

Protect Medicaid--Oppose Block Grants



Protect Medicaid and CHIP and oppose block grants or per capita caps. Medicaid has been a critical health care insurance program since long before the ACA. It became more important after the ACA enactment. *The CWLA National Blueprint for Excellence in Child Welfare promotes strategies that every child should have access to health services to address physical, dental, behavioral health, mental health, emotional, and developmental health needs.* About 30% of children in foster care, who are categorically eligible for Medicaid, are reported to have severe behavioral, emotional, or developmental problems.

In 2013 there were more than 30 million children¹ covered by CHIP (Children’s Health Insurance Program) and Medicaid. Approximately 29% of persons who receive health insurance coverage through the Medicaid expansion either have a mental disorder (e.g. schizophrenia, bipolar disorder, clinical depression, anxiety) or a substance use disorder (e.g. alcoholism, opioid addiction) or both simultaneously.² People who were uninsured prior to the ACA generally had a higher prevalence rate of behavioral health conditions than the overall populations.

The ACA expansion to 138 percent of poverty taken by 31 states provides approximately 11 million people with health insurance. The American Health Care Act, the legislation to replace the ACA, would continue this Medicaid coverage for a year or two. At that point states would lose this coverage as people rotate or churn-off Medicaid. The 19 states that chose not to expand Medicaid and receive the higher 90 percent Medicaid match are critical of any deal that doesn’t give them some extra money. They feel their states should receive some benefit so the bill would provide these states with approximately \$10 billion to pay hospitals that get a larger share of uninsured patients coming through their emergency room doors. These payments, called “dish payments” or Disproportionate Share Hospitals (DSH), were being eliminated as health insurance coverage increased.

The second piece of Medicaid changes included in the American Health Care Act may be far more significant. The House creates a “per capita cap payment” system that is a complex form of a block grant. The bill would create groups. It would calculate a base payment based on 2016 cost and then annually adjust the cap. If any state exceeds their annual cap the state budget would be on the hook for the costs above the cap. The per capita cap:

- “elderly” 2016 average costs multiplied by an inflation factor, times the number of elderly +
- “blind and disabled” 2016 average costs multiplied by an inflation factor, times the number of blind and disabled +
- “child” 2016 average costs multiplied by an inflation factor, times the number of children +
- “Medicaid expansion enrollee (as they phase out) based 2016 average costs multiplied by an inflation factor, times the number of Medicaid expansion enrollees +

¹ MACPAC

² The CBHQS Report, SAMHSA National Survey on Drug Use and Health, November 18, 2015]

- “adults” (not an expansion enrollee) 2016 average costs multiplied by an inflation factor, times the number of adults = All groups added together = Medicaid annual cap per each state

Once the annual cap is set, a state would draw down funding based on the FMAP or Medicaid matching rate (states get a federal match from 50% to 80%) but if a state reached that cap on federal funding, any additional Medicaid costs above the cap would be paid for by the state.

This would in effect end the entitlement structure. Currently state Medicaid must cover certain groups such as pregnant women under a certain poverty level or women with children under 6 with at a certain poverty level, for example. Other groups must be covered such as IV-E foster care children and youth, for example. States also can select coverage for certain optional groups. Regardless every individual covered by Medicaid is reimbursed by the federal government at a federal match referred to as the FMAP. The match ranges from a low of 50 percent meaning one dollar of Medicaid cost is shared 50 cents by the states and 50 cents by the federal government. Some states may receive close to 80 percent. The FMAP is adjusted each year by an economic formula favoring “poor” states.

The Congressional Budget Office has calculated that the American Health Care Act would cut Medicaid spending by \$880 billion over a ten-year period. The savings from Medicaid in part is from the roll back in expanded coverage but it is also because of the per capita. The CBO said that the inflation factor would not be enough to keep pace with future costs. As a result, that funding would be shifted to the states.

Bill sponsors claim the annual cap—which would force states to cover all Medicaid costs once a state reaches its annual cap—would result in significant budget saving strategies but the CBO indicates that in addition to any savings strategies states would: Reducing health provider reimbursements; eliminate some optional populations states currently cover; and or restrict eligibility in other ways. The American Health Care Act may eventually include a Medicaid block grant.

The goal from any block grant or block grant-like proposal is that the further out you get from passage date, the less the federal government would cover which results in budget savings. In budget lingo, it is called “reducing the rate of growth” a term some use to avoid calling it a cut. TANF has lost more than 32 percent of its value since its 1996 creation. That is why converting some entitlement programs into block grants are appealing to some in Washington. They cut the rate of growth without an immediate reduction. A proposal to block grant child welfare, passed by the House in 1995, would have provided states with a little more than \$5 billion in child welfare funds last year compared to the approximate \$8 billion they drew from Title IV-E and IV-B. With a Medicaid block grant, there will be pressing demands on state budgets as the baby-boomer generation ages. Block grants never keep pace with inflation (*see TANF*) or come under assault later (*see SSBG*), the most vulnerable children will be left behind and in foster care.