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The State Health Flexibility Act

Medicaid and the State Children's Health Insurance Program (CHIP) are "voluntary" federal-state partnership programs that subsidize health care services for the most vulnerable Americans, including the poor, chronically ill and disabled, children, the elderly, and pregnant women. Instead of focusing on the specific needs of their citizens, however, states must maneuver through a bureaucratic maze of one-size-fits-all rules and mandates. While states may petition the federal government for exemptions, it can take years to get a decision.

Although voluntary, all fifty States, the District of Columbia, and six territories (American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands) participate in both of these federal programs.

Medicaid, the largest federal means-tested welfare program, grows more unaffordable every year even as it often fails to provide quality care or even access to care.

- In addition to common reports of misuse and fraud, its open-ended entitlement structure means the more states spend, the more money they get from the federal government.
- Medicaid represents about 40% of all federal transfer payments to states, and its cost is rising even faster than Medicare.
- According to the National Association of State Budget Officers, states spend more on Medicaid than anything else – even K-12 education.
- Federal spending accounts for 57% of all Medicaid expenditures, accounting for an estimated \$260 billion in fiscal year 2012.
- As a percentage of gross domestic product (GDP), federal Medicaid expenditures are expected to increase from about 1.9% of GDP in FY2011 to 2.5% of GDP in FY2021.
- ObamaCare will increase the Medicaid rolls by millions of people without fixing the inadequate access to care and/or substandard quality of care that often plagues Medicaid patients.

Separately, CHIP provides aid to children in families above Medicaid's income-eligibility level. While federal funding is capped, CHIP spending has increased every year since the program began. Combining Medicaid and CHIP funding into a single, streamlined block grant will allow each state the necessary flexibility to better address the unique health care needs of its vulnerable citizens. Continuing these programs without such reforms is immoral and leaves the states' most vulnerable citizens with empty promises.

Bill Overview

The **State Health Flexibility Act** provides states predictable federal funding and promotes:

Maximum Flexibility for States

- Federal funding for Medicaid and CHIP will be combined into a single block grant. States may spend their own funds at whatever level they choose.

- The states will have sole authority to determine eligibility, benefits, provider reimbursement rates, and to improve the quality of care and access to vital services.
- States may use up to 30% of their federal funding to support other welfare programs, including Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), and Food Stamps if the need is greater in those areas.
- Each state may use a portion of its block grant to establish a Rainy Day Fund to prepare for potential spikes in program enrollment that might arise from periods of high unemployment or other unforeseen circumstances.
- States will no longer be forced to wait months and sometimes years negotiating waiver-requests from HHS in order to implement their own reform ideas.

Better Care for Vulnerable Americans

- Cutting out the federal government's red tape and bureaucracy will allow states to innovate and design their programs to best meet the unique needs of their citizens.
- New York and New Mexico may take different approaches, which will lead to lower costs and better care nationally as best practices are recognized and adopted.
- Independent reports from medical journals and the GAO show Medicaid and CHIP recipients face much higher barriers to receiving medical care and experience worse health outcomes than Americans with private insurance.
- As state reforms reduce dependence on government assistance, the people affected are more likely to enter the workforce, have insurance, and be able to lift themselves up the economic ladder.

Affordability for Everyone

- Following the 1996 welfare reform model that created the highly successful TANF block grant, future federal funding will be held steady at current Medicaid/CHIP levels.
- Level funding will help states focus on growing private sector employment and getting their citizens out of poverty instead of growing enrollment to collect more federal money.
- Over the next decade, level funding would prevent the federal government from borrowing and spending \$2 trillion we do not have.
- State policymakers will know with certainty the amount of federal assistance they can count on, while federal taxpayers will know its costs.
- Repealing ObamaCare, with its costly expansion of Medicaid rolls, will help keep the program affordable and focused on the truly needy.
- Even without automatic spending increases, Congress can adjust funding levels temporarily or permanently in response to changing needs.

Accountability to Taxpayers

- States will have full authority and every incentive to proactively detect and prosecute misuse, fraud, and abuse.
- Each state will undergo annual independent audits, which shall be provided to the U.S. Treasury Secretary, the state legislatures, and the general public. Misused funds detected by an audit will result in forfeiture of the funds with a 10% penalty.
- Current-law prohibitions will continue against abortion funding, health care services for illegal aliens, and discrimination based upon disability, sex, race, color, or national origin.

TOTAL SAVINGS: Without cutting a penny from current Medicaid and CHIP funding, this bill prevents \$2 trillion in additional spending on programs that need reform.