

Per Capita Caps vs. Block Grants in Medicaid

Per capita caps and block grants are similar financing mechanisms that legislators have proposed to achieve the same result: dramatic cuts to Medicaid. While the details may differ, all recent proposals for per capita caps and block grants were designed to massively reduce federal funding -- by up to 38% -- for state Medicaid programs, leaving the states and vulnerable individuals to fend for themselves.

Medicaid is our nation's most essential safety net health program, covering older adults, persons with disabilities, pregnant women and children living in poverty, and other populations. For more than 50 years, the federal government and states have shared Medicaid costs, based on actual state health care spending. Under both a per capita cap and block grants, the federal government would step away from the role it has played for those 50 years.

Under a block grant, the federal government would make a capped payment (for the entire Medicaid population) based on a preset formula, and not actual state health care costs. Under a per capita cap, the federal government would also make a capped payment (per enrollee) based on a preset formula, and not actual state health care costs. While the payment methods are slightly different, in *both* cases, the payments to states would be capped, would be less than their actual costs, and worst of all, the state losses would *increase* every year. Over time, states would lose billions of dollars, and faced with budget shortages, they would be forced to cut services for enrollees or simply disenroll them entirely.

The bottom line is that per capita caps and block grants will produce the same results:

- ✗ **Both transform federal Medicaid funding from a payment based on a state's actual health care costs to a capped payment based on a preset formula.**
- ✗ **Both will lead to radical cuts in federal Medicaid funding, effectively resulting in a massive cost-shift onto states.**
- ✗ **Both will lead to states slashing services for older adults, persons with disabilities, pregnant women and children in poverty, and other vulnerable populations.**

