

## 5 Things To Know About Trump's Medicaid Block Grant Plan

### From KHN Kaiser Health News

The Trump administration unveiled a plan Thursday that would dramatically revamp Medicaid by allowing states to opt out of part of the current federal funding program and instead seek a fixed payment each year in exchange for gaining unprecedented flexibility over the program. Medicaid, a federal-state health program that covers 1 in 5 Americans, has been an open-ended entitlement since its beginning in 1965. That means the amount of money provided by the federal government grows with a rise in enrollment and health costs.

The administration said the new program would allow states to offer patients more benefits while controlling government spending. But the plan was assailed by Democrats, consumer advocates and health providers as undermining efforts to serve the poor.

States would not be required to switch to the new model. It will be optional, and states interested in it would have to seek authority from the federal government. That makes the proposal less sweeping than efforts by Republican lawmakers to revamp Medicaid that were included in failed 2017 legislation to gut the Affordable Care Act.

The long-awaited guidance to states on turning Medicaid into a block grant allows the Trump administration to proclaim it's transforming the Medicaid program and offers a way for states that haven't expanded under the Affordable Care Act to move ahead.

It could also tee up an election-year battle in which opponents will use the plan to argue that it's President Donald Trump's latest salvo in a long-running effort to unravel the health care safety net.

"The Trump administration's announcement today is a game changer," said Oklahoma Gov. Kevin Stitt, a Republican who plans to expand coverage up to ACA levels and pursue a block grant with a Medicaid work requirement and new premiums.

Here are the big things to know about how the new plan works.

#### **Millions of people might be affected by block grants.**

The millions of low-income adults without children who obtained coverage under the ACA's Medicaid expansion could be included under a block grant. Key Republicans, including officials in the Trump administration, have argued that covering those adults uses resources better geared toward other Medicaid enrollees whose medical needs are greater.

However, a state could also decide to include certain pregnant women and low-income parents because their coverage is not mandated by federal law.

Tens of millions of people currently enrolled in Medicaid would not be included in a potential state block-grant project, including children, people who qualify for the program based on

disability, people needing long-term care and individuals who are 65 and over, according to the guidance announced by the Centers for Medicare & Medicaid Services on Thursday.

**States seeking the new authority would be able to make new cuts to benefits, including which prescription drugs are covered, and impose new out-of-pocket costs on enrollees.**

Medicaid traditionally has covered all federally approved prescription drugs. In June 2018, the Trump administration reinforced that position when it rejected a request from Massachusetts Gov. Charlie Baker to limit drugs covered under the state's Medicaid program.

Under the new guidance, a state could ask to cover just one drug per class for most conditions — similar to what's required for private insurance coverage in the Affordable Care Act marketplaces.

While the rule allows exceptions, including for medications to treat behavioral health issues or HIV, the policy change could affect access to drugs for a range of serious illnesses, such as cancer.

Another change included in the administration's policy is what kinds of copays states can charge, according to Cindy Mann, a lawyer who ran the Medicaid program under the Obama administration and is now a consultant with Manatt, Phelps & Phillips.

While a Medicaid enrollee cannot be charged premiums and out-of-pocket costs that exceed 5% of their household income, the guidance removes other restrictions on copays, opening the door for their more widespread use and in higher amounts. Those changes will disproportionately affect people with more serious health issues, she said.

"Even a copay that's \$1 can be a burden," Mann said. "These could allow copays that are much more than that."

States could also move to eliminate other Medicaid benefits, such as nonemergency medical transportation and a comprehensive series of preventive, diagnostic and treatment services that are a pillar of the program — known as the Early and Periodic Screening, Diagnostic and Treatment (EPSDT) benefit — for 19- and 20-year-olds.

**The federal government will exercise less oversight over the private health insurance companies that states hire to run their programs, giving states more power to set rules on provider participation and payments.** About two-thirds of Medicaid participants are enrolled in a private managed-care firm, and the proposal would reduce federal oversight of how these companies operate. States would be able to choose if they want to follow federal rules seeking to make sure that health plans provide reasonable access to a sufficient number of in-network doctors and hospitals, said MaryBeth Musumeci, associate director for the Kaiser Family Foundation Program on Medicaid and the Uninsured. In addition, the federal government would not have to approve payment rates to the plans before they take effect, she said. (Kaiser Health News is an editorially independent program of the foundation.) A few states have operated under Medicaid spending caps before, including Rhode Island, but the amounts were set so high a state was never in any danger of hitting the limit, Musumeci said.

The CMS guidance did not estimate how much the new financing system could save the federal budget.

**All states could technically apply for a block grant, but most are unlikely.** Only a few states would be expected at least initially to apply for the block grant and those would almost certainly be some of the 14 states that have not expanded Medicaid, said Matt Salo, executive director of the National Association of Medicaid Directors.

However, many states would be concerned about loss of funding or not having enough federal dollars when demand for services or enrollment rose.

“States will be asking: Is the added flexibility worth the risk or the downside of a different funding arrangement?” Salo said.

Still, he added, for some states that have not expanded eligibility, “this is a call to get them to the finish line.”

Other state proposals to pursue capped Medicaid financing — notably Tennessee’s, which is pending with the Department of Health and Human Services — are much different from what the new Trump approach telegraphs. That said, some Republican-led expansion states are also likely to find it appealing.

“Waivers will never be long-term substitutes for congressional action. But this does represent a significant opportunity to test new ideas to see what works and especially to better understand how much risk states are willing to accept in exchange for greater control,” said Dennis Smith, who ran Medicaid during the George W. Bush administration and is now a senior adviser for Medicaid and health reform for Arkansas Gov. Asa Hutchinson. “If one expects a harvest, a person first has to plant the seed.”

### **The impact won’t be felt anytime soon.**

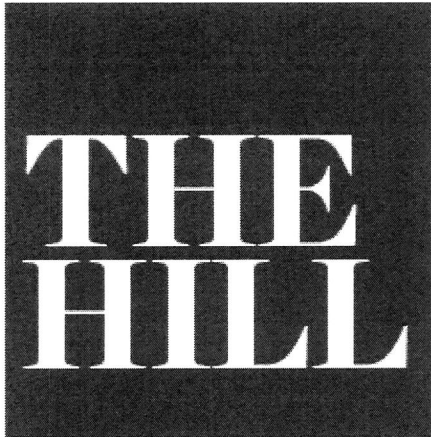
The federal government generally moves at a glacial pace in approving new state projects, particularly for ones that set new precedent or are controversial. Given that, it’s unlikely any state would get a waiver before 2021 — when there could be a change in federal administrations.

Plus, there is all but certain to be litigation that could thwart the entire effort.

“The document issued today by CMS appears to rewrite bedrock provisions of Medicaid, an activity which is beyond the scope of CMS’ power. Only Congress is tasked with making these changes,” said Jane Perkins, legal director of the National Health Law Program, a legal aid group that has sued over the Trump administration’s approval of work requirements for many Medicaid enrollees in five states. It is evaluating litigation options on the block grants.

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# Trump administration to allow Medicaid block grants

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States will have the ability to scale back Medicaid spending by converting part of their Medicaid funding into a block grant under a new Trump administration program announced Thursday.

A letter to state Medicaid directors outlines how states can undertake the drastic, controversial change that conservatives have eyed for years.

The move is likely to kick off a furious legal fight. Democrats have been arguing the administration doesn't have the authority to approve such drastic changes, and Medicaid advocates argue the changes would hurt low-income people and invite states to cut costs and reduce coverage.

The program — branded as the “Healthy Adult Opportunity” — will allow states to ask permission to end their traditional, open-ended Medicaid program and put hard caps on how much money states and the federal government will spend on the poor and disabled.

Centers for Medicare and Medicaid Services Administrator Seema Verma has made state flexibility a priority during her tenure running the agency. During a call with reporters, she said states have been asking for the ability to be more innovative.

“It’s a bit of a D.C.-centric idea that only D.C. will do the right thing,” she said.

The block grant will apply to the ObamaCare Medicaid expansion population’s “able-bodied” people. Advocates argue this gives an incentive for GOP governors in expansion states to roll back benefits and spending.

Anyone who is covered by traditional state Medicaid programs, disabled or eligible for long-term care is excluded. Other low-income adults, children, pregnant women, elderly adults, and people with disabilities will also be excluded.

Medicaid is an open-ended entitlement, meaning the federal government matches a certain percentage of state spending, and the funding changes depending on how many people need coverage.

The new block grant program lets states trade that away for more flexibility in how they run their program. States will get a fixed amount of money, regardless of outside circumstances.

States will have the ability to spend it however they see fit, without some federal guidelines.

For example, the program will allow states to impose work requirements, cut provider payments, and require cost sharing and premiums without additional permission from the federal government.

Notably, states will be able to adopt what is called a “closed formulary” for certain drugs. This means a state can decide not to cover a Food and Drug Administration-approved drug if there is a cheaper alternative.

Congress already rejected block grants when the GOP’s ObamaCare repeal bill failed in 2017. Allowing states to impose those same changes by statutory waiver would be extremely controversial and have widespread implications about the use of executive power.

During the conference call with reporters, Verma stressed that the program will be optional. When asked about the possibility of legal challenges, she said states won’t be allowed to limit health benefits.

“We feel we’re on very very strong legal standing,” Verma said, while admonishing those who are “willing to weaponize the legal system to thwart state innovation at every turn.”

Allowing block grants represents the boldest step the Trump administration has taken to redefine the nation’s largest public insurance program.

Block grants are popular with Republicans who want to constrain Medicaid spending, but are fiercely opposed by Democrats, who argue the changes require harmful cuts in the program.

“Even after people across the country spoke out and pressed Congress to reject President Trump’s plan to gut Medicaid with his Trumpcare bill, he’s still charging forward with harmful policies that will hurt the many families who rely on Medicaid,” Sen. Patty Murray (D-Wash.) said Thursday.

On Wednesday, 36 House Democrats wrote a letter to Verma warning against moving ahead with the program.

“Medicaid block grants necessitate cost-cutting measures like restricting enrollment, decreasing provider reimbursement, and limiting eligibility and benefits through managed care,” the Democrats wrote. “These actions endanger the lives of the most vulnerable patients, the population Medicaid was created to protect.”

But GOP states are interested.

Lawmakers in Tennessee have already submitted a waiver request to the Trump administration to impose block grants, and Alaska and Oklahoma have also expressed interest.

Verma said the agency is reviewing Tennessee’s request, but since the state did not expand Medicaid, it would not be eligible for the program.