

MEDICAID BLOCK GRANTS AND SPENDING CAPS = DEVASTATING CUTS TO HEALTH CARE

A block grant or federal spending cap would likely mean devastating cuts to a program that provides cost-effective health coverage for our country's lowest-income individuals.

- These proposals would shift costs and risks to beneficiaries, participating providers and states.
- The impact would fall most heavily on the most vulnerable – the elderly, people with disabilities, women and children.
- A recent Washington Post-ABC News poll found that 69% of Americans oppose cutting Medicaid.

For over 40 years, Medicaid has provided essential health services for millions of low-income people.

- These benefits, which include care coordination and mental health treatment, are tailored to meet the needs of vulnerable populations and are often not covered by private insurers.
- Medicaid covers 15 million non-elderly, non-disabled adults, most of whom are working parents.

Congress created Medicaid with open-ended federal matching so that states could meet their residents' needs, especially in tough economic times when more people are unemployed and uninsured.

- Through joint-funding, the federal government typically covers between 50-75% of each state's Medicaid costs.
- Medicaid was designed as a counter-cyclical program with the expectation that economic downturns would increase enrollment.
- During the recent recession, Medicaid enrolled an additional 6 million people, providing vital health care services to those who lost coverage when they lost their jobs.

For millions of seniors and people with disabilities, Medicaid is a vital safety net.

- Medicaid provides access to services that Medicare does not cover, such as long-term care in the community or a nursing facility and oral health.
- Medically-necessary services for seniors and people with disabilities account for three-quarters of all Medicaid expenditures.

Approximately 30 million children, 1 in every 3 in the United States, rely on Medicaid's comprehensive pediatric benefit package.

- Medicaid's Early and Periodic Screening, Diagnostic and Treatment services (EPSDT) program provides early detection and treatment of health problems affecting low-income children.
- Early intervention and treatment enables these children to grow up healthy and lead productive lives.

The average cost per Medicaid beneficiary is significantly *lower* than under private insurance.

- In 2007, the estimated annual per capita cost of Medicaid coverage was \$2,100 for a child and

\$2,500 for an adult. The cost of private insurance coverage is, on average, 29.5% higher.

- The average cost per Medicaid enrollee has been rising *less* rapidly than the average cost for a privately insured person.
- Medicaid is more efficient than private insurance – costs to administer the program are only 4.5% of total expenditures compared to 16-26% for private insurers.

Block granting or a federal spending cap would underfund Medicaid.

- If Medicaid were converted to a block grant, states would get a fixed federal amount to spend, instead of the current matching structure where states receive funds for each enrollee.
- The budget proposal passed by the House of Representatives would fund a block grant well below current Medicaid expenditures. The Congressional Budget Office (CBO) estimates that federal Medicaid spending would be 35% lower in 2022 and 49% lower in 2030. The underfunding would worsen with each year, resulting in ongoing financial pressure on states.
- A proposal by Senators McCaskill and Corker would limit total federal spending to a percentage of the gross domestic product, and would not exempt Medicaid from automatic spending cuts necessary to adhere to this cap. In dollar terms, the biggest cuts by far under this proposal would come from Social Security, Medicare and Medicaid.

With inadequate federal funding, states will be forced to absorb additional costs or drastically cut enrollment and/or services.

- Under a block grant or spending cap, states would have to either limit enrollment or be forced to cover any costs associated with additional enrollees without help from the federal government. Regardless of any increase in the number of people eligible for Medicaid, the amount of federal funding would be capped.

States already have significant flexibility over their Medicaid programs.

- States currently have considerable flexibility in defining the scope and amount of benefits, choosing delivery care models including managed care, and adjusting how providers and plans are paid.
- Despite arguments by proponents that block granting will give states more “flexibility,” in fact much of the existing flexibility will diminish as federal funds are drained from the state’s revenue streams leaving them with fewer dollars to cover essential services.

Let’s not confuse the issues: a block grant or spending cap saves the federal government money by reducing care and by shifting costs and risks to states and ultimately to people in need.