

Medicaid Per Capita Cap Has Same Damaging Effects as Block Grant

| Feature | Block Grant | Per Capita Cap | Impact |
|--|---------------------------------------|-------------------------------------|--|
| Caps Medicaid funding in order to cut federal spending. | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <ul style="list-style-type: none"> • Both radically restructure Medicaid financing by capping federal funding: per capita cap provides fixed, arbitrary funding per beneficiary, disconnected from need; block grant provides fixed funding for Medicaid overall. • States responsible for 100 percent of costs above fixed federal funding level. • Both produce federal savings by giving states less funding than under current system, with cuts growing each year. |
| Forces states to pay entire cost of unanticipated cost increases. | <input checked="" type="checkbox"/> * | <input checked="" type="checkbox"/> | <ul style="list-style-type: none"> • Today, federal funding rises when needs rise due to new disease, public health crisis (like opioid epidemic) or new costly treatment. Under per capita cap or block grant, states would bear all such additional costs. • Both block grant and per capita cap make states wholly responsible for cost increases as seniors move from young-old age to old-old age and need more health and long-term care services. |
| Makes states vulnerable to deeper cuts in future. | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <ul style="list-style-type: none"> • Arbitrary spending limits make it easy for Congress to ratchet down funding over time to produce additional savings for other priorities. |
| By shifting costs to states, leaves states holding the bag and having to make increasingly deep Medicaid cuts. | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <ul style="list-style-type: none"> • States would have to raise taxes, cut education and other services, or (most likely) impose increasingly harmful Medicaid cuts in eligibility, benefits, and provider payment rates. • States would take blame for cuts' impact, such as reduced coverage and access to needed care, lower reimbursement rates for providers, and higher uncompensated care costs. |
| Expands states' flexibility only to cut program in response to federal funding reductions. | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <ul style="list-style-type: none"> • States already have expansive flexibility in their Medicaid programs. • Medicaid is efficient already, costing much less per enrollee than private insurance and growing much more slowly. States couldn't |

**Including when enrollment rises in recessions*

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| | | | <p>absorb large funding cuts without cutting coverage or provider payments.</p> <ul style="list-style-type: none"> States likely would only be given flexibility to cut eligibility and benefits in ways that federal law doesn't permit now. |
| <p>Inhibits flexibility and innovation, including efforts to cut costs while improving care.</p> |  |  | <ul style="list-style-type: none"> Federal government now partners with states on upfront investments in reducing long-term health care costs while improving quality, such as by better coordinating care for people with chronic conditions. Under both per-capita cap and block grant, federal government would no longer match state investments, discouraging innovation and improvements. |
| <p>Harm state budgets, providers, economy.</p> |  |  | <ul style="list-style-type: none"> Medicaid is by far states' biggest source of federal funding, so federal cuts under per capita cap or block grant would squeeze state budgets. With more uninsured patients and lower payment rates, hospitals and other providers — especially rural and safety net providers — would face higher uncompensated care costs and more unpaid medical debt, squeezing them financially. Because Medicaid improves children's long-term health, educational attainment, and earnings, per capita cap or block grant would cause long-term damage to state economies. |

Bottom Line: While some have presented a Medicaid per capita cap as a compromise option compared to a block grant, they share virtually all of the same damaging impacts.