

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

March 21, 2017

Congress is considering major health care reform legislation, titled the American Health Care Act (AHCA), that includes a dramatic restructuring of Medicaid. [According to the Congressional Budget Office's \(CBO\) analysis](#), the proposed Medicaid provisions of the AHCA would shift costs onto states and beneficiaries, restrict access to care, and increase the number of uninsured and underinsured.

AHCA Changes to Medicaid

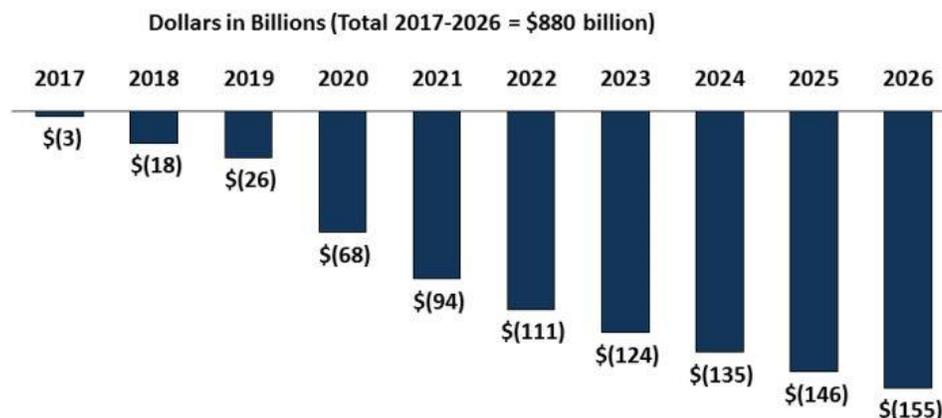
The American Health Care Act repeals Medicaid expansion and converts the federal share of Medicaid spending into a block grant or per capita cap system, in order to roll back Medicaid spending. Plans on how block grants or per capita caps would function and to what level they would be funded are still vague. Under either proposal, the federal government would pay its share of a state's Medicaid costs up to a predetermined amount. This means that 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.

AHCA's Plan to Cap Spending Per Enrollee Leads to Severe Cuts Over Time; CBO Estimates **\$882 Billion** Cut from Medicaid Over 10 Years

Figure 1

CBO Estimates of the American Health Care Act for Medicaid



CBO Estimate of the American Health Care Act, March 13, 2017.



Source: Kaiser Family Foundation

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, current law already offers state a high degree of flexibility through the Medicaid waiver process. The AHCA would instead give states flexibility to institute measures that limit beneficiaries' participation in Medicaid.** For example, states could impose premiums and work requirements or subject beneficiaries to higher co-pays for medications and services among other options.

Impact on Beneficiaries, Providers, and States

According to CBO's analysis of the American Health Care Act, these proposed changes would result in a **total of \$882 billion 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, potential epidemic or disease outbreaks, and the growing number of the elderly on Medicaid, many of whom depend upon Medicaid as the primary funder of long-term nursing home care.

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. Currently, state budgets are strained with [25 states reporting budget shortfalls](#). This fiscal pressure suggests 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 optional under state Medicaid plans. [With states cutting 4.35 billion from general fund dollars](#) allocated to behavioral health programs in recent years, a loss of Medicaid funding would further drain crucial resources from the behavioral health safety net.

What You Can Do

2017 is a critical year for advocacy in support of addiction and mental health priorities. With major proposed changes to the Medicaid, the National Council is reliant upon its members to act now to protect consumers' access to care. [Visit our Unite4BH 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/unite4bh/>