



United States
General Accounting Office
Washington, D.C. 20548

Health, Education and Human Services Division

B-265684

June 12, 1996

The Honorable John D. Dingell
Ranking Minority Member
Committee on Commerce
House of Representatives

Dear Mr. Dingell:

The Congress is now considering alternatives, such as H.R. 3507, that would slow the growth in federal Medicaid spending by giving states more flexibility in the administration of the program and by changing the mechanism for allocating federal assistance among states.

The current Medicaid program is an open-ended matching program, with the amount of federal assistance a state receives linked to how much it spends on eligible services. The formula described in H.R. 3507 would change this by establishing a target for federal funding that would vary with the number of poor in each state. The target would also be adjusted for the proportion of Medicaid beneficiaries who are elderly or disabled to reflect their higher cost of care, as compared with that of children and nonelderly adults. Each state's federal allocation would be allowed to increase, depending upon the difference between current federal funding and the target. More specifically, constraints would be placed on increases in the new allotments: a floor, guaranteeing minimum increases in federal funding for states that now receive larger amounts of federal matching funds, and a ceiling, limiting funding increases for states that receive comparatively less in federal matching funds.¹ You asked that we determine how long it would take, given such constraints, for state allotments to become proportional to the indicators of state need.

In brief, the length of time it would take depends on the growth in future authorized federal funding, since larger authorizations would allow state allotments to become

¹The provisions of H.R. 3507 would also guarantee that no state would receive less than 0.24 percent of the total amount to be distributed to states. Four states would receive 0.24 percent on the basis of this provision.

proportional to indicators of state need more quickly. Given authorized funding increases consistent with the provisions of H.R. 3507 and given that the distribution of state need indicators remains fixed, we estimate that eight states would receive federal allotments proportional to their need indicators by fiscal year 2002.² At that time, roughly a third of the redistribution in federal funding that would ultimately take place would have been accomplished. We estimate that federal funding for all states would be proportional to indicators of state need in fiscal year 2037. Table I reports (1) the number of states whose federal allotments would be proportional to state need indicators and (2) the percentage of redistribution accomplished for selected years between fiscal year 2002 and 2037.

Table 1: Number of States and District of Columbia Whose Medicaid Allotments Would Be Proportional to Indicators of State Need Under H.R. 3507 and the Percentage of Redistribution Accomplished for Selected Years, 2002- 2037

Fiscal year	Number of states	Redistribution accomplished (percentage)
2002	8	32.5
2007	19	59.7
2012	27	84.4
2017	36	93.2
2022	40	96.5
2027	45	98.5
2032	47	99.8
2037	51	100.0

²The eight states are Colorado, Georgia, Illinois, Missouri, Montana, South Dakota, Vermont, and Virginia.

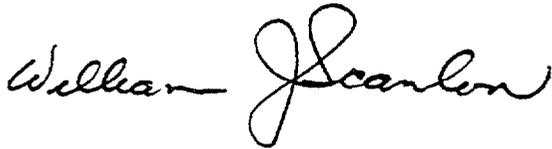
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The enclosure shows the year in which each state's allotment would become proportional to indicators of state need.

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As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this letter until 15 days from its date. If you have any questions regarding this letter or if we can be of further assistance, please call Jerry Fastrup, Assistant Director, at (202) 512-7211 or me at (202) 512-7114.

Sincerely yours,

A handwritten signature in cursive script that reads "William J. Scanlon". The signature is written in black ink and is positioned below the typed name.

William J. Scanlon
Director, Health Systems Issues

Enclosure

YEAR WHEN MEDICAID ALLOTMENT BECOMES PROPORTIONAL
TO INDICATORS OF STATE NEED

States	Year when allotment becomes proportional
Alabama	2021
Alaska	2008
Arizona	2004
Arkansas	2014
California	2014
Colorado	2002
Connecticut	2016
Delaware	2006
District of Columbia	2015
Florida	2011
Georgia	2002
Hawaii	2007
Idaho	2010
Illinois	2002
Indiana	2026
Iowa	2025
Kansas	2004
Kentucky	2018
Louisiana	2024
Maine	2008
Maryland	2033
Massachusetts	2014
Michigan	2004
Minnesota	2005
Mississippi	2015
Missouri	2002
Montana	2002
Nebraska	2033
Nevada	2014
New Hampshire	2027
New Jersey	2008
New Mexico	2012
New York	2015
North Carolina	2007
North Dakota	2004
Ohio	2029
Oklahoma	2020
Oregon	2029
Pennsylvania	2033
Rhode Island	2016
South Carolina	2010
South Dakota	2002
Tennessee	2005
Texas	2003
Utah	2007
Vermont	2002
Virginia	2002
Washington	2011
West Virginia	2024
Wisconsin	2022
Wyoming	2037

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