



The Outlook for Medicaid in 2017: Facing Cuts, Block Grants or Per Capital Caps?

What is Medicaid?

Medicaid is the nation's primary health insurance program for people with disabilities and low-income populations. The program currently covers over 10 million non-elderly people with disabilities.

Medicaid is a lifeline for most people with significant disabilities who generally do not have access to employer-based or other private coverage, have greater medical needs, and often require assistance with activities of daily living throughout their lifetimes. For many people with intellectual and developmental disabilities (I/DD), Medicaid generally is the only source of funds for them to live and work in the community with friends and families and avoid more costly and segregated nursing homes or institutions. Nationwide, state and federal Medicaid together provide over 75% of the funding for services for people with I/DD.

How is Medicaid Currently Structured?

Medicaid is a jointly funded program with matching state and federal funds. The federal government pays for nearly 60 percent of the cost, though the match rate varies from state to state. Under the current structure the federal government has a commitment to help states cover costs, and in turn states are required to provide specific benefits to certain groups of people, including individuals with disabilities.

The federal match varies by state and the rate is based in part on the poverty or economic status of the state's population. The rate ranges from a federal match of 50 percent to a high of up to 74 percent. When a state spends funds on providing eligible beneficiaries with services, then the state is guaranteed reimbursement from the federal Medicaid program at the state match rate. If a state increases its Medicaid spending, the Federal funding will also increase. Within the basic requirements of the program, states have substantial flexibility to administer the program and to add services and additional beneficiary categories.

What is a Medicaid Block Grant?

A block grant is a funding structure that provides states with a set amount of federal money to fund its Medicaid program. A block grant would effectively end the flexible state and federal partnership. States would be responsible for covering the costs beyond the federal allotment. Deep cuts in federal spending on Medicaid and block grants would be a cost shift to already cash strapped states. This may force states to reduce eligibility, limit services and supports, cut reimbursement to providers, or any number of methods to save money in the Medicaid program. In addition to forcing bad choices, block grants are likely to cause substantial conflict as groups with diverse needs compete for scarce dollars.

The need for health care and long term services and supports will not disappear if federal spending is reduced. Many states have waiting lists for services, in some states numbering in the tens of thousands. Without the federal investment, these lists would grow, and those receiving supports would be at risk of a cut in benefits.

Federal policy makers would need to make key policy choices that will determine levels of federal financing as well as federal and state requirements around eligibility, benefits, state matching requirements, and beneficiary protections. A block grant would not adjust to increased coverage needs as the result of an aging population or during bad economic times. Block grants would not adjust to changes in health care, drug costs, or emergencies.

What is a Medicaid Per Capita Cap?

Under a Medicaid per capita cap, the federal government would set a limit on how much to reimburse states per enrollee. Unlike a block grant approach, which provides a fixed amount of federal spending regardless of enrollment, payments to states could reflect changes in enrollment. However, a per capita cap model would not account for changes in the costs per enrollee beyond the cost growth limit. To achieve federal savings, the per capita growth amounts would be set below the projected rates of growth. A per capita cap would have a similar effect on the level of funding available to the state as the block grant approach.

Key Block Grant Message Points

States would likely consider reducing eligibility, limiting services and supports, and/or cutting reimbursement to providers to save money.

It passes the buck to already cash-strapped states.

Waiting lists for services would be worse.

It would not adjust to changes in health care, drug costs, aging of the population, or emergencies.

What is at Stake for People with Intellectual and Developmental Disabilities?

States will receive less federal support to administer Medicaid if either or both of these approaches are enacted into law. While there is no way to be certain about what states would do if faced with block grants and reduced federal funds, we know there will be real life consequences for people with I/DD, such as:

- Losing home and community-based services and supports. Waiting lists would quickly grow and it could create a crisis for the over 730,000 people with I/DD living with aging caregivers.
- Losing other critical services such as personal care, prescription drugs, and rehabilitative services. If funds become more scarce, states may decide to stop providing these services altogether. Medicaid usually is the only way people can get access to durable medical equipment like wheelchairs or prosthetic devices, as well as assistive technology.
- Being forced into unnecessary institutionalization. States could return to the days of “warehousing” people with disabilities in institutions. Federal quality standards would be diminished or eliminated and states might once again see this as an acceptable option, finding it easier or more economical to serve people when they are “all together in one place.”
- Shifting the costs to individuals or family members to make up for the federal cuts. The costs of providing health care and long term services and supports will not go away, but will be shifted to individuals, parents, states, and providers.
- If cost sharing levels are increased, people may be forced to forego lifesaving treatments, therapies, and medical care.
- Losing the entitlement to Medicaid. Currently if a person meets the eligibility requirements (generally poverty, age, and/or disability), he or she is entitled to the services available under the state Medicaid program. People could lose all access to health care services.
- Children will lose valuable screening, services, and therapies if the Early and Periodic Screening, Diagnosis and Treatment benefit is dismantled. Access to these important services enable children to lead healthy and more active lives and continue to live at home with their families.

Be a part of The Arc's Disability Advocacy Network to fight these cuts to Medicaid—[sign up here](#)