



## Medicaid Block Grant Option Puts New Waiver Coverage at Risk

On January 30, 2020, The Centers for Medicare and Medicaid Services announced a new option for states to adopt block grant or per capita cap funding for the expanded Medicaid population. Georgia submitted a Medicaid 1115 waiver on December 23, 2019 that would partially expand Medicaid to some adults with incomes below the poverty line. The federal government would pay for at least 67 percent of the costs associated with covering this new group. If Georgia were to change the funding system from the current matching system into one based on block grants or one that is capped per enrollee, this would threaten to squeeze Georgia's budget in coming years. Replacing the existing system with either one endangers health care innovation in Georgia and shrinks the number of people receiving coverage through the Medicaid waiver over time.

Medicaid benefits are funded through a state and federal government partnership. The state manages the program in accordance with federal guidelines, and the federal government provides about two-thirds of the funding. In the 2021 state budget year, for every dollar Georgia spends on Medicaid the state receives \$2.03 in federal money. When Medicaid enrollment grows or a state experiences higher costs due to natural disasters or new medications, the federal government increases the amount it pays for the state's Medicaid program. So, states do not bear the full costs of managing program growth and other unexpected changes. The federal share changes each year based on average income in the state. This means that if state residents are not doing as well economically, the state can save money on Medicaid spending compared to the prior year.

The block grant option does not apply to Georgia's current Medicaid program. But if the state chooses to apply this option to its Medicaid waiver, it would result in a waiver program that covers fewer people and puts more risk on the state to keep it funded. The table below compares Medicaid's current funding structure with the option to shift to a block grant or per-capita capped system.

Current Medicaid Structure	Block Grants	Per Capita Caps
Federal government pays for a <i>percentage</i> of the state's Medicaid spending	Federal government pays a <i>fixed amount</i> to the state to cover Medicaid spending	Federal government pays a <i>fixed amount per enrollee</i> to the state to cover Medicaid spending
State can draw down more federal money as both program enrollment and health care costs rise	State cannot leverage more federal money beyond the fixed amount and higher costs are shifted to the state	State can leverage more federal money to cover higher enrollment, but not higher health care costs
Health coverage <b>is guaranteed to all eligible Medicaid enrollees</b> , as the federal share adjusts to help states when need grows	Health coverage <i>can be reduced or cut</i> if the state is short money to cover costs above the block grant amount	Health coverage <i>can be reduced or cut</i> if the state is short money to cover costs above the capped amount
State innovation (e.g. efforts to reduce costs & improve quality) can be matched with federal money	State investments in health care innovation will no longer be matched with federal money	State investments in health care innovation will no longer be matched with federal money

## **Block Grants Reduce Federal Funding, Shifting Costs to the State**

The block grant Medicaid funding system proposes to change federal government payments from a percentage of a state's Medicaid waiver program to a fixed amount. If the state's Medicaid waiver spending grows under a block grant system and the fixed federal contribution is not enough to cover the increase, the state is left to cover the new costs. The resulting strain on Georgia's budget means state lawmakers would have to choose among cutting services, reducing reimbursement rates or denying health coverage to eligible Georgians. Block grants reduce federal funding over time, leaving states with less federal money to help pay for their Medicaid benefits. A significant share of the costs will be shifted to states even if federal cuts are slowly phased in and states will lose a way to receive federal help to ensure all eligible residents and services are covered.

## **Per-Capita Caps Also Leave States on the Hook for Rising Costs**

Per-capita-caps propose to assign a fixed amount of money for each enrollee. This system offers adjustments as enrollment numbers change but does not account for the risk that states face higher health care costs than they expected. Setting a cap on each Medicaid waiver enrollee puts an arbitrary limit in place that is not responsive to the actual cost of providing health care to vulnerable Georgians. For example, the average health care costs for older Georgians will rise as the population ages and a capped program would make the state wholly responsible for these types of demographic changes. States would also be stuck with other higher-than-expected costs, including epidemics and the introduction of new medical treatments.

## **Children, People with Disabilities and Older Georgians Would Not Be Left Unharm**

Georgia's Medicaid program covers almost 2 million people and most of them are children, seniors and people with disabilities. Although the new block grant guidance does not apply to the traditional Medicaid population, these groups could still be affected by these changes. Because only adults receiving federal disability assistance are excluded from the block grant option, about 5 million people with disabilities who do not receive this assistance could be subject to these proposed waiver changes. Children are also likely to be affected by their parents being subject to these waivers. When parents lose coverage, it affects children as their parents go without care they need. It also leaves children more likely to go without insurance. And older adults who have not yet reached the age for Medicare eligibility could also be affected by this new proposed waiver option.

*Both per-capita caps and block grants remove Georgia's flexibility to innovate and instead turn the focus to short-term cuts to benefits and provider payments. Medicaid waivers, on the other hand, can provide federal matching dollars to test innovative approaches to Medicaid payment and health care delivery. Federal waivers allowed Georgia to expand access to community-based services for older residents and people with developmental disabilities. Georgia also used a waiver to reduce the state's high rate of low-birth weight babies through the Planning for Healthy Babies program. Georgia's investments in innovation stand to lose federal financial support under a per-capita cap or block grant.*