

Protect and Strengthen: Medicaid

Medicare guarantees access to health care for older adults and people with disabilities. Together with the Affordable Care Act (ACA) and Medicaid, Medicare builds health security for Americans of all ages. Any changes to these programs must aim for healthier people, better care, and smarter spending—**not paying more for less.**

Some policymakers support efforts to fundamentally restructure and severely cut Medicaid, including by transforming the program from a guaranteed benefit to a per capita cap or block grant system. Block grants and per capita caps are both designed to produce large federal savings over time by shrinking federal funding for state Medicaid programs. This would shift significant costs to states and almost certainly force them to cut Medicaid, placing millions of low-income people at risk of becoming uninsured or underinsured.

How Medicaid works today

- Medicaid covers a diverse population of mostly low-income Americans, including nearly two-thirds of seniors in nursing homes,ⁱ 10 million people with disabilities,ⁱⁱ and 39% of all children.ⁱⁱⁱ
- Through the ACA, some states have expanded Medicaid to cover low-income, non-elderly adults without dependent children.
- Over 11 million people are dually eligible for Medicare and Medicaid.^{iv}
- Medicaid is financed and administered through a federal-state partnership.
- The federal government matches state Medicaid spending based on a statutory formula. This open-ended financing structure allows federal funds to flow to states based on actual costs and needs as economic and other circumstances change.^v
- States have flexibility in how they structure and provide benefits, but they must meet minimum federal standards.
- Medicaid programs vary across states. While federal law specifies a set of “mandatory services” that states must cover, states may offer additional services that federal law designates as “optional.”^{vi}

Medicaid and Medicare: Just the Facts

Over **74 million people** have health care coverage through Medicaid and the Children’s Health Insurance Program (CHIP). This includes people on Medicaid as it existed prior to the ACA and people covered by the ACA’s Medicaid expansion.

Over **11 million people** have both Medicare and Medicaid.

Medicaid covers **many services that are not covered in Medicare**, including long-term care, home- and community-based services, and dental services.

Per Capita Caps and Block Grants

- In a per capita cap or block grant system, the federal Medicaid funds a state would receive would be delinked from the actual cost of providing services—severing the federal-state partnership on which the Medicaid program was built.
 - Under a **block grant**, states would receive a fixed amount of federal Medicaid funding each year, and would be responsible for 100 percent of the costs incurred above this allotment.
 - Under a **per capita cap**, the federal government would pay the state a fixed amount per beneficiary. The state would be responsible for 100 percent of the costs incurred above this allotment.

Medicaid Financing

Today, the federal government pays a fixed percentage of each state's Medicaid costs in providing services to all eligible beneficiaries who apply.

Under a **block grant**, the federal government would pay states a fixed amount to use on Medicaid costs.

Under a **per capita cap**, the federal government would pay states a fixed amount per beneficiary to use on Medicaid costs.

Block Grants and Per Capita Caps are More Alike than Different

- The common goal of block grants and per capita caps is to reduce federal Medicaid spending by shifting costs to states and beneficiaries—putting those who need Medicaid services at risk of sharp cuts to eligibility, benefits, and access.
- Under these financing changes, states would receive a fixed amount of federal funding that would not automatically adjust in times of need or keep pace with inflation, as do current Medicaid rates.
- Most proposals to institute these financing changes would grant states “more flexibility” to administer their Medicaid programs, such as by removing and/or loosening federal requirements on what benefits and eligibility categories states must maintain.
- As a result, states could be free to cut services, impose cost-sharing, roll back eligibility categories, or restrict enrollment through waiting lists or caps.

Older Adults would be at Significant Risk

- As capped Medicaid funding shortfalls grow larger over time, states would have no choice but to cut the most expensive parts of the program in order to curtail costs.
- People could be forced into more restrictive settings. Unlike mandatory services in Medicaid, which states must cover, most home- and community-based services (HCBS) are optional Medicaid benefits that states can more easily roll back.
- Some of those most vulnerable Americans—older adults and people with disabilities—would likely bear the brunt of these cuts, as their health care costs comprise almost half of all Medicaid spending.

¹ Kaiser Family Foundation, Medicaid's Role in Nursing Home Care (June 20, 2017) <https://www.kff.org/infographic/medicaids-role-in-nursing-home-care/>

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- ⁱⁱThe Medicaid and CHIP Payment and Access Commission, People with Disabilities <https://www.macpac.gov/subtopic/people-with-disabilities/>
- ⁱⁱⁱ Georgetown University Health Policy Institute Center for Children and Families, Medicaid's Role for Children (January 2017) <https://ccf.georgetown.edu/wp-content/uploads/2016/06/Medicaid-and-Children-update-Jan-2017-rev.pdf>
- ^{iv} The Centers for Medicare & Medicaid Services, People Enrolled in Medicare and Medicaid (February 2018) https://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/Downloads/MMCO_Factsheet.pdf
- ^v Snyder, Laura and Robin Rudowitz, Medicaid Financing: How Does it Work and What are the Implications? (May 20, 2015) <https://www.kff.org/medicaid/issue-brief/medicaid-financing-how-does-it-work-and-what-are-the-implications/>
- ^{vi} Kaiser Family Foundation, *Medicaid: A Primer* (March 2013) <https://kaiserfamilyfoundation.files.wordpress.com/2010/06/7334-05.pdf>