

Medicaid Block Grant Guidance
Preliminary Analysis – January 30, 2020

Topline: The Administration’s new block grant guidance abandons Medicaid’s historic commitment to quality, affordable care for low-income people. The section 1115 demonstration projects, or “waivers,” it advertises are a lose-lose proposition both for people with Medicaid coverage, who would lose coverage and access to care, and for states, which would face added financial risk. The guidance marks the latest step in the Administration’s ongoing effort to end the Affordable Care Act’s (ACA) Medicaid expansion to low-income adults and weaken coverage for other vulnerable groups.

Key points:

The waivers would directly harm people with Medicaid by taking away coverage and access to needed care, offering states new or fast-track authorities to cut coverage and benefits by:

- Taking coverage away from people who don’t pay premiums, even those with very low incomes.
- Allowing states to deny coverage for prescription drugs, likely leading to denials of expensive but needed treatments.
- Allowing states to impose higher copayments on doctor visits and prescription drugs, which could deter people from seeking needed care.
- Eliminating retroactive coverage, which allows low-income people who are eligible for Medicaid but not enrolled to avoid bankruptcy if they become ill or are injured.
- Waiving standards and oversight of private managed care plans (which many states use to provide Medicaid coverage). That could result in plans effectively rationing care or providing such narrow networks that beneficiaries can’t find needed specialists.
- Eliminating coverage for non-emergency medical transportation, which is crucial to accessing care for people without cars or access to other transportation.
- Providing worse coverage to 19- and 20-year-olds, for example dropping dental and vision coverage, which states are now required to provide for these young adults.
- Taking coverage away from people not meeting work requirements, which in Arkansas led [1 in 4](#) people subject to the policy to lose coverage.
- Allowing even more restrictions on coverage and care, potentially including caps on enrollment, with eligible people denied coverage, for states not seeking the ACA’s enhanced federal funding for expansion.

The waivers would pressure states to use both new and existing authorities to take coverage away and cut access to care by cutting federal funding precisely when need is greatest.

- Currently, Medicaid funding automatically adjusts to meet need. If more people sign up for Medicaid when a recession hits or costs per person rise in a public health emergency — such as the opioid epidemic, or an infectious disease outbreak like coronavirus — federal funding automatically increases to cover most of the extra costs.
- Under the waivers, a state’s federal Medicaid funding would be capped, either on a per-person basis or in the aggregate, with the Administration pushing states toward aggregate caps that don’t adjust for enrollment.

- States could seek adjustments to their caps, but unless the Administration chose to increase the caps by amounts adequate to meet need, they would be on the hook for 100 percent of costs from higher-than-expected enrollment or per-person costs.
- Faced with rising costs and capped federal funding, states could take away coverage and cut access to care just when it's needed most.

The waivers would also harm people with Medicaid by creating large financial incentives for states to make cuts, effectively letting them divert federal Medicaid dollars to other parts of their budgets, including tax cuts.

- Currently, if a state cuts \$1 in Medicaid expansion spending, that only lets them spend \$0.10 on other areas of their budgets, limiting their incentive to target coverage for cuts.
- Under the guidance, every dollar in cuts would give states up to \$0.55 cents in savings, because states could keep up to half the federal savings from Medicaid cuts.
- The guidance explicitly allows states to use some of the additional funds to supplant existing state spending on health programs – effectively freeing up Medicaid dollars to use for highways or tax cuts.

People with disabilities, children, and older adults would not be safe from harm.

- [5 million](#) people with disabilities could be subject to the proposed waivers, because the guidance only excludes beneficiaries who receive federal disability assistance. Millions more people with chronic conditions or serious health needs could be affected.
- Millions of low-income parents could be subject to the waivers. When parents lose coverage, children are more likely to go uninsured; they also suffer when parents can't get needed care.
- While Medicare-eligible seniors would be excluded, older adults – including early retirees receiving Social Security but not yet eligible for Medicare – could be affected.

The proposed waivers likely violate federal law, and any state proposing such a waiver should expect to face costly, time-consuming litigation.

- The Administration's new guidance offers states authorities it has previously concluded were not legal or that courts have already rejected.
- The Administration itself [reportedly expects](#) litigation, and [legal experts agree](#) there would be a "pretty quick litigation response."

The guidance is not a path to expansion: it's an effort to undermine it.

- Contrary to CMS Administrator Verma's assertions, the [evidence](#) shows that Medicaid expansion has improved access to care, improved financial security, and [saved lives](#).
- The guidance encourages states to replace their existing expansions, which cover [17 million people](#), with block grant waivers.
- The Administration is also using the guidance to discourage new states from taking up expansion, with Oklahoma Governor Stitt appearing with Verma to encourage Oklahoma voters to vote against expansion and accept a block grant waiver instead.
- Compared to expansion, block grant waivers offer worse and more unaffordable coverage for beneficiaries and more financial risk for states.