

# Federal proposals to limit Medicaid funding would hit community health centers hard

October 17 2019

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Most states that transition to block grant funding for Medicaid—in which the federal government provides a fixed annual sum—would see lower revenue for their community health centers that care for Medicaid beneficiaries and other residents. Under a block grant, total health center revenues generated by the Medicaid expansion population would drop 92 percent and 58 percent for traditional enrollees by 2024, according to a study published today in the *Milbank Quarterly*.

In non-expansion states, block grants would reduce health center revenues for traditional Medicaid enrollees by 38 percent. The percentage drop is higher for expansion populations because the [federal government](#) has covered 100 percent of the cost of the expansion population since the expansion went into effect in 2014 and its share will dip to 90 percent starting in 2020.

Anne Rossier Markus, Ph.D., MHS, JD, an associate professor of health policy and management at Milken Institute School of Public Health (Milken Institute SPH) at the George Washington University, found that another fixed-funding approach, per-capita caps, which limit average spending per person, would decrease health center revenues from the expansion population by 78 percent, and by 3 percent for traditional Medicaid enrollees. In non-expansion states, the per-capita cap would reduce health center revenues generated by traditional Medicaid enrollees by 2 percent.

Accounting for inflation of medical costs and applying federal contributions to each state using 2016 expenditures as the baseline, Markus and her colleagues at Milken Institute SPH found that both approaches would lead to diminished capacity at health centers in most states unless states are able to offset the financial shortfalls. Projected health center [revenue](#) reductions vary by state, but the study shows that either a block [grant](#) or per-capita caps would have very similar effects on individual states.

"When we assumed no cuts in Medicaid enrollment but some adjustments in scope of benefits, projected losses in revenues by 2024 amounted to over \$7 billion under a block grant scenario and close to \$6 billion under a per-capita scenario," Markus said. "So both approaches would be devastating for health centers and their ability to maintain their current level of medical service to the community."

The current administration has encouraged states to submit block grant waivers to the Centers for Medicare and Medicaid Services, and in 2017, Congress considered block grants and per-capita cap proposals as a way to reduce federal Medicaid expenditures. Last month, Tennessee made public its plan to convert federal financing for its Medicaid program to a "hybrid" block grant in which funding would be adjusted upward if enrollment grows.

The Milken Institute SPH researchers used a mixed-methods approach to 1) test a model simulating the effect of block grants and per-capita caps on health centers' total revenues and general service capacity, and 2) use information collected from official Medicaid documents and interviews with [health](#) center leadership staff.

The study, "Predicting the Impact of Transforming the Medicaid Program on Health Centers' Revenues and Capacity to Serve Medically Underserved Communities," was published Oct. 17 in the *Milbank Quarterly*.

**More information:** ANNE ROSSIER MARKUS et al. Predicting the Impact of Transforming the Medicaid Program on Health Centers' Revenues and Capacity to Serve Medically Underserved Communities, *The Milbank Quarterly* (2019). [DOI: 10.1111/1468-0009.12426](https://doi.org/10.1111/1468-0009.12426)

Provided by George Washington University

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