MEDICAID AT RISK:

Understanding Proposals to Limit Medicaid Benefits through Block Grants & Per Capita Caps

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Medicaid Program Structure

Medicaid is an open-ended entitlement, meaning that each and every person who qualifies for the benefit is provided coverage. Medicaid provides health coverage to low-income families, children, pregnant women and people with disabilities (https://www.medicaid.gov/medicaid/eligibility/). The program is administered by states and funded jointly by states and the federal government. For each dollar a state spends on Medicaid, the federal government pays a certain percentage and that amount is determined by the Federal Medical Assistance Percentage (FMAP) formula. Republicans have proposed changes to the funding structure of Medicaid with the goal of reducing spending so that a capped amount would be available to states either through block grants or per capita caps.

A block grant is a fixed amount that the federal government provides to states to administer programs. A per capita cap is a fixed amount that the federal government provides to states based on the number of beneficiaries. The American Health Care Act (H.R. 1628), introduced in March 2017, included changing Medicaid funding to a per capita cap in 2020. In this model, once the funding rate is set, states would not be able to receive any additional Medicaid funds from the federal government regardless of changes in the health needs and composition of the population.

Anticipated Impact

Block grants and per capita caps would be based on the average cost per Medicaid recipient from a given year. Some adjustment for enrollment growth and inflation would be factored into the formula each subsequent year. However, the formula could not be altered to take into consideration variations in disease trends, public health emergencies, demographic changes within state populations--including the growth of the older adult population, economic

downturns or costs of new treatments and medications. Over time, the amount provided by the federal government would not be sufficient to cover the full range of services now provided through Medicaid. If states have less resources to cover services from the federal government, states will be pressured to reduce service offerings and restrict eligibility, which would put any current Medicaid beneficiary at risk of losing health coverage and becoming uninsured.

Learning from Example

Other programs in the past have come under scrutiny and their funding structures have been transformed. One example is the Child Care and Development Block Grant (CCDBG) which was created to fund child care assistance under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104–193). As the value of the federal block grant has diminished over time and has failed to keep up with the high demand and the rising cost of child care, states have been unable to compensate for the losses. Today only 1 in 6 children in the United States who qualify for child care assistance actually receive the coverage because "[s]tates have turned to policies such as low eligibility limits, waiting lists, increased co-payments and lowered provider payment rates to control costs" (http://www.clasp.org/resources-and-publications/medicaid-financing-dangers-of-block-grants-and-per-capita-caps).

Services at Risk

When states are forced to make tough decisions about coverage, service offerings are put at risk; often the services cut affect vulnerable populations that social workers serve. For example, cuts in Medicaid spending could decrease the availability of mental health services and treatment for substance use disorders. Many long-term services and supports (LTSS) offered through state Medicaid programs—especially home and community-based services (HCBS)—are optional rather than required features of the program. These may include personal care services, adult day health services, respite for family caregivers, transportation, etc. These Medicaid-funded LTSS maximize independence and facilitate participation in the community for individuals with chronic conditions or functional limitations.

While Medicaid funding structure changes are being promoted as "state flexibility," the anticipated result would be cuts to services, rather than service expansion. Under the existing Medicaid waiver options, flexibility is available and LTSS are offered through waiver programs in many states. The Medicaid and CHIP Payment and Access Commission notes that, "[w]ithin waiver programs, states may craft a comprehensive, broad benefit package or conversely, a narrow and limited set of services" (https://www.macpac.gov/medicaid-optional-long-term-services-and-supports-2/). It is essential to maintain state funding levels for Medicaid so that states are able to finance innovative programs and services for beneficiaries. Other proposed

changes to Medicaid, such as work requirements or co-payments, add administrative burden and cost to programs with no improvements for recipients.

Impact on Medicare Beneficiaries

Twenty percent of Medicare beneficiaries, or about 11 million people, also use Medicaid benefits (http://kff.org/medicare/issue-brief/what-could-a-medicaid-per-capita-cap-mean-for-low-income-people-on-medicare/). These dually eligible individuals include people under 65 with disabilities and low-income older adults. Although the service delivery system for dually eligible beneficiaries may be fragmented, Medicare and Medicaid programs can together provide a great deal of coverage for LTSS. For example, a skilled nursing facility stay for a dually eligible beneficiary may be billed to Medicare, while long-term nursing home care may be billed to Medicaid. However, under a block grant or per capita cap, state budgets may be constrained and Medicaid-funded LTSS could be reduced drastically or eliminated.

What Can Social Workers Do

NASW is opposed to any change in the funding and structure of Medicaid, including changing Medicaid funding to a block grant or per capita cap. NASW strongly supports the Medicaid benefit as a critical resource to women, vulnerable populations and those living with chronic physical and mental health conditions. Social workers should voice their concerns to their governor, state legislators and members of Congress. To find your member of Congress, visit NASW's Advocacy Page at cqrcengage.com/socialworkers/.

Resources

To learn more about the potential impact of changes to the Medicaid program, the following resources are available:

- NASW Social Work Blog http://www.socialworkblog.org/
- Families USA http://familiesusa.org/
- Center on Budget and Policy Priorities http://www.cbpp.org/
- The Commonwealth Fund http://www.commonwealthfund.org/
- Center for Law and Social Policy http://www.clasp.org/
- Kaiser Family Foundation http://kff.org/
- National Women's Law Center https://nwlc.org/