



## **Block Grants and Per Capita Caps Would Dismantle Medicaid as We Know It**

Medicaid is a multi-generational program set up to protect our most vulnerable consumers at any stage in their lives. 73 million people rely on Medicaid for their health coverage including millions of children, seniors and people with disabilities. 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 for people of color.

The president-elect and members of Congress have proposed enacting 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 services. These proposals include [block grants](#) and [per capita caps](#) which are explicitly aimed at reducing federal funding for the program. For example, Speaker Paul Ryan’s proposals released this past summer could [cut federal Medicaid funding](#) per beneficiary by as much as 50 percent over 10 years through per capita caps, while block grants could slash total federal Medicaid funding by nearly a third. These changes will result in fewer people being able to access coverage that meets their needs and curtail states’ ability to pursue promising strategies that address the social determinants of health and provide better integrated and more coordinated care.

### **What are Block Grants and Per Capita Caps?**

Both block grants and per capita caps 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 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 per capita cap or a block grant, 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.

Per Capita Cap	Block Grant
<ul style="list-style-type: none"> <li>● The federal government pays the state a fixed amount per beneficiary.</li> <li>● The state will have to absorb the cost of any medical expenses incurred above</li> </ul>	<ul style="list-style-type: none"> <li>● The federal government pays the state a set amount annually to provide care for their entire covered population.</li> <li>● The amount does not change based on the number of enrollees.</li> </ul>

<p>this fixed amount.</p> <ul style="list-style-type: none"> <li>• While mechanisms for setting this amount are uncertain, it's likely that there would be separate fixed amounts for each category of beneficiaries (children, seniors, people with disabilities and other adults).</li> <li>• The fixed amount is adjusted annually for general inflation.</li> </ul>	<ul style="list-style-type: none"> <li>• The state will have to absorb the cost of any medical expenses incurred above this fixed amount.</li> <li>• While mechanisms for setting the amount are uncertain, it would likely be based on past expenditures.</li> <li>• The amount would be adjusted for general inflation and population growth.</li> </ul>
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### **Block Grants and Per Capita Caps Will Have Devastating Impacts**

These proposals are especially dangerous because the reductions in federal spending will be so dramatic that the cost of reversing the policies will likely be insurmountable and the changes states make to accommodate the changes in funding irreversible.

#### *States will face significant budget challenges as a result of dramatic reductions in federal funding*

Previous proposals to move toward block grants or per capita caps would reduce federal funding for Medicaid by up to \$1 trillion over 10 years. This will place a significant strain on states as they struggle to figure out how to insure their low-income populations with reduced resources.

- Reduced federal 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 areas like education.
- 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.
- 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.

#### *Fewer people will have coverage*

Due to budgetary constraints resulting from the decrease in federal Medicaid funds, states will be forced to make eligibility changes such as:

- Eliminating entire eligibility categories, such as childless adults.
- Decreasing income eligibility levels, leaving previously covered low-income populations now ineligible for coverage.
- Establishing waiting lists and enrollment caps, meaning that not every individual who meets eligibility criteria will receive coverage.

### *Coverage will be less likely to meet the needs of enrollees*

States may also be forced to make changes that impact enrollees' ability to access the providers and services that they need, for example

- Eliminating or reducing benefits, such as dental coverage or Early Periodic Screening Diagnosis and Treatment (EPSDT) services for children.
- Implementing or increasing cost sharing, including premiums and co-pays, that place additional burdens on already low-income consumers.
- Decreasing payments to providers potentially leading to a shortage of providers accepting Medicaid enrollees.
- Impeding access to medical innovations, like new treatments for hepatitis C, which were not anticipated when setting funding caps.
- Foregoing efforts to address unforeseen needs such as emerging diseases or epidemics like the Zika virus.

### *Innovations to improve care will be significantly constrained*

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. For example, strategies that improve care coordination and integration can [reduce costly and unneeded services](#) and prevent costly conditions such as [diabetes](#) and [asthma](#).

- The speed and scale of funding cuts will force states to cut costs dramatically in the short term. This means that states will be focused on ways to cut eligibility, benefits and provider payments rather than ways to improve care for enrollees and lower long term costs through innovations and investments in population health.
- 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.
- As a result of the eligibility cuts that will accompany block grants or per capita caps, any Medicaid innovations states are able to accomplish with limited funds will reach even fewer people.
- Structural changes to Medicaid will dramatically change the "playing field" on which innovation is occurring. If states are no longer required to provide comprehensive services to all eligible individuals, there is less incentive to lower costs and improve care through innovative payment and delivery reforms and greater incentives to lower costs through cuts to benefits and eligibility.
- Medicaid cuts won't occur in a vacuum and are likely be accompanied by other cuts to social services and supports. Limited funds on all fronts will create competition for resources and make it even harder for states to encourage collaboration with social service providers and address social needs through Medicaid.