Medicaid Funding Caps Would Harm Older Americans

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Current "Cap" Proposals

Recent months have seen increased discussion of proposals to remake Medicaid and cap federal Medicaid payments to states. Under these proposals, the federal government would provide either block grants or per capita payments to states, and states would have broad discretion to set their own Medicaid standards. All of these proposals are designed to save federal money, and would impose rigid limits on the amount of federal money available to states. For example, the Fiscal Year 2017 House Budget proposal included capped Medicaid funding and a $1 trillion cut to Medicaid over 10 years.[1] By 2026, Medicaid funding would decrease by 33% from what is required under current law.[2] This level of budget cutting, whether imposed through a block grant or a per capita cap system, would necessitate an equally significant diminution in health care availability and quality. States would be forced to either cut current services to the bone, or devise their own shrunken Medicaid standards, without regard to medical necessity and the many existing Medicaid rules that protect beneficiaries.

Medicaid Today

The Medicaid program provides for medically necessary health care that low-income older Americans otherwise cannot afford. Over six million older Americans rely on Medicaid every year.[3] Medicaid coverage is particularly important for older persons who need services not covered—or not adequately covered—by Medicare. As a result, Medicaid is vital for older persons who can no longer live independently. The long-term assistance that they need, whether provided at home or in a nursing home, can be covered by Medicaid but not by Medicare.

Medicaid programs combine federal and state funding. Federal Medicaid law sets certain basic standards, with states having discretion to add additional services or eligibility categories. In addition, federal law authorizes further flexibility for state innovation and experimentation. Such flexibility is often granted through waivers—for example, through home and community-based services (HCBS) waivers or demonstration waivers. The current level of flexibility enables states to innovate without losing federal funds or decreasing consumer protections.

1 Committee on the Budget of the U.S. House of Representatives (Chairman Tom Price, M.D.), A Balanced Budget for a Stronger America: Fiscal Year 2017 Budget Resolution, at 48-49.

2 Edwin Park, Medicaid Block Grant Would Slash Federal Funding, Shift Costs to States, and Leave Millions More Uninsured, at 2 (Center on Budget and Policy Priorities 2016), available at cbpp.org/research/health/medicaid-block-grant-would-slash-federal-funding-shift-costs-to-states-and-leave.

3 Molly O'Malley Watts et al., Medicaid Financial Eligibility for Seniors and People with Disabilities in 2015, Figure 2 (Kaiser Family Foundation 2016), available at kff.org/medicaid/report/medicaid-financial-eligibility-for-seniors-and-people-with-disabilities-in-2015/.

How "Cap" Proposals Would Harm Low-Income Older Americans

Proposals to cap Medicaid funding to states, either through block grants or per capita caps, place health care for low-income older Americans at risk. Federal payment for Medicaid would drop sharply, resulting in fewer services for everyone who relies on Medicaid, including older adults, who account for over 22% of all Medicaid spending.[4] Simultaneously, numerous federal protections would evaporate, because states would receive federal monies with relatively few requirements. Older Americans would be harmed by lost eligibility and services, unaffordable financial obligations, and a lessened quality of care.

1. Loss of Eligibility and Services

- If implemented, the "cap" proposals would decimate Medicaid's current guarantee of adequate and affordable care. Persons eligible under current rules could lose coverage due to restricted eligibility standards and/or capped enrollment.
- The Medicaid program establishes certain services as mandatory—these include hospital inpatient and outpatient services, and nursing home services. If these mandatory services were no longer required, each state would be free to select its own package of services and to exclude even the vital services that currently are considered mandatory.
- Under the dramatic funding cuts anticipated by current "cap" proposals, states would be under tremendous pressure to reduce home and community-based services or tighten eligibility criteria to serve fewer people.
- Access to services could be diminished as provider rates fall to inadequate levels in response to decreased federal funding and oversight.

2. Unaffordable Financial Obligations

- Current law allows beneficiaries to retain a home, and protects spouses from being completely impoverished by the expense of caring for a person who can no longer live independently. These financial protections could disappear under the "cap" proposals.
- Low-income older Americans risk being saddled with unaffordable bills. Current law limits Medicaid providers from charging more than certain amounts, but those federal protections could disappear.
- Persons eligible for both Medicaid and Medicare may face unaffordable Medicare cost sharing obligations. Current law requires Medicaid programs to cover Medicare cost sharing, but this requirement could disappear under current proposals.

3. Lessened Quality of Care

- The federal Nursing Home Reform Law has maintained nationwide nursing home standards since 1990, but those standards would not necessarily apply under the "cap" proposals.

Read the full version of this Issue Brief here.

4 CMS, National Health Expenditures by Age and Gender, Table 3, available at cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Age-and-Gender.html.