

Medicaid Block Grants and Per Capita Caps Are Bad for Michigan's Health

Medicaid, along with Medicare, was signed into law in 1965 to extend coverage to families and individuals with low incomes, including seniors, children and individuals with disabilities. Medicaid programs are operated by individual states but within federal guidelines, which can give states the opportunity to be innovative in the design and administration of the program. As the program currently stands, the federal government guarantees coverage for all eligible individuals and secures a set of covered services for enrollees. In Michigan, the traditional Medicaid program covers over 1.8 million Michiganders and over 650,000 are enrolled in the state's Medicaid expansion program, the Healthy Michigan Plan.

As Congress debates repealing and replacing the Affordable Care Act, there is one common theme in plans that have been put forward: fundamental changes to the way Medicaid is financed. These proposals include distributing Medicaid funding to states through block grants, or setting a per capita cap on the amount per enrollee. Either of these approaches put Medicaid and the Michigan residents that depend on it in jeopardy.

WHAT IS A BLOCK GRANT?

A block grant is a fixed amount of money that the federal government gives to a state for a specific purpose. In this case, the federal government would send each state a specific amount of funding to support the entirety of the Medicaid program.

WHAT IS A PER CAPITA CAP?

Under a per capita cap, the federal government pays the state a fixed amount of money per enrollee.

WHAT ARE THE EFFECTS?

Per capita caps and block grants limit the amount of federal funding that states receive, shifting costs to states, hurting local economies, and putting quality coverage for seniors, people with disabilities and families with kids at risk. On the budgetary front, the use of per capita caps would result in a savings to the federal budget by ultimately increasing the financial liability and risk to states. This shift could result in significant financial stress on state budgets. It would require lawmakers to look seriously at funding priorities. In order to balance the strain on state budgets to provide benefits, states may be forced to cut other vital programs including education, public safety or infrastructure. And in some cases, states may just decide to limit spending on Medicaid, resulting in fewer people having health coverage.

These types of funding changes lock states into a fixed funding level that will only be adjusted for inflation. This funding is not expected to keep up with the growth of Medicaid costs and will result in increased cuts to Medicaid in Michigan and around the country. The anticipated cuts will reduce state flexibility and may make it harder for lawmakers to adjust to changes and alter the program in the future.

By reducing federal funding, states may be forced to make eligibility changes to the Medicaid program. Some of these changes could be eliminating entire eligibility categories, such as childless adults or seniors in nursing homes, decreasing income eligibility levels or setting enrollment caps.

Beyond budget and enrollment impacts, changes to coverage and access for beneficiaries is also a strong possibility. States could opt to eliminate or reduce benefits, establish or increase cost-sharing, reduce payments to providers, or forego state efforts to address emerging public health concerns (like the opioid epidemic).

As the Medicaid program currently stands, states already have a lot of flexibility when it comes to the design of their program and in many states, including Michigan, it is running efficiently and effectively. Any sort of cap or block grant would severely limit state strategies for integrated care and the ability to address social determinants of health, greatly harming our state's most vulnerable

residents. These plans will put Michigan's fiscal health at risk along with the health of the nearly 2.5 million people who depend on the state's Medicaid program.

Current Proposal

The American Healthcare Act (ACHA) currently being debated in Congress includes the following provisions related to Medicaid financing:

- Converts financing to per capita caps beginning in 2020
- Creates five enrollment groups (elderly, blind and disabled, children, expansion adults, and other adults)
- Enrollee rate based on fiscal year 2016 costs
- Cap adjusted for medical Consumer Price Index