THE REPUBLICAN STUDY COMMITTEE
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Frequently Asked Questions about *H.R. 4160, the State Health Flexibility Act*

Q: Does this bill "dismantle" or "end" Medicaid & CHIP?
A: Absolutely not. Medicaid and the Children's Health Insurance Program (CHIP) are already state-run programs, although the federal welfare bureaucracy imposes a one-size-fits-all maze of costly rules and mandates on Medicaid in exchange for matching 50-74% of every dollar states spend on the program. Providing the federal money via a defined block grant with maximum flexibility will strengthen these programs by giving states freedom to innovate, improve access to care, and provide better quality care to their most vulnerable citizens.

Q: Does this bill "slash" funding for Medicaid & CHIP?
A: No, it does not cut a single penny from Medicaid or CHIP. Every dollar of current federal funding will be preserved and continued in the future. The bill also helps states improve the poor quality of care and poor access to care often associated with these programs. States may spend as much of their own money as they choose, and the citizens of each state can hold their officials accountable for irresponsible decisions.

Q: What percentage of a state's budget is spent on Medicaid?
A: According to the National Association of State Budget Officers, 23.6% of state expenditures went to Medicaid last year. States now spend more on Medicaid than anything else – even K-12 education programs. This bill will create downward pressure on these figures.

Percentage of Total State Expenditures

	2009	2010	2011
Medicaid	21.9	22.3	23.6
K-12	21.5	20.5	20.1

Q: Do states support the concept of block granting Medicaid & CHIP?
A: Yes. This bill meets the seven principles for Medicaid reform adopted by 29 Republican Governors in June 2011. Supporters of block granting include Governors Bob McDonnell (VA), Chris Christie (NJ), Nikki Haley (SC), Rick Perry (TX), Haley Barbour (MS), Rick Scott (FL), and Sam Brownback (KS). Democrat Governor Christine Gregoire (WA) last year signed into state law a bipartisan proposal similar to a block grant that calls for a cap on federal Medicaid funds. In 2009, Rhode Island received a waiver from most federal rules along with a cap on federal funding. Independent analyses have found these reforms are helping Rhode Island improve health care services for vulnerable citizens while also controlling costs.

Q: How will this bill improve access to care and the quality of health care for our most vulnerable citizens?
A: Freed from the mandates and cost of the one-size-fits-all federal welfare bureaucracy, states will be able to focus on the specific needs of their citizens. 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 work force, have insurance, and be able to lift themselves up the economic ladder.

Q: Does this bill just shift the cost burden to the states?
A: No. States will receive the same amount of federal funding next year that they receive this year. Level funding will help states focus on growing private sector employment and getting their citizens out of poverty. At the same time, greater freedom to innovate and raise the quality of and access to care – plus eliminating the cost of complying with federal red tape – will improve health care assistance for the most vulnerable Americans.

Q: Why do states need more flexibility? Can't they apply for waivers from federal rules?
A: While states are allowed to apply for waivers from one-size-fits-all federal rules, it can take months or even years to get a decision. State officials are more accountable to and understand better the unique needs of their citizens than the federal government. Cutting out the bureaucracy in Washington means more resources will be available for our citizens who are most in need.

Q: Could states use the federal money for non-health care purposes?
A: No. While states have complete discretion in defining "health-care-related services and items," the citizens of each state can hold their elected officials accountable for misuse, mismanagement, or failing to align spending priorities with health care needs. Annual audits of state spending will ensure transparency and accountability. As Florida Governor Rick Scott recently said, "You give me a block grant, let me do whatever I want, and I will cover the right people. If I don't, I won't get reelected."

Q: Why doesn't federal spending on this block grant increase with inflation every year?
A: Federal funding for Temporary Assistance for Needy Families (TANF's) primary block grant has remained the same every year since its inception in 1996: $16.7 billion per year. This level-funding structure created powerful economic incentives for states to transform their welfare offices into work-promotion centers, which in turn drove welfare reform's positive results for both low-income families and taxpayers.

Q: What if needs change due to a down economy or population shifts?
A: Congress will be able to provide temporary funding increases (as it has for TANF on several occasions) or to permanently change funding levels to account for increases in costs, needs, or changing demographics. The lack of an inflation adjustment just takes spending off auto-pilot. Congress must vote on any increase and be held accountable. States may also set aside money in a Rainy Day Fund or apply up to 30% of their federal funds to other welfare programs, including TANF, Supplemental Security Income (SSI), and Food Stamps if the need is greater in those areas.

Q: Is there precedent for block granting programs to the states?
A: Yes. As of 2010, 6 federal departments administered 27 different block grants to state and local governments. The best-known block grant is the highly successful TANF program, created via the welfare reforms of 1996. TANF replaced a cash-assistance welfare program that, like Medicaid, automatically gave more federal money to states the more they increased spending.

Q: Does this bill provide for oversight of the money provided by American taxpayers?
A: Yes. States must hire an independent auditor, who will provide annual reports on their use of federal funds. These audits will be provided to the U.S. Treasury Secretary, the state legislature, and the general public. Misused funds detected by an audit will be forfeited back to the federal government with a 10% penalty, providing states every incentive to proactively and aggressively combat waste, fraud, and abuse.

Q: Will cash-strapped states be able to detect and prosecute waste, fraud, and abuse?
A: Yes. The costs of preventative and prosecutorial efforts should be more than offset by the vast reduction in red tape and administrative costs that will result from freeing the states from the federal welfare bureaucracy. Additionally, the bill gives states every incentive to be proactive, aggressive, and innovative in their detection and prosecution efforts.

Q: Will the federal government have any role in setting requirements for eligibility or health care services?
A: No. State officials are more accountable to and understand better the unique needs of their citizens than the federal government. Required annual audits will provide the citizens of each state the information they need to hold their elected officials to account if they fail to provide properly for their most vulnerable citizens' health care needs.

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