Lead the Way

Medicaid Per Capita Caps

Policy Goals and Evidence

Trinity Health is one of the largest multi-institutional Catholic health integrated care delivery systems in the nation, serving diverse communities that include more than 30 million people across 22 states. We are building a health system that puts the people we serve at the center of every behavior, action and decision. This brings to life our commitment to be a compassionate, transforming and healing presence in our communities. We advocate for public policies that support better health, better care and lower costs to ensure affordable, high quality, people-centered care for all.

Goal

As Trinity Health assesses potential state per capita cap proposals to restructure Medicaid financing it is important to review the pros and cons, including the impact on coverage and access to affordable, high-quality, people-centered care.

Background & Purpose

Currently, the federal government pays a percentage of state Medicaid costs called the Federal Medical Assistance Percentage (FMAP). On average this equals 57 percent of the cost of care for the state's Medicaid beneficiaries. While the percentage is fixed, the amount of the payment can fluctuate with changes in enrollment, benefits or other factors. Under a per capita cap proposal, federal funding to states would be calculated based on the number of individuals covered multiplied by the per capita rate for a given group of beneficiaries. Federal funding would be capped at the per capita rate and would increase based on an annual inflationary update, regardless of the cost of care. This approach would adjust for population growth, but would limit spending per beneficiary. Under a per capita cap proposal, states could receive additional flexibilities to help manage care (i.e. limiting benefits or services). The table below provides the "pros" and "cons" of using a per capita cap financing approach, based on available research and evidence.

Testing Per Capita Caps Via Section 1115 Waivers

In January 2020, the Centers for Medicare and Medicaid Services (CMS) released the "Healthy Adult Opportunity" (HAO) guidance on how states may use a Section 1115 demonstration waiver to implement a per capita cap or block grant to finance Medicaid programs for certain adults. CMS outlined flexibilities for states to test under this approach, such as conditions of eligibility (e.g. work requirements), customized benefit packages, or alternatives to compliance with statutory managed care provisions. As of July 2020, Oklahoma is the only state to have submitted an HAO waiver to CMS. The state proposed a per capita cap financing model for certain beneficiaries, which could transition to a block grant after two years if certain outcomes goals are met.

Policy	Pro[1]	Con[2]
Implementing a Per Capita Cap Financing Approach	• Potential for flexibilities to manage care, while receiving predictable federal funding. • Incentives to manage per beneficiary costs could encourage innovation. • Likely to increase federal savings.	• Increased pressure to manage spending could result in limiting eligibility, enrollment or benefits. • Could lead to increased cost-sharing or lower provider rates, creating barriers to access and care. • No mechanism to adjust funding for economic or public health crises or increased costs of care.

- **Overall Takeaway:** Under per capita caps, states will likely face reduced federal funding that does not adjust for unexpected health or economic crises. In response to greater fiscal pressures, states are likely to implement limitations in eligibility, enrollment, benefits and decrease provider rates or access.
- **Trinity Health Supports** financing approaches that can adjust in response to unanticipated public health crises or national economic events, include adequate inflationary updates, and ensure access to coverage and care.

Supporting Research: 1. Goodman-Bacon, Andrew J, et al, "Per Capita Caps in Medicaid — Lessons from the Past" New England Journal of Medicine. 2. Goodman-Bacon, Andrew J, et al, "Per Capita Caps in Medicaid — Lessons from the Past" New England Journal of Medicine; Rudowitz, Robin, "5 Key Questions: Medicaid Block Grants & Per Capita Caps," Kaiser Family Foundation, Jan 31, 2017. Rudowitz, Robin, et all, "Data Note: What if Per Enrollee Medicaid Spending Growth Had Been Limited to CPI-M from 2001-2011?" Kaiser Family Foundation, Mar. 23 2017.

Mission

We, Trinity Health, serve together in the spirit of the Gospel as a compassionate and transforming healing presence within our communities.

Core Values

Reverence • Commitment to Those Who Are Poor • Safety • Justice • Stewardship • Integrity