WIPFLI LLP
CPAs and Consultants
HEALTH CARE PRACTICE

# RHC Conference

## Rural Health Legislative Update
## Medicaid Block Grants

Presented by:
Jeff Bramschreiber, CPA, Partner

March 16, 2017

## Medicaid Block Grants

Medicaid provides health and long-term care coverage to more than 70 million low-income children, pregnant women, adults, seniors, and people with disabilities in the United States. The program represents $1 out of every $6 spent on health care in the US and is the major source of financing for states to provide coverage to meet the health and long-term needs of their low-income residents. Medicaid is administered by states within broad federal rules and jointly funded by states and the federal government.

WIPFLI
HEALTH CARE PRACTICE

 2

## Medicaid Block Grants

**What Medicaid Financing Changes are currently being considered?**

President Trump and other GOP leaders have called for fundamental changes in Medicaid financing that could limit federal financing for Medicaid through a block grant or a per capita cap. Unlike current law where eligible individuals have an entitlement to coverage and states are guaranteed federal matching dollars with no pre-set limit, the proposals under consideration could eliminate both the entitlement and the guaranteed match to achieve budget savings and to make federal funding more predictable.

 3

## Medicaid Block Grants

Figure 1

**A block grant or per capita cap would be a fundamental change to Medicaid financing.**

| | Current Medicaid Program | Block Grant | Per Capita Cap |
|---|---|---|---|
| Coverage | • Guaranteed coverage, no waiting list or caps | • No guarantee (can use wait lists or caps) | • May be guaranteed for certain groups |
| Federal Funding | • Guaranteed, no cap<br>• Responds to program needs (enrollment and health care costs)<br>• Can fluctuate | • Capped<br>• Not based on enrollment, costs or program needs<br>• Fixed with pre-set growth | • Capped per enrollee<br>• Not based on health care costs and needs<br>• Fixed with pre-set growth per enrollee |
| State Matching Payments | • Required to draw down federal dollars<br>• Federal spending tied to state spending | • Unclear<br>• Federal spending not tied to state spending beyond cap | • Unclear<br>• Federal spending not tied to state spending beyond per enrollee cap |
| Core Federal Standards | • Set in law with state flexibility to expand | • Uncertain what the requirements would be to obtain federal funds | |

 4

## Medicaid Block Grants

**How would a block grant work?**

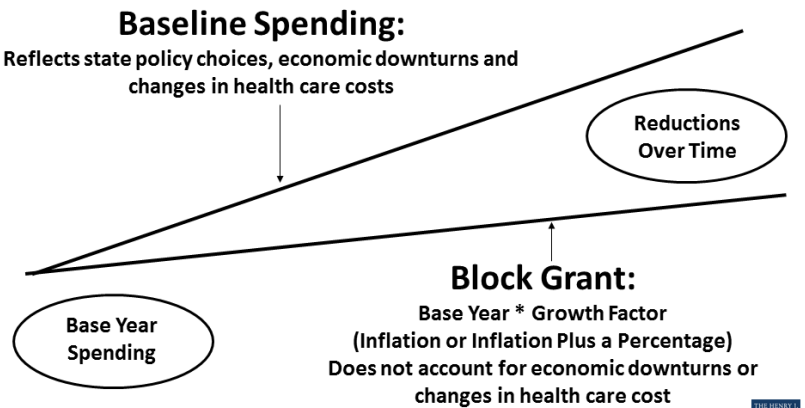
Under a block grant, states would receive a pre-set amount of funding for Medicaid. Typically, a base year of Medicaid spending would be established and then the cap would increase by a specified amount each year, typically tied to inflation or inflation plus some percentage. To generate federal savings, the total amount of federal spending would be less than what is expected under current law. Under current law, federal Medicaid spending matches states spending for eligible beneficiaries and services without a pre-set limit. If state spending increases due to increased enrollment or program costs, then federal spending increases as well.

 5

## Medicaid Block Grants

Figure 2

**Under a block grant, reductions in federal spending are obtained by setting caps below expected spending.**




 6

## Medicaid Block Grants

**How would a per capita cap work?**

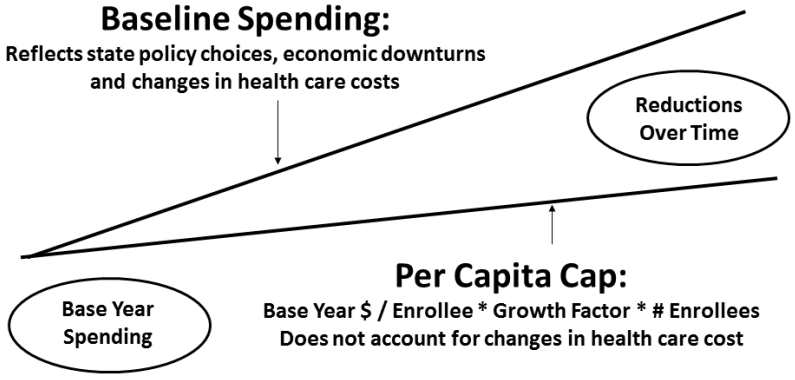
Under a per capita cap, federal funding per enrollee would be capped. A base year of per enrollee spending would be determined and then that amount would increase over time by a pre-set amount (i.e. inflation or inflation plus a percentage). These per enrollee caps could be determined for all enrollees or separate caps could be calculated based on broad Medicaid coverage groups (children, adults, elderly and people with disabilities). States would receive the sum of the per enrollee amounts multiplied by the number of enrollees in each group. To achieve federal savings, per enrollee spending would be set to increase slower than expected under current law. Although this approach adjusts for enrollment it would still not address increases in health costs or changes in technology that increase per enrollee spending.

 7

## Medicaid Block Grants

Figure 3

**Under a per capita cap, reductions in federal spending are obtained by setting caps below expected spending.**




 8

## Medicaid Block Grants

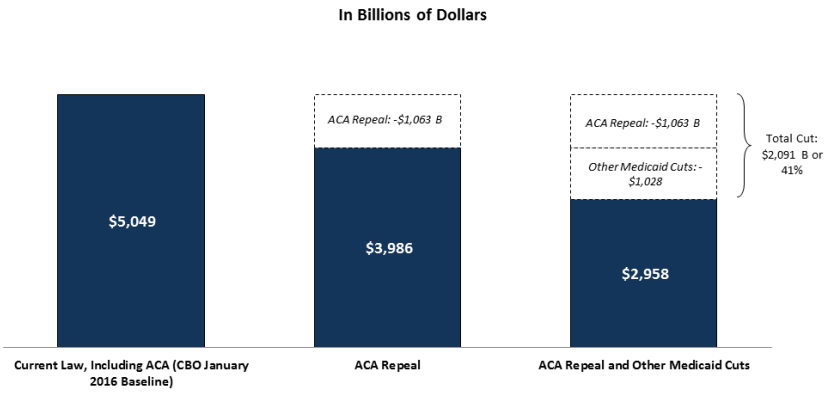
Medicaid accounts for over half of all federal funds spent by states. Some proposals dating back to the House Budgets in 2011 and 2012 and the House Budget from 2016 included cuts of about 40% (including the ACA repeal and Medicaid caps in federal spending) over a ten year period.

 9

## Medicaid Block Grants

Figure 4

**The budget resolution from March 2016 would have reduced federal Medicaid spending by 41% over the 2017-2026 period.**




Source: Kaiser Program on Medicaid and the Uninsured Estimates of the House Budget Committee Budget Resolution from March 2016 using the CBO January 2016 Baseline and Estimates from the Federal Subsidies for Health Insurance Coverage for People Under Age 65: 2016 to 2026 for the Medicaid ACA Estimates

 10

## Medicaid Block Grants

**What are the implications of a block grant or a per capita cap?**

These financing designs could lock in historic spending patterns and variation in Medicaid spending across states.

There is significant variation in Medicaid spending across states due to a number of factors including state policy decisions, but also state revenues, health care markets, and the demographics and demand for Medicaid services. Determining a base year and allowing for a fixed amount of growth would lock-in these historic variations in spending; however, alternatives to move to more uniform spending could result in redistributions of federal spending across states.

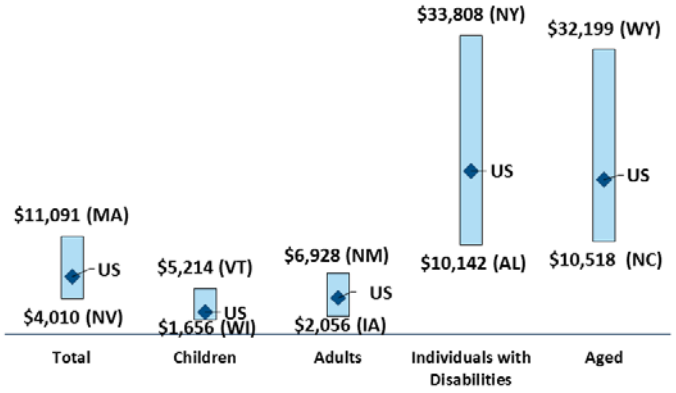
 11

## Medicaid Block Grants

Figure 5

**A per capita cap could lock in historical state differences or redistribute federal funds across states.**

Per capita spending by enrollment group




NOTE: Spending per capita was calculated only for Medicaid enrollees with unrestricted benefits or those enrolled in an alternative package of benchmark equivalent coverage. Outliers are included in the figure, but not marked as outliers.
SOURCE: KCMU and Urban Institute estimates based on data from FY 2011 MSIS and CMS-64 reports.

 12


Questions?
WIPFLI
HEALTH CARE PRACTICE
© Wipfli LLP

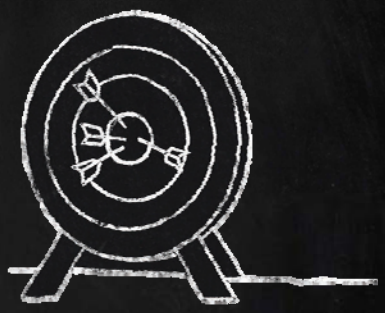

Thank you!
WIPFLI
HEALTH CARE PRACTICE
© Wipfli LLP 14

## Today's Presenter:

Jeff Bramschreiber, CPA
Partner, Health Care Practice
920.662.2822
jbramschreiber@wipfli.com

WIPFLi LLP
CPAs and Consultants
HEALTH CARE PRACTICE

wipfli.com/healthcare



WIPFLi LLP
CPAs and Consultants
HEALTH CARE PRACTICE

wipfli.com/healthcare

16