

Health Advocate

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Medicaid Caps: The Threat Below the Surface

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Key Resources

[NHeLP's Protect Medicaid Series](#)

[50 Reasons Medicaid Expansion is Good for Your State](#)

[Fact Sheet: What is Per Capita Cap?](#)

[Fact Sheet: Per Capita Cap Vs. Block Grants in Medicaid](#)

In May 2015, then-candidate Donald Trump tweeted that he “was the first & only potential GOP candidate to state there will be no cuts to Social Security, Medicare and Medicaid.”

Later, at the final presidential debate of 2016, the words “Obamacare,” and “repeal” were mentioned six times. The terms that were never uttered included, “Medicaid,” “block grant,” “per capita” and “voucherize.” Given this history, the repeal of the Affordable Care Act (ACA) has logically been the most newsworthy and central focus of public and media attention on the topic of health care. The repeal of the ACA, however, is the tip of the iceberg.

Just the Tip of the Iceberg

Although it was never mentioned in the debate, and rarely on the campaign trail, President Trump and Republican leaders are actively considering voucherizing Medicare and converting Medicaid financing into a block grant or per capita cap. This Health Advocate focuses on the efforts to undermine Medicaid and the voucherization of Medicare. (The Republican code phrase has been “privatization of Medicare,” which is a misleading term since Medicare has made increasing use of private insurance for the past two decades).

Block grants and per capita caps are financing tools that are being proposed for one simple, explicit reason: to cut federal Medicaid funding. Under block grants or per capita caps, instead of getting the money needed to provide services to state residents, states only get a capped amount of federal support. In a previous [fact sheet](#), we describe how block grants and per capita caps slash federal Medicaid funding and shift impossible costs onto states. They are a radical departure from the payment structure that has been used successfully for more than 50 years. They will cause states to lose billions of dollars and force draconian cuts to health care for older adults, children, pregnant women, and persons with disabilities. To focus only on the repeal of the ACA is to miss the big picture.

Comprehensive coverage depends on Medicaid

Medicaid is an essential ACA building block. If expansion of Medicaid pursuant to the ACA were reversed, then the scope of the ACA would be significantly narrowed. The ACA design *presumes* that low income, childless and non-disabled adults will qualify for Medicaid – which provides a benefit package targeted to low-income people. Coverage includes nursing homes and home supports for adults with disabling and chronic conditions, prescription drugs, and behavioral health services for individuals who need them. The ACA’s Medicaid expansion provision builds upon Medicaid’s essential role as health insurance for low-income older

adults, pregnant women, and children. For example, the children benefit package, again targeted to meet the needs of low-income children, ranges from check-ups, tests (such as lead blood tests), and nutrition services to in-home services and supports for children with medically complex conditions and intensive behavioral health needs.

Medicaid Protects More Americans than Any Other Health Program

In addition, consider the scope of Medicaid. The ACA has resulted in coverage for about 20 million people, considering all sources of coverage. This is a historic achievement that has changed millions of lives. But the day the ACA passed, Medicaid was *already* covering about 52 million people. While the media focuses on the fate of 20 million people, Congress is quietly preparing to attack the coverage of 70 million Medicaid enrollees (the 52 million, plus newer enrollees) behind the scenes.

Those are tens of millions of vulnerable people who, without Medicaid, will likely lose vital health care services and will not be able to afford to purchase coverage out of pocket. In short, block granting or setting a per capita cap in Medicaid will harm a large population of low-income individuals and underserved communities, in addition to the large numbers of people who would be harmed by repeal of the ACA. It is a disservice to Americans to only report on the debate over repealing the ACA and the individuals and families that would be adversely affected by such action.

Medicaid Funds the Entire Health System

Any changes to Medicaid would do broad harm to the health system impacting all Americans. Undoubtedly, the ACA made numerous changes that benefit the health care system more broadly. For example, many hospitals have seen a decrease in uncompensated care costs. While this has helped markets for the past few years, Medicaid has been a pillar for state health systems for over *five decades*. With a block grant or per capita cap, federal Medicaid funding for states would be slashed, meaning that millions of federal dollars would stop flowing to state hospitals, medical providers, and long-term care providers. Meanwhile, more individuals without insurance would show up with untreated conditions at emergency rooms.

Medicaid is also the primary funder of long-term services and supports (LTSS), such as home health aide services, personal care services, nursing facility care, and care planning services. These services are vital to older adults and individuals living with chronic illnesses and/or disabilities. The types of Medicaid funding limits that are being floated by some members of Congress are sure to force states to tighten eligibility for LTSS and the array of services offered.

Clearly the concern is that the changes in Medicaid's financing structure could overwhelm the state health care infrastructure that provides *all* health care. Insurance costs for everyone would increase. In some cases, providers would go out of business. For example, safety-net hospitals located in both rural and urban areas could have a difficult time keeping their doors open.

The Death of Defined Benefits

Perhaps most important, the attack on Medicaid (and Medicare) also threatens one of the most basic yet important features of these programs: the defined benefit.

A "defined benefit" program is one that assures an individual will get certain benefits – in this case, health care services. For the past 51 years, enrollees in Medicaid and Medicare have been guaranteed a defined benefit package. Plans to block grant or cap Medicaid and voucherize Medicare risk transforming the programs into

“defined contribution” programs, meaning the only thing individuals are assured is that the government will make some financial *contribution* towards their health care. There is no guarantee of the actual Medicaid and Medicare services.

In either Medicaid or Medicare, the impact of ending defined benefits is hard to overstate. Imagine an older adult who gets a small voucher to try and buy insurance, instead of the guarantee of coverage. Or a child with a disability who gets up to \$200 in treatments, instead of the certainty of the services he or she needs. It is easy to see how defined contributions will be inadequate as health care costs rise.

The death of the defined benefit in Medicaid and Medicare would mark an end to the health care system as we know it and permanently diminish the government’s role in ensuring access to health care. It would mark a massive regression to the brutal days that preceded the transformational 1965 Medicaid and Medicare legislation.

This is Not a Drill

The daily media debates about the ACA repeal largely ignore the radical changes that are being proposed to Medicaid and Medicare in numerous congressional proposals *right now*. These proposals are under serious consideration by Republicans, who have a majority that could attempt to force them through upon an unsuspecting American public this month, next month, or soon after that. Our message to all advocates and stakeholders is simple: This is not a drill.

While we educate the public about the unconscionable efforts to roll back the ACA, we must ensure that Americans are not lulled into thinking that is the worst of what is being plotted against them. We must deal with the iceberg before it is too late to right the ship.

About Us

The National Health Law Program protects and advances the health rights of low income and underserved individuals. NHeLP advocates, educates and litigates at the federal and state level.

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