



## What Would Capped Medicaid Funding Mean for Florida?

**Background:** Congress is considering changes to Medicaid that would both cap federal dollars to states *and* radically change Medicaid's current financing structure. Florida's Medicaid program guarantees coverage for limited eligibility categories: low income children, very low income adults (and only if the adult is pregnant, blind, aged, or disabled), and extremely low income parents of minor children. The program covers most people in nursing homes, 2 out of 5 people with disabilities, and (along with KidCare) half of Florida's children.<sup>1</sup> Currently, the federal government guarantees payment for over 60% of the program's costs. Thus, when more people qualify for the program during economic downturns, or when the state faces increased costs due to unforeseen natural or medical "disasters" (e.g. hurricanes, Zika outbreak), federal funding is available to "match" the increased costs. By contrast, current proposals, which would reduce federal funding by \$1 trillion over 10 years, would also eliminate this guarantee of federal matching dollars and shift to "capped" funding.

**"Capped" funding:** Capped funding could either be a "block grant" or a "per capita cap." A block grant would give Florida a set amount of money each year, and the state would determine what and whom to spend money on. Thus, if funding were insufficient to cover all currently eligible Florida residents, there could be wait lists for children, aged, or disabled etc. Under a per capita cap, the federal government would reimburse a pre-set amount per enrollee, and the base amount would likely be tied to current expenditures. Notably, Florida's per capita spending on children, aged and the disabled is currently among the lowest in the country. The cap would be adjusted annually based on a pre-determined growth rate which would be set below currently projected rates. Under both methods of capped funding, federal payments would eventually fail to cover actual health care costs.

**Projected funding loss:** An analysis of the House Republican 2012 budget plan for Medicaid (similar to current proposals) would have resulted in Florida losing more than \$33 billion over 10 years, or a 23% reduction in federal funding.<sup>2</sup> Because there will be insufficient funding to provide the current level of services for enrollees, Florida's Legislature will have to choose between increasing revenue, limiting enrollment, reducing services, or lowering provider reimbursement rates.

**"Flexibility":** Proponents often tout new state flexibility in efforts to radically restructure Medicaid. But since these proposals ultimately aim to reduce and cap federal Medicaid funding, any resulting state "flexibility" will simply be deciding who and what to cut. Florida's Medicaid program is already flexible and efficient, as evidenced by the program's historically low per-person costs decreasing even more under managed care.<sup>3</sup>

**Shifts costs:** Capped Medicaid funding will not reduce the costs of providing health care. Because Medicaid enrollees are indigent, the cost of their care will be shifted to the state, county, or providers. Vulnerable children, elderly, and disabled individuals will be forced to seek emergency room care or go without medically necessary treatment, all of which result in increased costs.

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<sup>1</sup> [Kaiser Family Foundation, Florida Medicaid Fact Sheet \(January 2017\)](#)

<sup>2</sup> Holohan et al. "National and State -by-State Impact of the 2012 House Republican Budget Plan for Medicaid, Kaiser Commission on Medicaid (October 2012)

<sup>3</sup> [Lynn Hatter, "House Report: Overall Medicaid Costs Rising, But Individual Costs Down" \(December 9, 2016\)](#)

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