Per Capita Caps vs. Block Grants in Medicaid

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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, prior legislative 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 underserved individuals to fend for themselves.

Medicaid is our nation's most essential safety net health program, covering older adults, persons with disabilities, pregnant people and children living in poverty, people of color, and others. For nearly 60 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 grant, the federal government would step away from the role it has played.

Under a block grant, the federal payment for the entire Medicaid population would be capped based on a preset formula, and not actual state health care costs. Under a per capita cap, the federal government's payment per enrollee would also be capped based on a preset formula. While these payment methods are slightly different, in *both* cases, the payments to states would be capped, would be less than needed to pay for their actual costs, and worst of all, the difference between a state's actual costs and the federal funding 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 or simply disenroll people 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 people and children in poverty, and other underserved populations.**