

Pennsylvania is Not Using Federal Stimulus Funds Intended for Medicaid to Support its Medicaid Program

**A Perspective of the Safety-Net Association of Pennsylvania
April 1, 2009**

Federal Stimulus Funds to Support a Vital Program

When Congress sat down to write the economic stimulus bill, members debated the merits of many proposals to stimulate the economy as quickly and as effectively as possible. Should they cut taxes to help businesses or increase spending on public works? Invest in schools or the development of new energy sources? Help struggling banks or struggling homeowners?

Even while debating these and many other options, most members of Congress, virtually from day one, agreed that federal stimulus legislation needed to provide substantial financial relief to state governments to help them underwrite the cost of their Medicaid programs. Congress clearly understood that the public's reliance on Medicaid would grow as more and more Americans lost their jobs and lost their health insurance – and that the states, facing troubled economic times themselves, would have a difficult time raising the revenue needed to meet this growing demand.

In including federal money for Medicaid in the final economic stimulus legislation, Congress was unambiguous about its intentions. The purpose of these funds, the legislation states, is

To protect and maintain State Medicaid programs during a period of economic downturn, including by helping to avert cuts to provider payment rates and benefits or services, and to prevent constrictions of income eligibility requirements, but not to promote increases in such requirements.

Pennsylvania has already received its first installment of these supplemental Medicaid funds – funds that by the end of FY 2011 will total approximately \$4 billion.

- For FY 2009 (the current fiscal year), \$1.1 billion
- For FY 2010, \$1.9 billion
- For FY 2011, \$1.0 billion

The Proposed FY 2010 Pennsylvania Medical Assistance Budget

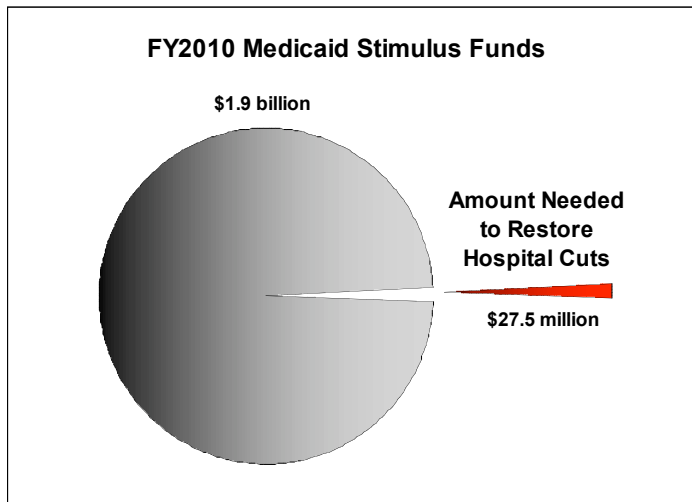
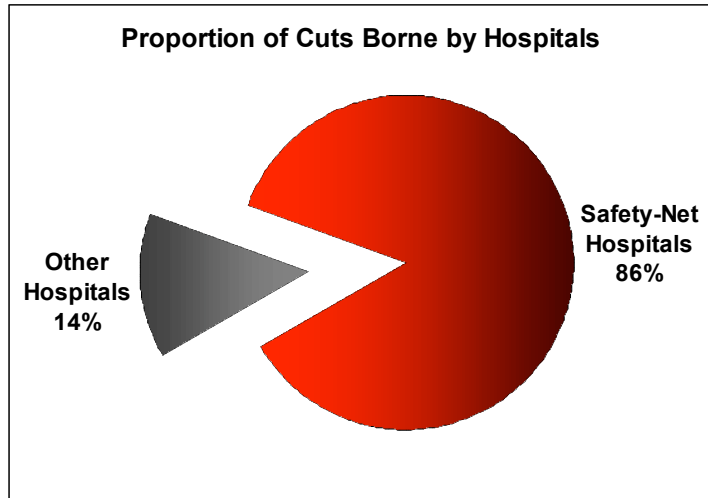
Even though the state projects a 3.2 percent increase in Medical Assistance enrollment and a potentially significant increase in unemployment in the coming year, the Rendell administration's proposed FY 2010 budget calls for spending less state money on Medical Assistance in the coming year than it spends now: \$4.3 billion in FY 2010, compared to \$4.6 billion in FY 2009. This is a six percent cut despite an infusion of an expected \$1.9 billion in additional federal money for Medical Assistance for FY 2010.

The administration proposes achieving these cuts, in part, by reducing certain supplemental payments to hospitals that care for especially large numbers of Medical Assistance and uninsured patients. Specifically, the administration proposes slashing nearly \$30 million in state spending on these

payments (a total cut of nearly \$61 million including state and federal funds).

As the table to the right illustrates, these cuts would be borne primarily by the state's safety-net hospitals – the 25 percent of acute-care hospitals in Pennsylvania that care for the highest proportion of Medical Assistance, low-income, and uninsured patients.

The administration proposes these cuts, moreover, directly in the face of Congress's explicit call for its supplemental Medicaid funding to help



“avert cuts to provider payment rates...” The table to the left shows how little of this additional federal Medicaid money would be needed to avert those cuts.

If the Rendell administration is not spending its supplemental federal Medicaid funds first and foremost to protect the state's Medicaid program, then two natural questions arise: where is the federal Medicaid money going and why is it not being used to “avert cuts to provider payment rates,” as Congress so clearly intended?

The Bottom Line

The federal government is providing Pennsylvania with billions of dollars in additional Medicaid money because the country's economic problems are increasing Medicaid enrollment and decreasing state tax revenue. Although Congress took specific action to give Pennsylvania the resources it needs to respond to these conditions, the Rendell administration has proposed using these resources instead for other, non-Medicaid purposes. The Safety-Net Association of Pennsylvania disagrees with this approach and believes the state should use these additional federal Medicaid funds first to protect the state's Medicaid program – which includes paying providers for Medicaid services at the very least at the enacted FY09 budget level.

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