



Do No Harm: Protect Medicaid's Current Structure

We need Illinois communities to be healthy and our economy strong. When our residents have access to insurance, our health care economy grows, creating jobs, revenue and stability.





Medicaid's Existing Financing Structure Works

- Medicaid's current financing arrangement is a federal-state partnership and *federal funding is based on Illinois's actual health care costs*.
- A block grant or per capita cap would radically alter this arrangement by ending federal reimbursement and capping payment based on a preset formula, not actual need:
 - A block grant would cap total federal funding for Illinois's Medicaid program, with Illinois responsible for any costs above the block grant amount.
 - A per capita cap would cap federal Medicaid funding per beneficiary.
- **Medicaid does not need a structural change: the existing financing structure helps to protect Illinois from a budget crisis and a human crisis as our health care costs change over time.**

In IL, Medicaid/CHIP covers:



The impact of a block grant or per capita cap will depend on funding levels, but could include:

-  Increases in the number of uninsured
-  Reduced access and service utilization, decreased provider revenues (to hospitals, nursing homes, etc.), and increased uncompensated care costs
-  Increased pressure on state budgets
-  Decreased economic activity

Block Grants and Per Capita Caps Will Hurt Illinois's Economy

- Illinois needs Medicaid to be responsive to economic downturns, epidemics, changing health demographics, and medical advances that have up front costs but long-term savings.
 - For example, the HIV epidemic created significant unexpected costs that the federal government shared with the states. Block grants or caps would have shifted all those costs to Illinois.
- Illinois's population is aging and a larger share of our Medicaid beneficiaries will be seniors and people with disabilities, whose average health care spending is about five times higher than children and other adults.

No current cap proposal meaningfully addresses realities like this and we do not need one to—Medicaid's current financing structure is designed to meet this exact need.

Block Grants and Per Capita Caps Are Being Proposed to Meet Federal Savings Targets, Not to Benefit States

- Illinois’s very low federal match rate and large number of beneficiaries, especially seniors & people with disabilities, make our state acutely vulnerable under almost every formula for setting a block grant or a cap.
- But no matter what the baseline for funding, Illinois can expect to lose federal support over time, because block grants and caps are designed to save federal dollars, not to benefit states.
- Medicaid was created to replace a system that capped support *because it failed to provide the coverage and related economic growth that states need*. **There is no going back 50 years to a system that we know does not work for Illinois.**

We Already Have Flexibility under Medicaid

- Medicaid’s current structure gives states’ flexibility to innovate, and Illinois has used this flexibility to roll out managed care, and propose transformation of both our criminal justice and mental health systems.
- Under block grants and per capita caps, “flexibility” only increases the competing demands on a limited pool of funding.

Summary: Block Grants and Per Capita Caps = Cuts to States and Enrollees

Consequences to States and Enrollees	Block grants	Per capita caps
Funding will not keep up with population growth	X	
Funding will not keep up with rising costs of health care	X	X
Funding will not respond to economic downturns	X	Uncertain
States will be under pressure to cut benefits and reimbursements	X	X
States may cut eligibility, pitting vulnerable populations against each other	X	Uncertain
States' safety-net programs will vary widely	X	X

Sources: “Like a Block Grant, Per Capita Caps Would Shift Costs to States and Place Beneficiaries at Risk,” Center on Budget and Policy Priorities, June 2016; <http://www.cbpp.org/health/commentary-like-a-block-grant-medicaid-per-capita-cap-would-shift-costs-to-states-and-place>; “Medicaid in Illinois” Kaiser Family Foundation, January 2017: <http://files.kff.org/attachment/fact-sheet-medicaid-state-IL>; “Per Capita Caps in Medicaid - Lessons from the Past,” New England Journal of Medicine, February 2017; <http://www.nejm.org/doi/full/10.1056/NEJMp1615696>. “Medicaid Financing: Dangers of Block Grants and Per Capita Caps,” CLASP, February 2017; <http://www.clasp.org/resources-and-publications/publication-1/Medicaid-Financing-Dangers-of-Block-Grants-and-Per-Capita-Caps.pdf>