

How the House GOP healthcare plan would restructure –and deeply cut– Medicaid by enacting a “per capita cap”

Summary: The House Republican bill to overhaul the Affordable Care Act, known as the American Health Care Act (AHCA), would not only roll back Medicaid expansion, but it would also **end Medicaid’s guarantee of coverage by capping and sharply cutting federal Medicaid funding** for seniors, people with disabilities, and families with children.

It would impose a per capita cap — a limit on per-beneficiary federal funding — on virtually the entire federal Medicaid program.

Why restructure Medicaid spending into a per capita cap program?

- **The biggest reason is cost savings. Switching to a per capita cap is a federal cut of about \$116 billion to Medicaid over 10 years.**
- In 2015, Medicaid **accounted for 17 percent** of the nation’s health care expenditures.
- **The 75 million people covered by Medicaid make up almost a quarter of the U.S. population**, including the 10 million who were added to the program in 2010 under the ACA.
- **Most of the program’s spending is on the elderly and disabled.** Indeed, almost two-thirds of people in nursing homes pay for their care using Medicaid.

How is Medicaid structured now?

- Because it is an **entitlement program, everyone who qualifies is guaranteed coverage and states and the federal government combine funds to cover the costs.** Currently, the federal government matches state spending on Medicaid, offering about \$1 to \$2.79 for every dollar states spend on it. Poorer states pay a smaller share of the combined cost than wealthier states.
- **The federal funding is open-ended –that is, not capped, but in return, states must cover certain services and people** such as children, pregnant women who meet income criteria and parents with dependent children.

The GOP plan would change all that.

- Starting in 2020, **rather than matching state Medicaid spending, the AHCA would give each state a set amount of money per person.** The amount would grow from year to year according to the medical component of the Consumer Price Index, to account for inflation.
- Because the medical component is growing more slowly than Medicaid costs are expected to grow,

What would be the likely result?

The federal funding cuts proposed in the House plan would force states to

- restrict eligibility,
- reduce the services Medicaid covers,
- cut payments to hospitals and other providers, or, most likely,
- a combination of all three approaches to rationing care.

How does a per capita cap system differ from a block grant?

A block grant gives a state a big lump of cash that is based on the state and federal Medicaid spending in that state, leaving it to the state to spend as it chooses. A per capita cap, on the

other hand, is at least somewhat responsive to changes in Medicaid enrollment. But it could lead to cuts in some other ways. A state like Florida, which has a large senior population, could see costs rise fast as its population ages with time. But a **per capita cap wouldn't keep up with that.** Florida might be motivated to kick off older seniors and focus enrollment on younger ones.

There are some federal requirements as to who states must cover, but they only go so far, and **most states now provide additional coverage that they will be able to roll back under the House GOP plan.** States must cover people on Supplemental Security Income — a program for disabled, elderly, and blind people with low incomes, for example.

A per capita cap would also cause problems if a new, expensive, but necessary drug comes on the market, or an epidemic hits. For instance, the opioid epidemic has taxed state Medicaid programs, as more patients need treatment for substance use disorder. Today, **an increase in need leads to an automatic increase in federal funds flowing to states. But the Republican plan would halt that and put the whole burden on states.**

The bottom line is that the Republican health plan would result in massive cuts. And since Medicaid is an exceptionally lean program, which grows in costs much more slowly than private insurance or Medicare, there's not just room to cut by getting more efficient. **Cuts to the program basically result in either enrolling fewer people or giving them worse coverage.**

Who opposes capping federal Medicaid funding?

- The AARP
- The American Medical Association
- The American Hospital Association
- The Center for Medicare Advocacy
- The Democratic Governors Association

Large portions of a per capita cap or block grant proposal could be achieved through **budgetary reconciliation.** That parliamentary procedure allows certain financial bills to pass by a simple majority of 50 plus one, in order to facilitate tricky budget legislation. That means it could pass without Democrat support, even in the Senate, since it would only require 51 votes.

Sources

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