

West Virginia targets Medicaid for “fundamental adjustments”

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15 February 2012

The Democratic administration of Governor Earl Ray Tomblin is preparing budget cuts to programs upon which hundreds of thousands of West Virginians depend. The administration has in particular singled out Medicaid. The state’s health care program provides medical care for 415,000 poor, elderly, and disabled West Virginians, one in four residents.

“Fundamental adjustments, changes will have to be made in Medicaid, or all our money’s going to end up there,” warned state budget director Mike McKown. McKown has indicated that he expects next year to be filled with budget cuts to pay for Medicaid.

The state’s Medicaid program has also been identified by the West Virginia Center on Budget and Policy (WVCBP) as an area likely to feel the “strain” of the reduction to the state’s corporate net income tax over the past several years (see “West Virginia budget: Strained social services and prison expansions”).

The state’s Medicaid program will account for about 18.6 percent of the FY 2013 budget, up from about 11 percent in the current budget due to elimination of federal stimulus money. Actual costs for the state’s \$3 billion Medicare program will increase by less than 1 percent between this year and the next. While state spending on the Medicaid program has grown 48 percent between FY 2006 and FY 2013, the WVCBP notes that “its growth over the past few years is comparable to several other parts of the state budget.”

The dissipation of federal stimulus money has seen the federal government’s share in the state’s Medicaid program plunge 11 percent last year down to approximately 70 cents on the dollar. This drop in federal funds is also being driven by recent increases in the state’s average per-capita income as the state’s economy grows at a faster rate than the national.

Spending on Medicaid will balloon to \$507 million

for FY 2013—23 percent more than the \$396 million allocated in the current budget. These costs are projected to break \$700 million in FY 2014 when President Obama’s health care plan is expected to swell the ranks in the state’s Medicaid program by 176,000. While the federal government will pick up the tab for the additional enrollees for the first two years, after that, the burden will begin to shift to the state.

Democratic chairman of the House Health and Human Resources Committee Don Perdue has already requested a list of optional programs and services currently offered by Medicaid in order to begin prioritizing them in the event services will need to be cut when the state takes on the burden of the additional Medicaid enrollees.

West Virginia had accumulated \$390 million in its Medicaid Trust Fund at the end of FY 2011 six months ago, but this will be reduced to about \$160 million by the end of the current fiscal year. It is expected to be completely drained by the end of FY 2013.

Any attack on the state’s Medicaid program would have devastating consequences for the vulnerable layers of the population that it serves. In 2010, about 51 percent of Medicaid recipients were children (under 21), 27 percent were disabled, 15 percent were poor adults (age 21-64), and 8 percent were elderly (65 and over).

By far the largest beneficiary of the state’s Medicaid program is children. Approximately one in four of West Virginia’s children lives in poverty. Nearly a quarter of these have special health care needs. Most of the children on Medicaid live in a family earning less than \$19,000 a year for a family of three.

The Medicaid program is also essential for women’s health and early childhood care. In 2010, Medicaid provided prenatal care for mothers and funded the

births of 10,000 babies—nearly half of all births in the state that year.

In addition to the 59,000 adults in the state with severe physical or mental disabilities that Medicaid provides care for, the program is also instrumental in ensuring that children with disabilities receive early treatment and care. At 18.8 percent, West Virginia has the highest rate of disability in the nation.

For a poor adult to receive Medicaid benefits, he or she would have to earn less than 35 percent of the federal poverty level. A single parent would only be eligible if he or she earned less than \$5,150 a year, while a parent in a family of three would have to earn less than \$6,380. Like seniors and the disabled, these poor adults would also have to undergo an asset test that takes into account all cash assets, life insurance policies, and retirement accounts.

That a staggering 15 percent of adult Medicaid recipients meet these requirements is an insight into the rampant level of destitution in the state. Moreover, it is an indictment of the Democratic Party, which has overseen this process in a state possessing one of the richest coal reserves in the world.

The elderly make up a small percentage of Medicaid recipients due to the Medicare program, which provides care for the elderly. Still, the Medicaid program is important because of the state's large elderly population and its level of poverty. West Virginia has one of the highest levels of elderly in the nation, standing at 16 percent of its population. A full 80,000 West Virginians on Medicare also receive Medicaid benefits.

Cuts to Medicaid would have broader consequences for the state's economy as a whole. The state's health care sector employs by far the largest section of the workforce at 112,800 workers, or 14.5 percent of the state's total workforce. By comparison, the mining and logging industries employ only about 4 percent of the state's workforce.



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