



Insight

# Medicaid Is Broken: States Forced to Reduce Hospital Coverage

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Several states around the country have resorted to abridged hospital coverage for Medicaid patients in order to curtail costs. Hawaii, for example, has applied to the Centers for Medicare & Medicaid Services for permission to limit inpatient hospital stays for Medicaid patients to 10 days per year. If approved, Hawaii's cap would be the most aggressive of such measures in the nation. Other states have already capped hospital coverage, including Alabama (16 days), Florida (45 days), and Massachusetts (20 days). This trend reflects states' desperate attempt to remain fiscally afloat when Medicaid spending is pulling them down.

As a percentage of GDP, Medicaid spending has risen by 300 percent since 1980. Currently, Medicaid takes up 7 percent of the federal budget. These numbers are staggering as they stand. Alarming, however, the Affordable Care Act will drastically propel Medicaid spending throughout the next decade. At a cost of \$428 billion, the ACA will expand Medicaid coverage by 20 million people. An embedded hook in the addition of 20 million new enrollees is a maintenance-of-effort provision, which prevents any reductions in the number of enrollees. Thus, states will have to take further measures- such as reductions in benefits or provider reimbursements- to hedge against Medicaid overrunning their budget. In a time of budget shortfalls in states around the nation, it is imperative that policy solutions at the federal level enhance the long-term fiscal outlook for states, rather than forcing additional spending for programs that are already in a supine position.