

Medicaid Funding Caps Will Harm Older Americans

Republicans in Congress are proposing to starve the Medicaid program financially, permanently ending the longstanding and important policy of providing enough money to meet beneficiaries' needs. Republicans' Senate bill would cap federal Medicaid spending and tie further Medicaid spending to a below-market inflation rate. In response to insufficient federal funding, states will be forced to cut eligibility and services.

Much of the burden of these cuts would fall on older Americans. Each year, over six million older Americans rely on Medicaid for necessary health care services. If an older American loses physical or mental strength, Medicaid is the primary payer for necessary at-home assistance or nursing home care.

Capped Funding Will Financially Starve State Medicaid Programs

- ➔ **Huge Decrease in Federal Funding.** The Congressional Budget Office estimated, in evaluating an earlier version of the bill, that states would lose over **\$800 billion in federal funds in the next 10 years, equating to a 25 percent cut to the states' Medicaid programs in the final year of that period.**
- ➔ **Insufficient Funding.** Under the Republican bill, federal Medicaid payments to a state would be limited by a cap based on the state's past Medicaid spending. Year to year, the cap would be set to grow at a rate that would fail to keep up with the actual growth rate in Medicaid costs.
- ➔ **Rationed Care.** Because of insufficient funding, states will be forced to limit eligibility and deny coverage — in effect, rationing care.
- ➔ **Cap Mechanism Unfair to States.** Caps are one-sided — state Medicaid programs always lose. States that spend above their cap must repay the federal government, but states receive no credit for spending under the cap.
- ➔ **Failure to Account for Aging Population.** A state's cap would be unfairly tied to the state's baseline years, even as the state's population ages. An aging population might have considerable impact on health care costs. Medicaid costs for persons age 85 and over are 2.5 times higher than the average costs for persons age 65 to 74. This increase in costs would frequently lead to a state funding shortfall under the Republican bill: most states will see their over-85 population increase by at least 25% from 2025 to 2035.

Older Adults Will Lose Vital Health Care Services

Over two-thirds of all Medicaid spending on older adults who receive full benefits from Medicaid is for at-home care or nursing home care. The Republican bill threatens these programs.

- ➔ **Losing At-Home Assistance.** State Medicaid programs have made admirable progress in helping older adults to remain living at home: of older Medicaid beneficiaries who cannot live independently, over half live in the community, rather than in a nursing home or other institution. The Republican bill's capped funding would jeopardize this progress. Most at-home services are "optional" under federal Medicaid law, and capped federal funding will force states to limit or eliminate "optional" programs. As a consequence, many older Americans will lose the daily assistance that they need, or encounter waiting lists for these vital services.
- ➔ **Losing Coverage for Nursing Home Care. 62% of nursing home residents rely on Medicaid.** For the vast majority of these 850, 000 nursing home residents, Medicaid coverage is provided through an eligibility category that is "optional" under federal Medicaid law. As states face insufficient funding, they will look for optional categories to cut, putting nursing home residents at particular risk.
- ➔ **Losing Access to Health Care Providers.** To cut expenses under a funding cap, state Medicaid programs are likely to reduce reimbursement rates paid to health care providers. Because Medicaid rates already are low in comparison to other payers, these cuts likely will drive some providers from the Medicaid program and cause others to accept fewer Medicaid patients.

For more information, see our issue brief [*Health Care on the Chopping Block: How Older Americans Will Suffer Under Senate Republicans' Proposal to Cap Medicaid Funding.*](#)