

Safety-Net Association of Pennsylvania

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The Paradox of Reducing Medical Assistance Spending at a Time of Growing Need

An FY 2010 Budget Perspective of the Safety-Net Association of Pennsylvania May 6, 2009

The Rendell administration's proposed FY 2010 Medical Assistance budget calls for reducing the state's financial commitment to health care for low-income Pennsylvanians at the very time that the demand for such care is growing.

The Situation

The demand for health care among Pennsylvanians with limited means is growing.

- For FY 2010, the Department of Public Welfare (DPW) projects that Medical Assistance enrollment will rise to more than two million people.
- In late January, the state Insurance Department announced that a recent survey found that more than one million Pennsylvanians do not have health insurance – a huge increase over the 767,000 uninsured cited when the Rendell administration unveiled its “Prescription for Pennsylvania” proposal two years ago.
- The waiting list for the state's Adult Basic health insurance program, which is for low-income adults who do not qualify for Medical Assistance, is expected to climb to 282,000 by June, according to state officials.

At the same time that the demand for care among low-income Pennsylvanians is growing, the administration's proposed FY 2010 budget calls for reducing the state's spending on Medical Assistance by \$268 million. The administration proposes achieving these savings primarily by reducing selected Medical Assistance payments to safety-net hospitals – the hospitals that provide most of the care to Medical Assistance recipients and other low-income Pennsylvanians – by approximately \$70 million. The administration is, in effect, asking these hospitals to provide more care to more people with less money.

The Bottom Line

On the premise that the current recession will continue to result in rising unemployment and more people losing their health insurance at the same time that it will reduce states' ability to raise tax revenue to meet a growing demand for services, the federal government will provide Pennsylvania with an additional \$1.9 billion in FY 2010 (through the federal economic stimulus bill passed in February) specifically to help support the Medical Assistance program. The Safety-Net Association of Pennsylvania urges state officials to use these federal Medicaid funds to protect the state's Medical Assistance program instead of implementing major cuts at the expense of the very hospitals that do the most to provide care to low-income Pennsylvanians.