

Medicaid Per Capita Caps: Policy Goals and Evidence

LEAD
the **WAY**

Building a People-Centered Health System



Goal

Trinity Health is committed to public policies that support better health, better care and lower costs to ensure affordable, high-quality, people-centered care for all. As Trinity Health assesses federal and state-led changes to the Medicaid program, it is important to review the pros and cons associated with proposals and to evaluate the impact on coverage and access to affordable, high-quality, people-centered care.

Background & Purpose

Per capita cap proposals are being discussed as part of Medicaid financing reform. 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. Proposals break beneficiaries out by eligibility category such as the disabled, elderly, children, and childless adults. 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.

Examples of Per Capita Cap Proposals

American Health Care Act: Would have shifted Medicaid financing to per capita cap approach starting in FY 2020. AHCA included per enrollee caps for different eligibility categories (e.g. elderly, blind, and disabled, children, expansion adults and other adults).

Georgia’s legislature has discussed submitting a Section 1115 waiver to CMS to transition the states’ Medicaid funding to a per capita cap approach.

Policy	Pro ¹	Con ²
Implementing a Per Capita Cap Financing Approach	<ul style="list-style-type: none"> Potential for additional flexibilities to manage care, while receiving predictable federal funding. Incentives to manage per beneficiary costs could encourage state innovation. Likely to increase federal savings. 	<ul style="list-style-type: none"> Increased pressure to manage spending could result in limiting eligibility, enrollment or benefits. Could lead to increased consumer cost-sharing or lower provider rates, creating barriers to access and care. Approach lacks mechanism to adjust funding to respond to unanticipated economic or public health crisis or increased costs of care.
<ul style="list-style-type: none"> Overall Takeaway – Under per capita caps, states will likely face reduced federal funding that does not adjust for unexpected health or economic crisis. 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 crisis or national economic events, include adequate inflationary updates, and ensure access to coverage and care. 		
<p>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 al, “Data Note: What if Per Enrollee Medicaid Spending Growth Had Been Limited to CPI-M from 2001-2011?” Kaiser Family Foundation, Mar. 23 2017.</p>		

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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 • Justice • Stewardship • Integrity

