%
North Carolina	1,858	34.4%	441	8.2%	364	6.7%	939	17.4%
North Dakota	118	25.8%	23	5.1%	28	6.1%	30	6.5%
Ohio	2,124	28.3%	1,043	13.9%	553	7.4%	722	9.6%
Oklahoma	642	31.2%	188	9.1%	131	6.4%	273	13.2%
Oregon	516	31.3%	132	8.0%	117	7.1%	221	13.4%
Pennsylvania	1,971	27.8%	731	10.3%	566	8.0%	628	8.8%
Rhode Island	269	26.8%	86	8.6%	83	8.3%	78	7.8%
South Carolina	795	28.8%	181	6.6%	172	6.2%	366	13.3%
South Dakota	123	27.8%	35	7.9%	28	6.3%	40	9.0%
Tennessee	1,520	33.1%	726	15.8%	301	6.6%	728	15.9%
Texas	3,699	32.6%	1,348	11.9%	782	6.9%	1,886	16.6%
Utah	302	31.5%	80	8.4%	57	5.9%	131	13.7%
Vermont	99	27.0%	33	9.1%	27	7.4%	29	8.0%
Virginia	798	32.8%	225	9.3%	216	8.9%	372	15.3%
Washington	1,053	31.1%	438	13.0%	273	8.1%	447	13.2%
West Virginia	919	35.5%	342	13.2%	151	5.8%	483	18.7%
Wisconsin	883	28.8%	400	13.1%	225	7.3%	315	10.3%
Wyoming	72	30.3%	21	8.7%	16	6.6%	29	12.1%

SOURCE: The Urban Institute. The Republican Block grant constrains total expenditure growth to 7.2% in 1998, 6.8% in 1997, and 4% in subsequent years.

The Per Capita Cap allows recipient growth but constrains per capita cost growth to the medical component of the CPI.

The FMAP reduction was derived in order to get the same 7-year savings as the per capita cap; it is a flat 4.4% reduction for all states.

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These estimates are based on the Urban Institute's projected Medicaid expenditures, NOT the CBO's. Thus, these estimates are not consistent with CBO scoring.

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A Stand-alone Welfare Bill Could Deny Medicaid to Children, Pregnant Women and Parents

The Republican leadership now proposes a stand-alone welfare bill as part of budget reconciliation, claiming the bill would make no changes to Medicaid. In fact, *their welfare bill could take away guarantees of Medicaid coverage from many children and women, including those in working families*. For this truly to be a welfare bill alone and not to endanger Medicaid, "hold harmless" provisions must be added like those in the original stand-alone welfare bill when it first passed the House and Senate.

- **Children and parents now receiving AFDC would no longer be guaranteed Medicaid.** The Republican welfare proposal would require states to end welfare for certain families but permit states to deny welfare to any family. For example, while the proposal requires states to cut families off welfare after five years, it permits states to enact policies like those proposed by Governor Weld of Massachusetts to end AFDC after only 90 days.

Any family that loses AFDC eligibility as a result of either federally mandated time limits or discretionary state actions would lose Medicaid automatically even if Medicaid law is unchanged. The only large group guaranteed Medicaid on other grounds would be poor children born after September 30, 1983; they are now 13 or younger. A total of 1.3 million other children over age 13 who today receive AFDC could be denied both Medicaid and welfare under the welfare bills. More than 4 million parents and grandparents who now receive AFDC--90% of whom are women--likewise would no longer be guaranteed Medicaid coverage. These are some of America's poorest families, commonly with incomes below 50% of the federal poverty line.

Such families are unlikely to find health coverage even if they find work, as low-wage jobs rarely offer health benefits. A study of New Jersey's welfare reform program found that 78% of families leaving welfare got jobs without health coverage. Similarly, a study of California's GAIN program found that only 28% of those who worked received any health benefits from their most recent employer.

- **In addition, Medicaid guarantees would be threatened for many other children, pregnant women, and parents, including those in low-wage working families.** Under current Medicaid law, AFDC provides the basic rules that determine how the income and assets of any Medicaid applicant (except a senior or person with disabilities) are treated. For example, since the AFDC statute currently disregards certain child support payments, they also must be disregarded in deciding Medicaid eligibility for children, pregnant women and parents.

Under the welfare bill, states would receive nearly unlimited power to change these AFDC technical rules and thereby deny health coverage to children and families who now are guaranteed Medicaid. Such changes in AFDC rules could significantly change the Medicaid eligibility rules for over 26 million Medicaid beneficiaries who are neither elderly

nor disabled. 18 million of these beneficiaries are children, 62% of whom have working parents, according to the GAO.

- **The original welfare bill held Medicaid harmless. A similar approach is needed now.** HR 4, as passed by the House and Senate before Conference, was a stand-alone welfare bill that avoided Medicaid cuts. Under that version of HR 4, all AFDC rules from 1995 would continue to be used by states in determining Medicaid eligibility. This was consistent with promises made by the bill's proponents that, even if welfare were taken away from mothers and children, health care would not be affected.

Some state officials claimed this was a clumsy approach that might be difficult to administer. However, under a more streamlined version of this approach that adds no state administrative costs, Medicaid still could remain guaranteed to children and parents with income low enough to receive AFDC under their state's old standards. Moreover, under the Republicans' own Medicaid proposals recently passed by the Commerce and Finance Committees, states would use AFDC rules from May 1996 in evaluating the income and assets of Medicaid applicants. Only if effective "Medicaid hold harmless" provisions are added to the welfare bill would it avoid cuts in guaranteed health coverage for families and children.

Failure to include these Medicaid protections will mean that the Republican leadership has effectively done through the "back door" what the President barred them from doing directly--they will have wiped out the Medicaid guarantee for millions of children and low-income parents and guardians.

To Bright & Jade ☺



225-5288

But we know that the two most important things we must do to honor the duty we owe our parents is to strengthen and preserve Medicare and Medicaid. And I believe strongly that we can balance the budget and reform these important programs without undermining our values.

I will continue to fight any attempts to replace Medicaid's guarantee of health care for millions of children, pregnant women, people with disabilities, and older Americans with an underfunded block grant. Last year Congress sent me legislation to repeal that guarantee. I vetoed that legislation, and if they send it to me again, I will veto it again. Medicaid is a family issue. We must not make hard-working Americans choose between paying their children's college bills and their parent's nursing home care. We must not force seniors to give up the homes and savings they spent a lifetime building -- in order to qualify for nursing home care under Medicaid.

We know how important Medicaid is to older Americans and their families, but what worries me most is what the repeal of the guarantee will do to our children. Block granting Medicaid would deny adequate health care coverage for millions of this nation's neediest children and families. That is wrong -- and it will never happen under my watch.

There is a way we can save Medicaid dollars and save lives at the same time. Lately, there has been a lot of talk about whether or not tobacco is really addictive. All credible scientific evidence says that it is. We know that 3,000 young people start smoking everyday, and 1,000 of them will die prematurely as a result. It is clear -- smoking costs lives. But there are other costs as well. Today, Medicaid spends at least \$10 billion in Federal and state funds each year to pay the costs of smoking related illnesses. Rather than yanking the Medicaid guarantee away from millions of children, we can cut costs and save lives by getting behind the growing national movement to prevent our children from taking up the deadly habit of smoking. That is what I am working to do. That is the right thing to do.

Finally, let me say that it is time to stop the partisan bickering and get on with the job of making sure Medicare remains strong well into the 21st century. You who fought so hard to make Medicare a reality, know better than anyone how much this miracle has meant to millions of our people. Before Medicare, only 50 percent of older Americans had health insurance. Today, almost every senior in this nation has this basic guaranteed protection. Lyndon Johnson was right when he told this group in 1966 that Medicare would, "free millions from their miseries. It will take its place beside Social Security, and together they will form the twin pillars of protection upon which all our people can build their lives and their hopes." We must preserve that promise.

Throughout all of 1995 and much of 1996, no issue has so divided the political parties from one another or me from the Republicans than Medicare. We all agree that the Medicare Trust Fund will become exhausted in the year 2001 unless we act now. We all agree that both parties have Medicare reform proposals that would strengthen the Trust Fund for a decade from today. To be sure, there is a big difference between our approaches. The Republicans want deeper cuts that will threaten hospitals, particularly hospitals in our rural and inner city areas and

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Welfare - Medicaid Link File



CENTER ON BUDGET AND POLICY PRIORITIES

July 12, 1996

THE WELFARE BLOCK GRANT PUTS HEALTH CARE COVERAGE AT RISK

One of the issues raised by the prospect of a repeal of the AFDC program is whether the low-income parents and children who now receive AFDC would continue to be eligible for Medicaid. Medicaid eligibility for AFDC recipients is at risk even if federal Medicaid legislation does not move forward because millions of children and parents qualify for Medicaid on the basis of their eligibility for AFDC.

Throughout much of the welfare debate in Congress, Republican leaders had taken the position that federal welfare changes should not affect Medicaid eligibility. Last year, House and the Senate welfare bills assured continued Medicaid coverage for poor children and their parents by requiring states to cover under Medicaid persons who would have qualified for AFDC under rules in effect as of 1995. However, the welfare bill that was passed by Congress and vetoed by the President dropped this provision and made coverage of children and parents who formerly qualified for Medicaid based on their eligibility for AFDC purely optional with the states.

Even a bill that requires states to provide Medicaid coverage to all persons who receive aid under the welfare block grant leaves older children and parents at risk, since many of the children and parents who now receive Medicaid based on their eligibility for AFDC might not receive aid under a welfare block grant. As a result, the welfare block grant proposal puts *Medicaid coverage for approximately 15 million children and four million parents is at risk.*¹

The Problem

Since the beginning of the Medicaid program, eligibility for cash assistance and eligibility for Medicaid have been linked — children and parents who qualify for AFDC are automatically eligible for Medicaid. Linkage made sense: AFDC aided the poorest children and their parents, and it followed that this same group of families ought to qualify for Medicaid as well. Over time, Medicaid has been expanded to assure coverage of pregnant women and other poor children without regard to receipt of cash aid. The eligibility link between AFDC and Medicaid was retained, however, because linkage continued to be a simple, direct means for assuring that the poorest of the poor had health care coverage.

¹ Children under age 12 are not affected because current Medicaid law requires states to cover these children if their income is below the federal poverty level. Coverage for children over age 12 is being phased in so that by the year 2002 all poor children through age 18 will be covered. Thus, until the year 2002, older children, as well as parents of poor children, would be affected by these changes.

However, if AFDC is replaced with a block grant, it would no longer make sense to rely on linkage with cash assistance as the means to assure Medicaid eligibility for poor children and their parents. Under the welfare block grant, states would have vast new discretion to design welfare eligibility rules — there would no longer be any duty to aid any specified group of families. The new programs states might fund with block grant dollars would not necessarily cover all children and parents who are poor and now covered by the Medicaid program.

If Medicaid eligibility were linked to eligibility for aid under the block grant, time limits, limitations on aid to teen parents, work-related sanction policies, and a host of other rules that would be imposed by federal or state law would essentially be carried over to the Medicaid program. A parent and older child who had reached their time limit in a state that imposed a lifetime limit on welfare of two years could lose Medicaid as well as cash assistance even if the parent had no job, and the family had no source of income or health insurance coverage. Over time, if states restricted welfare program eligibility rules due to the fiscal pressures that would arise under a block grant if a state's economy suffered a downturn, Medicaid coverage also would be restricted.

Linking Medicaid eligibility to the welfare block grant does not achieve the objective of assuring that very low-income older children and parents do not lose Medicaid coverage as a result of welfare changes.

Proposed Solution

Even the most ardent supporters of the welfare bill do not suggest that reform is promoted by leaving millions of very poor children and parents without access to health care. The challenge is to design a workable solution that assures that currently covered poor parents and older children do not lose coverage.

The following proposal meets this objective, building on the approach adopted by both the House and the Senate last year:

- Instead of requiring states to cover people who receive aid under the welfare block grant, states would be directed to cover parents and older children if their family income is below the state's current AFDC payment standard. Coverage would be required only for children and parents who meet the current AFDC "deprivation" rules (i.e., the rules that largely limit AFDC coverage to single-parent families with children). These rules assure

that only those parents and children who currently qualify for Medicaid through the AFDC program would continue to receive Medicaid.²

- In addition, states could have the option to allow people who receive assistance under the welfare block grant to qualify for Medicaid without completing a separate Medicaid application. This would avoid unnecessary application procedures, at state option.

This approach has the following advantages:

- It assures continued Medicaid eligibility to the poorest children and parents without expanding Medicaid coverage beyond current law.
- It is a simple approach. States currently qualify people for Medicaid based on income standards that vary according to the age of the child, pregnancy, disability, etc. This proposal maintains the current approach — all protected groups of people (i.e., children, parents, pregnant women, elderly and disabled people) would qualify for Medicaid based on their income.
- This approach does not impose new administrative burdens on states. States would determine family income as they do now for all Medicaid applicants and compare that family income to the various income standards that apply to different groups of people, just as they do now. For example, if a mother with a three-year old child and a ten-year old child applies for Medicaid under current law, the family income is compared to the eligibility levels for children under six, children over six and other groups to see who within the family qualifies for Medicaid. This process would be exactly the same under this proposal; eligibility for older children and parents would be determined by seeing whether the family income was below the state's current AFDC standard.
- States would not be forced to run a "dual" system. The only AFDC rules that would be carried over to Medicaid would be the rules generally limiting coverage to single parent families. States already determine family composition when they evaluate a Medicaid application both to assure that all family income is considered and to identify whether there is any child support obligation to pursue.

² Under current law, states may reduce their AFDC payment standards as long as these standards are not lower than the levels in place as of May, 1988. A parallel provision could be adopted in this context to avoid freezing in standards beyond what is required under current law.

- By delinking Medicaid eligibility from receipt of welfare, states could experiment with welfare reform — a dollar of welfare benefits would not carry with it the obligation to provide the full range of Medicaid benefits. A state could use welfare block grant funds to provide modest transportation assistance or a work stipend to families with very low wages without worrying about having to provide full Medicaid coverage for all such people. Welfare reform could proceed without obligating — or risking — health care coverage.

Conclusion

While there is no perfect approach for assuring that families who now receive Medicaid through AFDC linkage will remain eligible for Medicaid if AFDC is repealed, if AFDC is replaced by a block grant it would no longer make sense to rely on a link between welfare and Medicaid as the principal means to assure that poor children and parents have access to Medicaid coverage. The approach suggested here substitutes an income-based rule for the welfare linkage, consistent with the eligibility rules for other groups of people covered by Medicaid, without disturbing current differences among states in terms of the specific income limits that would be used in the Medicaid program.