

# Lead the Way

## Medicaid Block Grants

### 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 state block grant 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 care.

### Background & Purpose

Medicaid is jointly funded by the federal government and states. The federal government pays a percentage of state Medicaid costs called the Federal Medical Assistance Percentage (FMAP). On average this equals 57 percent of a state's costs. While the percentage is fixed, the amount of funding to a state can fluctuate with changes in enrollment, benefits or other factors. Under a block grant proposal, federal funding to states would be capped, regardless of changes in enrollment or the cost of care. The capped funding would be calculated using a base year of Medicaid spending that would increase annually based on an inflationary update. In exchange, states would receive new flexibilities to manage care and costs. Analyses of the Healthy Adult Opportunity initiative suggest a significant reductions in federal Medicaid funding to states. One analysis estimates up to an 8.1 percent reduction over 5 years. A second projects a median reduction of 10.5 percent over 5 years. The table below provides the "pros" and "cons" of using a block grant financing approach based on available research and evidence.

### Testing Block Grants 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. In April 2020, Oklahoma submitted an HAO waiver to CMS; however, in August the state withdrew its proposal. The state proposed a per capita cap financing model for certain beneficiaries, which may have transitioned to a block grant after two years if certain goals were met.

Policy	Pro <sup>1</sup>	Con <sup>2</sup>
<b>Implementing a Block Grant Financing Approach</b>	<ul style="list-style-type: none"><li>Increased flexibilities to states to manage care and coverage, while receiving predictable federal funding.</li><li>Incentives to manage program costs could encourage state innovation.</li><li>Likely to reduce the federal deficit.</li></ul>	<ul style="list-style-type: none"><li>Increased pressure on states to manage costs despite changing needs could result in limits to eligibility, enrollment or benefits.</li><li>Could lead to increased cost-sharing or lower provider rates, creating barriers to access and care.</li><li>States could be at greater financial risk as funding does not adjust for enrollment changes, economic or public health crises or increased costs of care.</li></ul>
<ul style="list-style-type: none"><li><b>Overall Takeaway:</b> States will likely face reduced federal funding that does not adjust for changes in enrollment, or unexpected health or economic crises. In response, states are likely to limit eligibility/enrollment/benefits and decrease provider rates or access.</li><li><b>Trinity Health Supports</b> financing approaches that can adjust to changes in enrollment, unanticipated public health crises or national economic events, include adequate inflationary updates, and ensure access to coverage and care.</li></ul>		
<small>Supporting Research: 1. <a href="#">Block Grants: Perspectives and Controversies</a>, Congressional Research Service, Feb 21, 2020. 2. <a href="#">Block Grants: Perspectives and Controversies</a>, Congressional Research Service, Feb 21, 2020; Rudowitz, Robin, et al. <a href="#">Implications of CMS's New "Healthy Adult Opportunity" Demonstrations for Medicaid</a> Kaiser Family Foundation, Feb. 5, 2020; <a href="#">CMS Guidance Authorizes Medicaid Demonstration Applications That Cap Federal Funding: Implications for States</a>, Manatt Health, Feb. 2020. Avalere, <a href="#">States Choosing Healthy Adult Opportunity Program Will Need to Generate Savings to Stay Below Capped Funding Levels</a>, Feb 10, 2020. Commonwealth Fund, <a href="#">The Fiscal Impact of the Trump Administration's Medicaid Block Grant Initiative</a>, March 6, 2020.</small>		

### 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