

## **Medicaid Block Grants – A Primer**

Medicaid is a prominent aspect of Republican healthcare reform plans. Proponents of a Medicaid block grant contend that it would control rising costs, spur innovation, and transfer greater control from the federal government to states. Opponents counter that a Medicaid block grant would adversely affect funding levels in the long run, restrict eligibility and enrollment, and limit services available to enrollees.

### **What Is a Block Grant?**

- A block grant is awarded by the federal government to state or local governments for a wide range of programmatic purposes.
- Block grant funding levels are typically determined through funding formulas based on past program expenditures and are capped at specified amounts by Congress.
- Block grants are intended to provide state and local governments with greater flexibility in implementing programs while at the same time allowing Congress to better control spending.

### **When Did Block Grants Originate?**

- The first block grants were enacted in the 1960s in order to consolidate federal grants; these initial block grants represented less than 1 percent of federal spending.
- Three other significant periods of block grant enactment occurred during the Nixon, Ford, Reagan, and Clinton Administrations.
- While the early era of block grant enactment was focused on grant consolidation or new policies, the block grants of the 1980s and 1990s aimed to reduce federal funding and eliminate individual entitlements.

### **What Generally Happens When Congress Creates a Block Grant?**

- Block grants – at least since the mid-1990s - tend to have the effect of removing the individual entitlement aspect of social programs, of focusing program efforts on short-term benefits rather than long-term solutions, and of reducing the real dollar value of program funding.
- One study found that the real dollar value of 4 out of 5 block grants studied declined between 1986 and 1995; another found that the real dollar value of 11 block grant programs declined by 11 percent over the study period.
- Studies have also found that block grants tend over time to reduce program flexibility, as Congress adds restrictions or creates new categorical programs with similar purposes.

### **Have There Been Previous Attempts to Convert Medicaid to a Block Grant?**

- Republican administrations and Republican-led congresses have tried multiple times to convert Medicaid into a block grant program:

- Congress rejected Ronald Reagan’s Medicaid block grant plan in 1981.
- President Clinton vetoed a Congressional Republican Medicaid block grant plan in 1995.
- Congress failed to act on Medicaid block grant proposals in 2003, 2011, and 2012.

### **What Do Republican Plans for Healthcare Reform Say About Medicaid Block Grants?**

- Proposals supported by HHS Secretary Tom Price and House Speaker Paul Ryan (R-WI), respectively, include Medicaid block grants as central tenets.
- Neither the Patient First Act nor the Obamacare Replacement Act mention Medicaid block grants, though each plan would allow states greater flexibility in running their Medicaid programs with a capped amount of funding.
- The House Republican discussion draft which was leaked on February 24<sup>th</sup>, 2017 proposes to impose a per capita spending cap on state Medicaid programs, a concept similar to a block grant.

### **What Impact Would Conversion to a Medicaid Block Grant Have on the Program?**

- As noted above, block grants generally have the effect of removing individual entitlements to benefits, reducing costs, and decreasing program flexibility.
- The precise financial impact of a Medicaid block grant is unclear given the lack of specifics in these proposals.
- A Medicaid block grant program would almost certainly result in reducing Medicaid eligibility and enrollment and would adversely impact the health outcomes of the nation’s most vulnerable populations.

The American Nurses Association advocates for a healthcare system that provides the following: universal access to a standard package of essential health benefits for all citizens and residents; utilization of primary, community-based and preventative services while supporting the cost-effective use of innovative, technology-driven, acute, hospital-based services; the economical use of health care services with support for those who do not have the means to share in costs; and a sufficient supply of a skilled workforce dedicated to providing high quality health care services. **While the ANA supports cost-sharing and the economic use of healthcare resources, we believe that converting the Medicaid program to a block grant would unduly restrict access to healthcare services to the nation’s most vulnerable citizens and would represent a roll back of the effort to ensure access to quality healthcare for all Americans.**