

Block Grants & Per Capita Caps

Understanding Medicaid Reform Proposals



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Understanding the Current Medicaid Program

Medicaid is a multi-generational program set up to protect our most vulnerable consumers at any stage in their lives. Nationally, nearly 70 million people rely on Medicaid for their health coverage, including millions of children, seniors and people with disabilities. In Idaho, 277,567 are covered by Medicaid, including 208,294 children. For over 50 years, the federal government has partnered with states to provide health care that meets the needs of all eligible enrollees. Since the program's inception, Medicaid has helped people lead healthier lives, dramatically reduced the uninsured rate and improved access to care for millions, including people with chronic conditions. Additionally, health coverage, including Medicaid, is a tool for reducing disparities in access to health care.

New Federal Proposals Would Alter Medicaid's Structure and Financing

Members of Congress and the new administration have proposed massive changes to the Medicaid program that would permanently alter the structure and financing of the program and could effectively end the guarantee of Medicaid coverage for all those who qualify. These changes undermine the cornerstone of our health care safety net and will have devastating impacts on the ability of low-income populations to access health care. Proposals, such as block grants and per capita caps, are explicitly aimed at reducing federal funding. For example, recent proposals for Medicaid block grants or per capita caps cut federal support for the program by 25 to 40 percent over 10 years.¹ These changes could result in significant cost shifts states and/or cuts in services and eligibility.

What are Medicaid Block Grants and Per Capita Caps?

Both block grants and per capita caps cut Medicaid. They are funding mechanisms that dismantle the current structure and financing of Medicaid and reduce federal spending on the program by shifting costs to states. Currently, the federal government guarantees that all eligible individuals can enroll in coverage and receive a certain set of covered services, and the federal government pays a share of a state's total Medicaid costs to ensure these guarantees are met. These guarantees allow the Medicaid program to adjust to states' needs and respond effectively to economic and health care changes. Under a block grant or a per capita cap, the amount the federal government pays would be set at a fixed amount, and the guarantees of enrollment and coverage for eligible individuals would be lost.

	<u>Current Medicaid Program</u>	<u>Block Grant</u>	<u>Per Capita Cap</u>
Coverage	<ul style="list-style-type: none"> Guaranteed coverage, no waiting list or caps 	<ul style="list-style-type: none"> No guarantee (can use wait lists or caps) 	<ul style="list-style-type: none"> No guarantee (can use wait lists or caps)
Federal Funding	<ul style="list-style-type: none"> Guaranteed, no cap Responds to program needs (enrollment and costs) Can fluctuate 	<ul style="list-style-type: none"> Capped Not based on enrollment, costs or program needs Fixed with pre-set growth 	<ul style="list-style-type: none"> Capped per enrollee Not based on health care costs and needs Fixed with pre-set growth per enrollee
State Matching Payments	<ul style="list-style-type: none"> Required to draw down federal dollars Federal spending tied to state spending 	<ul style="list-style-type: none"> Unclear Federal spending not tied to state spending beyond cap 	<ul style="list-style-type: none"> Unclear Federal spending not tied to state spending beyond per enrollee cap
Core Federal Standards	<ul style="list-style-type: none"> Set in law with state flexibility to expand 	<ul style="list-style-type: none"> Uncertain what the requirements would be to obtain federal funds 	

Medicaid Block Grants & Per Capita Caps Could Have Devastating Impacts in Idaho

Under a block grant or per capita cap scenario, states will face significant budget challenges as a result of dramatic reductions in funding for Medicaid programs. Previous proposals to move toward block grants or per capita caps would reduce funding for Medicaid by up to \$1 trillion over 10 years. This will place a significant strain on states as they struggle to insure their low-income populations with reduced resources.

1. Reduced funds will force states to make difficult decisions when budgeting, and they may be forced to choose between making cuts to Medicaid and other important priorities, such as education.
2. Per capita caps and block grants will lock states in at current funding levels, reducing flexibility and making it difficult for state policymakers to adjust to changes in their state and alter the Medicaid program as they see fit in the future.
3. The current Medicaid program saves states money by reducing the costs of uncompensated care and taking burdens off of state-run programs that provide health services for low income individuals. In addition to the reduction in federal funds, cuts to Medicaid will place additional fiscal strain on states as they are forced to pay for care for increasing numbers of uninsured individuals.
4. Under the current Medicaid structure, states can and do use the considerable flexibility available to them to improve care and efficiency in their Medicaid programs. Block grants and per capita caps would severely curtail states' ability to pursue promising strategies that address the social determinants of health, provide better integrated and more coordinated care, and lower costs. A decrease in available funds means that states won't be able to provide the upfront investments and incentives needed to help providers transform their practices to provide more integrated services and better care coordination.