



Block Grants: A Bad Idea for Medicaid

Medicaid

Turning Medicaid into a block grant is not a new or innovative idea—it is just another way to cut Medicaid. Block granting Medicaid would ultimately mean cuts in services to people who need health care the most. It would also put states completely on the hook for unanticipated health care costs—instead of sharing the risk of higher Medicaid spending with the federal government.

Medicaid Block Grants Put States and Medicaid Enrollees at Risk

A “block grant” is a fixed amount of money that the federal government gives to a state for a specific purpose. If Medicaid was turned into a block grant, the federal government would set its Medicaid spending amount in advance. That amount would presumably be based on some estimate of state Medicaid costs, but most block grant proposals start with significant reductions in federal Medicaid support.

Once the amount is set by the federal government, it will not change, even if a state’s actual program costs are greater than the allotted amount. If a state’s costs exceed the amount of the block grant, it will have to use its own funds to make up the difference or, more likely, cut services for low-income residents, including children, seniors, and people with disabilities.

Medicaid Block Grants Don’t Give States More Flexibility

States already have a lot of flexibility in their Medicaid programs. They have flexibility in

- » the services covered
- » the way health care providers are paid for those services
- » how services are delivered, such as whether managed care is used and how managed care contracts are structured
- » eligibility levels¹

Each state can design a program that fits its particular health care system and that best meets the needs of its residents.

If a block grant proposal includes reductions in federal Medicaid spending, as most do, states will start out with less federal funding than they have now. States will have to either make up

that lost funding or cut insurance benefits or program eligibility. At the end of the day, the only real “flexibility” a Medicaid block grant would give states is the flexibility to decide how to make up Medicaid funding shortfalls: which services to cut, which hospital or doctor payments to cut, which taxes to raise, or which non-health care programs to cut.

Medicaid Block Grants Would Make It Harder for States to Serve Their Residents

The federal government has been a reliable partner for state Medicaid programs since Medicaid was created in 1965. The federal match rate for the traditional Medicaid program

is always at least half of all Medicaid costs, and for the Medicaid expansion population, it is much higher. This structure insulates states from unexpected cost increases and ensures coverage for low-income residents.

The current federal Medicaid funding structure also helps states provide better health insurance to their residents than they could do on their own. States can do more to help kids get a healthy start in life, provide long-term and home care to seniors and people with disabilities, and provide health care to pregnant women and low-income working families. Turning the program into a block grant would put states—and their residents—at risk.

Turning Medicaid into a block grant would put states and Medicaid enrollees at financial risk, and it would make it harder for states to serve their residents’ health care needs. There is no reason for politicians to change a federal funding structure that has worked well for more than 50 years.

Endnotes

1 All states must cover several specific groups of people, including low-income children, pregnant women, and certain seniors and people with disabilities. But states have significant flexibility in the coverage they provide to other adults and in the eligibility levels they set for the remaining seniors and people with disabilities.

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