



Abandonment of Federal Commitment to North Carolina's Health & Well-Being Hurts Us All

Preliminary Analysis of Federal Medicaid Block Grant & Per-Capita Cap Proposals

BUDGET & TAX CENTER FACT SHEET

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Medicaid block grant and per-capita proposals are being considered in DC.¹ These proposals are dangerous for North Carolina as they will further reduce health care coverage for residents, hurt our state's health care industry and ripple through the economy as the health and well-being of the workforce is undermined.

Medicaid provides health care services to children, adults with disabilities and seniors. It engages private health care providers to ensure that North Carolinians are healthy and costs are contained.

Block grant and per-capita proposals reduce the federal commitment to the health and well-being of residents in North Carolina by fundamentally altering the requirement that states serve the health care needs of individuals who meet eligibility standards. The goal of block grant and per-capita proposals is to reduce federal spending dedicated to healthcare.

- **Block grant proposals would** provide fixed federal allotments to states based on current expenditures trended forward using a pre-determined growth rate. This approach would not respond to changes in enrollment.
- **Per-capita proposals would** set a limit on how to reimburse states per enrollee in Medicaid. A per-capita model would not account for changes in the costs per enrollee beyond the growth limit that is set in federal law. While it would respond to growth in enrollment, it would fundamentally alter the terms of the Medicaid program today, which guarantees access and services if eligibility criteria are met.²

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Current Proposals to Restructure Medicaid are Flawed and Result in Cuts to Services

Both models propose to finance Medicaid based on a pre-set amount or formula, rather than basing funding on the health care needs of state residents. Regardless of the design of the formula, both models are guaranteed to reduce the amount of dollars available for health care services by both reducing the federal commitment over time and potentially eliminating the state's requirement to provide its own appropriation to meet the health care needs of families.

This is of concern considering that, as of 2016, North Carolina ranks 32nd in the nation for overall health.³

With reduced federal funding, state policymakers will have limited financial resources to provide health care services. North Carolina has experienced challenges before in meeting the state commitment to provide health care even with federal support, trying to cut essential health care services such as eye care and prosthetic limbs in the past. The federal government covers 66.7 percent of total Medicaid spending in the state.⁴

Given the current proposals that would reduce federal funding, state policymakers could potentially address the federally imposed shortfall using waiting lists or capping enrollment, which would ultimately hurt people in our state. Additionally, under current law, all states could also be allowed to no longer provide children with a comprehensive pediatric benefit known as EPSDT (Early Periodic Screening, Diagnostic, and Treatment), under which children enrolled in Medicaid receive both regular check-ups and coverage for all medically necessary treatments that the check-ups find a child needs.

Previous efforts to cut crucial health services have been widely unpopular.⁵

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Current proposals to restructure Medicaid will hurt the state's ability to balance the budget and address existing and emerging needs.

In 2016, North Carolina received \$8.9 billion in federal dollars for Medicaid and was able to serve nearly 2 million people. However, based on the decision of the previous administration in the state to not expand Medicaid, the state is projected to lose \$39.6 billion of federal funding by 2022.⁶

Any further reductions in a federal commitment to Medicaid will only hurt the state's ability to balance the budget and meet other existing and crucial needs. For example, the state's legislative fiscal research division reported in February that legislators will have to consider significant pressures to the budget that include enrollment growth in public schools and public universities, teacher pay commitments and commitments to retired state workers, among others.⁷

Additionally, it is important to note that in Congress the House Republican budget plan for fiscal year 2017, for example, would have cut federal Medicaid funding by \$1 trillion — or nearly 25 percent — over 10 years, relative to current law, *on top of* the cuts the plan would secure from repealing the ACA's Medicaid expansion.⁸

Current proposals to restructure Medicaid would reduce the state's ability to weather economic downturns

If federal funding for Medicaid is reduced, North Carolina is among the states that are likely to be particularly hard hit as our spending on Medicaid is likely to grow due to demographic, economic and other factors above where it will be when the proposals are adopted.

Medicaid is a countercyclical program, meaning it grows to meet the need when the economy is bad and residents face job loss or economic hardship. If current proposals take effect, policymakers will be unable to fund needed services in times of downturn when need is likely to rise or when new drugs or public health crises emerge. In the period from 2007 to 2010, during the depth of the Great Recession, North Carolina's enrollment in Medicaid grew by 15 percent, which covered an additional 300,000 citizens.⁹ If a cap on per-person spending or fixed amount of federal dollars had been available then, the state would have been unable to meet the need for health care for every eligible North Carolinian. Providing health care in a downturn economy is a critical way to protect families from the harm of job loss, sustain the preventive care that reduces the likelihood of higher cost chronic illness and stabilizes the local economy.¹⁰

Current proposals to restructure Medicaid would hamper economic stability and well-being in the long-term.

The fiscal hit to the state budget alone will ripple through the economy and reduce the ability of the state to prepare its work force, meet other important economic development needs and position communities for success.

North Carolina is projected to have an increase in population of 1.9 million between 2017 and 2035, a growth rate of 18.5 percent.¹¹ The NC Department of Health and Human Services has stated that over time that people who are healthier tend to live longer, use fewer health care services, be generally happier, and be more productive at work.¹²

Health care access is significantly linked to income inequality, and the growth in uninsured North Carolinians will drive a wedge between the top 1 percent and everyone else. Further increasing income inequality will affect long-term growth rates and the length of expansions.¹³ More immediately, lack of health insurance and care for children, the elderly and those with disabilities in particular will create a host of higher costs in lower educational attainment, increased treatment costs and lower payments to hospitals and nursing homes.¹⁴ For children and their families in particular, the lack of access to health care will undermine their healthy development and lifetime earnings.¹⁵

Under these proposals, states alone would bear the unanticipated costs of people losing their jobs and the development of new treatments.

¹ <https://www.documentcloud.org/documents/3462817-House-GOP-Health-Care-Policy-Memo.html>

² <https://kaiserfamilyfoundation.files.wordpress.com/2013/01/8173.pdf> and <http://kff.org/medicaid/issue-brief/overview-of-medicaid-per-capita-cap-proposals/>

³ <http://www.americashealthrankings.org/explore/2015-annual-report/measure/Overall/state/NC>

⁴ Revised General Fund Revenue Consensus Forecast, Joint Memorandum to North Carolina General Assembly, NCGA Fiscal Research Division and Office of State Budget & Management, May 6, 2015. http://www.ncleg.net/fiscalresearch/generalfund_outlook_pdfs/15-16_Outlooks/Consensus%20Revenue%20Report%20May%202015.pdf

⁵ <http://khn.org/news/block-grants-medicaid-faq/> and https://www.washingtonpost.com/news/monkey-cage/wp/2017/01/18/republicans-want-to-fund-medicaid-through-block-grants-thats-a-problem/?utm_term=.5c2d28403afc

⁶ <http://www.urban.org/sites/default/files/publication/22816/413192-What-is-the-Result-of-States-Not-Expanding-Medicaid-.PDF>

⁷ http://www.ncleg.net/documentsites/committees/JointAppropriations/2017%20Session/February%2014,%202017/FRD_ConsensusRevenueBudgetOutlook.pdf

⁸ <http://www.cbpp.org/research/health/medicaid-block-grant-would-slash-federal-funding-shift-costs-to-states-and-leave>

⁹ NC DHHS, Medicaid Annual Reports (2007-2016)

¹⁰ <http://kff.org/disparities-policy/fact-sheet/health-coverage-in-an-economic-downturn-impact/>

¹¹ NC OSMB Population Projections

¹² <http://publichealth.nc.gov/hnc2020/docs/HNC2020-FINAL-March-revised.pdf>

¹³ <https://www.oecd.org/social/Focus-Inequality-and-Growth-2014.pdf>

¹⁴ <https://kaiserfamilyfoundation.files.wordpress.com/2013/01/8185-02.pdf> and

¹⁵ <http://ccf.georgetown.edu/2014/06/12/how-have-medicaid-chip-expansions-improved-educational-outcomes-for-kids/>