

Federal Medicaid Funding Caps

Devastating to People with Disabilities



April 2017

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 & 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 Funding Caps Would be Devastating to People with Disabilities

Medicaid provides health care services and long-term services and supports that maintain the health, function, independence and well-being of 10 million enrollees living with disabilities. In Idaho, the majority of Medicaid spending is for people with disabilities and elderly Idahoans qualifying for nursing home care.

For many people with disabilities, being able to access timely needed care is a life or death matter. Medicaid block grants or per capita caps will inevitably slash federal support for what is already a lean program and force states to cut services and eligibility that put the health and well-being of people with disabilities at significant risk.

program, 97 cents is spent directly on health services for Medicaid beneficiaries, with just 3 cents going to administrative costs.³ Long-term supports and services are already highly managed in order to meet the basic needs of as many beneficiaries as possible. There is simply no extraneous fat to cut; a reduction in Medicaid funding will mean a reduction in valuable services.

Reduced federal funding will also likely lead to cuts of Medicaid services that are optional for states to provide, but critical to people with disabilities, such as Home and Community-Based Services (HCBS). Cuts to these cost-effective and successful services may force people out of their homes and communities and into more expensive institutions. Tight state budgets will stifle integration – states will not be able to expand and develop better community-integrated services and supports for people with disabilities.

Medicaid Caps Would Stifle State Innovation and Threaten Beneficiary Protections

States already have plenty of options to innovate using Medicaid waivers and state options, particularly for people with disabilities and older adults. Many of the cutting edge innovations in health care require large up front investments in care management and preventive care that generate overall savings down the road. As per capita caps shift more costs to states, those initial investments would become steadily harder to come by. The likely result: long-term investments in primary care and care coordination would lose out to short-term demands to fill budget holes.

Currently, when states agree to accept federal Medicaid funding, they also agree to put in place protections that ensure access to coverage and care for beneficiaries, including processing applications and promptly enrolling all who are eligible. Idaho's Medicaid program does not have waiting lists, enrollment caps or waiting periods for accessing services, and federal protections limit out-of-pocket costs for services, ensure freedom to choose a provider and prevent discrimination in care delivery. Changes that seek to enable additional "flexibility" for states threaten these vital enrollee protections.

¹Robin Rudowitz, Kaiser Family Foundation, *5 Key Questions: Medicaid and Per Capita Caps*, Fig. 4 (Jan. 31. 2017).

²MACPAC, *Trends in Medicaid Spending*, 8 (June 2016). This data is through 2014. Growth projections from 2014-2023 also predict Medicaid to grow slower (3.6%) than Medicare (4.2%) and private insurance (4-6%).

³The Legislative Services Office. "The Idaho Legislative Budget Book for Fiscal Year 2017."

Federal Funding Caps Would Shift Costs Onto States and Consumers

Block grants and per capita caps cut federal funding by growing the cap slower than the average growth in health care costs. The gap between actual costs and available federal funding would steadily increase over time, putting states in an ever tighter bind to cover the difference. Many states would not be able to bear these additional expenses and would be forced to shift costs to consumers and/or cut services and eligibility. Because people with disabilities and older adults have the most extensive care needs, they often become the victim of cuts.

Services Critical to People with Disabilities Would Likely be Cut

Medicaid is already a lean program that is less expensive per beneficiary. Medicaid's spending growth per beneficiary has grown slower than both Medicare and private insurance.² For every \$1 invested in Idaho's Medicaid

The Efficiency of Idaho's Medicaid Program

For every dollar spent on Medicaid:



97¢ spent on health services 3¢ spent on admin costs

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³The Legislative Services Office. "The Idaho Legislative Budget Book for Fiscal Year 2017."