

Block Grants, Per Capita Caps Would Slash Medicaid, Put Beneficiaries at Risk

December 2016

The incoming Congressional majority has promised major health care reform that includes a potential dramatic restructuring of Medicaid. These moves have the potential to shift costs onto states and beneficiaries, restrict access to care, and increase the number of uninsured and underinsured.

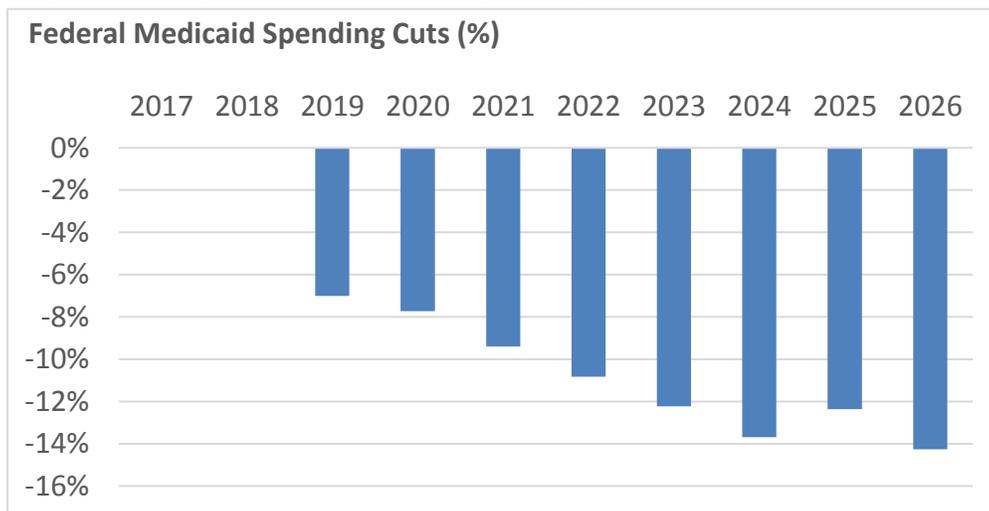
Proposed Changes to Medicaid

Beginning in January, Congress is expected to repeal the Medicaid expansion and to start work on converting the federal share of Medicaid spending into a block grant or per capita cap system in order to roll back Medicaid spending. Plans on how block grants or per capita caps would function and to what level they would be funded are still vague. Under either proposal, the federal government would pay its share of a state's Medicaid costs only up to a total set amount. States would bear 100% of any medical costs that exceed the block grant or caps. This is a fundamental shift away from Medicaid's current financing structure where the federal government guarantees matching funds to states for any qualifying Medicaid expenditures.

The ultimate goal of re-financing Medicaid into block grants/per capita caps is to massively cut the amount of federal spending for Medicaid (see graphic below). States would then be forced to increase their payment for the program or reduce eligibility, payment, or benefits.

Proponents of the block grant/per capita cap approach have argued that states would gain greater flexibility in designing and managing their Medicaid programs. **However, block grants/per capita caps will not provide any greater programmatic flexibility to states than they already have.** States would likely have flexibility related to patient protections that are currently in the Medicaid program and as a consequence could be subjected to higher co-pays for medications and services, imposition of premiums, work requirements or other requirements that would limit the beneficiary's participation in the program.

House Majority Plan to Cap Rate of Growth in Spending Per Enrollee Leads to Severe Cuts Over Time



Source: Center on Budget and Policy Priorities' analysis of Bureau of Labor Statistics (BLS) and Congressional Budget Office (CBO) data

Impact on Beneficiaries, Providers, and States

According to House Speaker Paul Ryan's proposed Medicaid plan, these proposed changes would result in a **total of \$1 trillion in cuts to federal Medicaid spending** over the next ten years. These proposed models do not account for increasing health care costs, advances in medical treatment, epidemic or disease outbreaks, and the growing number of the elderly on Medicaid.

Should federal funding fail to meet the need for services in a state in a given year, that state would be responsible for contributing more of its own funds or cutting back eligibility, provider payments, or benefits. The pressure on state Medicaid programs during the last recession – and states' corresponding efforts to reduce funding and eligibility, despite federal rules limiting their ability to do so – suggest that were Medicaid to be converted into block grants/per capita caps, it would be nearly impossible to maintain current levels of services. **Mental health and substance abuse services would be at high risk for cutbacks** because they are intensive and expensive. With many states cutting general fund dollars allocated to behavioral health programs, a loss of Medicaid funding would further drain crucial resources from the behavioral health safety net.

What Can You Do

2017 is a critical year for advocacy in support of addiction and mental health priorities. With major proposed changes to the Medicaid as well as the ACA, the National Council is reliant upon its members to act NOW to protect consumers' access to care. [Visit our Act NOW page](#) to see the latest on what you and your organization can do protect Medicaid and fight against block grants/per capita caps:

<https://www.thenationalcouncil.org/policy-action/national-council-act-now/>