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Medicaid: A meager program in Colorado

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When it comes to helping its low-income senior citizens afford medical care, Colorado ranks right up there with Mississippi and Alabama. And that ain't saying much — because these states have the leanest Medicaid packages in the country, close to the minimum required by federal law.

In Colorado, lean is about to get downright skinny. Because while all states are struggling with increased Medicaid enrollment and rising health care costs, Colorado is saddled with an extra burden called the Taxpayer's Bill of Rights, which squeezes services for some of our most vulnerable citizens to the breaking point. Unless we reform TABOR, Medicaid costs will continue to "crowd out" funding for other state programs even as health care costs spiral out of control.

Medicaid is a joint federal/state package that provides health insurance benefits to low-income, resource-poor families, children, and the elderly. While only one-third of Colorado recipients are elderly, more than 70 percent of all expenditures go toward services for this group, with long-term care taking the largest bite. This typical beneficiary is 65-plus years old and receives disability benefits. And although Colorado is a relatively young state, persons aged 85 and older are currently the fastest-growing segment of our population, which means that the need for services will only continue to grow.

Two out of every 10 seniors in Colorado who fall below the federal poverty level qualify for both Medicaid and Medicare. Medicaid helps pay premiums, deductibles, and other cost-sharing requirements of Medicare. Perhaps the most important role Medicaid plays is to pay for long-term health care costs, which have historically risen much faster than overall budget growth. In fact, Medicaid is virtually the only public source of financial assistance for long-term care in Colorado, providing health insurance coverage for approximately 6 out of 10 people in nursing homes.

But Medicaid costs are out of control. Nationally, expenditures have grown by almost 10 percent a year since 1998, and this is true in Colorado as well. This is due primarily to higher costs in the areas of community long-term care, nursing facilities, and prescription drugs—which are a major contributor to escalating costs. In the last two years, growth in Medicaid spending, along with sharp declines in state revenue growth, have contributed to the most serious budget problems for states in at least two decades. All 50 states have made budget cuts to their Medicaid programs, and Colorado is no exception. We have enacted reimbursement rate reductions, increased co-pays, dropped health care coverage for legal immigrants, and implemented other cost saving measures.

Even before these cuts, Colorado's Medicaid program did not meet the need for services. By maintaining only the minimum programs and services, Colorado forfeits millions of dollars in matching funds from the federal government.

And even if we wanted to provide more services to meet health care needs for Colorado's poorest citizens, we can't. That's because TABOR locks into place a 6 percent statutory spending limitation that can't be changed without a vote of the people. In addition, TABOR restricts overall state revenue so that a larger proportion of the state funds must go to meet federal Medicaid guidelines. TABOR also



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"ratchets down" the base from which future increases are calculated, ensuring that programs that don't have a federal match continue to get smaller. With projected Medicaid expenditures growing by 9 to 10 percent a year, Medicaid will continue to take a larger and larger share of the state budget.

To make matters worse, the Bush administration has proposed curbing intergovernmental transfers for state Medicaid matches, which would result in an estimated \$1.5 billion loss for states in fiscal 2005 and nearly \$10 billion in losses over five years.

Together, these constraints create a vicious cycle of lost opportunity. Medical need doesn't go away just because we don't pay for it; the costs are just shifted somewhere else. TABOR, combined with increasing medical costs, erodes the state budget, reduces government program reimbursements, and increases uncompensated care. This translates into higher insurance premiums for employers and employees. Higher premiums mean more Colorado citizens are unable to afford private health care coverage and are in greater need of Medicaid or other low-income assistance. And so the vicious cycle continues.

What can we do? Most important, we must amend TABOR. Second, and equally important, we should create a public-private task force to evaluate our Medicaid program. While we need to ensure that low-income seniors are getting the help they need, we must also try to cover the maximum number of low-income families and children with a basic benefit package that has been demonstrated to promote and maintain health. The state should also consider providing subsidies to the employees of small businesses so they can purchase employer-sponsored health insurance.

Access to adequate health care should be a cornerstone of life in Colorado-for both the old and the young. We need to do a better job of making this dream a reality.