



# ALASKA MEDICAID BLOCK GRANT INFORMATION SESSION 1

Medicaid block grants 101


July 18, 2019: 9:30 am – 11:00 am AKDT

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# ALASKA MEDICAID BLOCK GRANT INFORMATION SESSIONS

- Purpose: Educate Trust staff and stakeholders about the opportunities and challenges of a Medicaid block grant for Alaska
  - Session 1: Medicaid Block Grants 101
  - Session 2: Key considerations for negotiating budget parameters
  - Session 3: Key considerations for negotiating terms and conditions

## FORMAT FOR THE MEETING

- Presentation of about 45 minutes
- Rest of the time for questions and answers
- Please enter questions using the Q&A button
  - You can enter them any time, but we won't take questions until after the review of the slides
  - If you think a question is important, click the upvote button 
  - You can clarify or expand upon an open question by commenting
  - People at the Trust will be able to ask questions directly

## FORMAT FOR THE MEETING (CONT.)

- We will review questions:
  - Try to group similar questions
  - Focus on questions that have the most upvotes
- We will mark questions that we believe have been addressed in the conversation as answered (including those that have been grouped together).
- If you get a notice that your question was addressed, but you do not think it was, please ask the question again (possibly rephrasing it)
- You can only speak if you are using your computer microphone and the host turns on the microphone
- We may not get to every question

# ANDY SCHNEIDER

- Research Professor at the Georgetown University McCourt School of Public Policy
- Over 40 years of experience with the Medicaid program:
  - Congressional staffer
  - Executive Branch employee
  - private consultant
  - public interest attorney.
- Senior Advisor at the Center for Medicaid and CHIP Services (CMCS) under the Obama Administration
- Led the development of the Medicaid Resource Book (2002) for the Kaiser Commission on Medicaid and the Uninsured



# DENNIS SMITH

- Senior Advisor for Medicaid and Health Care Reform at the Arkansas Department of Human Services (DHS)
- Visiting Professor at the University of Arkansas Medical Sciences (UAMS) College of Public Health
- Worked for Arkansas, Wisconsin, Virginia, and California
- 10 years on Capitol Hill
- Headed the Center for Medicaid and CHIP Services (CMCS) for nearly 7 years, the longest tenure of any federal Medicaid director
  - Negotiated Section 1115 Demonstration Projects with more than half of the states





# WHAT IS A MEDICAID BLOCK GRANT?

There no single definition of a Medicaid block grant  
For this webinar, we'll define it as a federal-state program having the following elements:

- An annual allotment of federal Medicaid matching funds to a state fixed in advance
- An entitlement for the state to federal matching funds up to the annual allotment for qualified expenditures
- No entitlement for any individual to coverage for a defined set of benefits

## Current Medicaid:

- open-ended federal matching payments
- state entitlement to matching funds on open-ended basis
- individual entitlement to defined set of benefits
- states that choose to participate must cover certain populations and certain benefits but have additional options

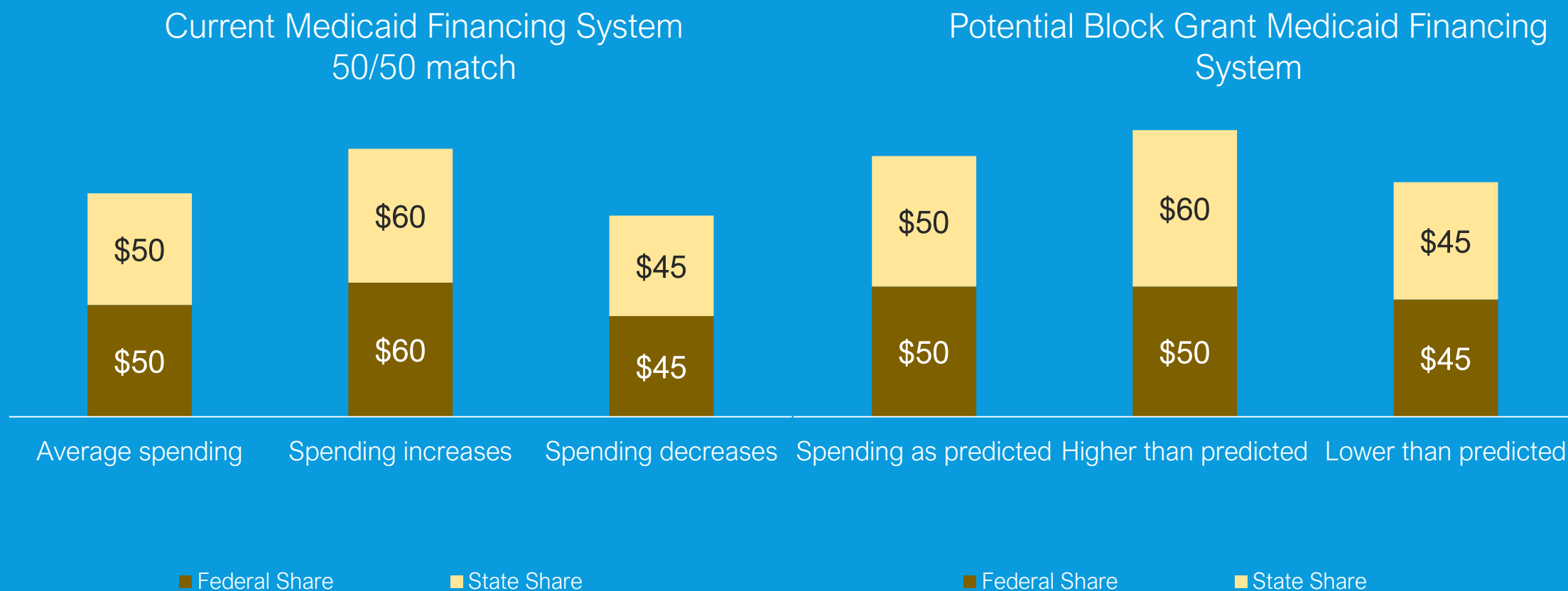
## Medicaid Block Grant:

- fixed annual allotment of federal matching funds
- state entitlement to matching funds up to amount of allotment
- no individual entitlement to benefits
- states have flexibility as to which populations and benefits to cover

HOW DOES A MEDICAID BLOCK GRANT COMPARE WITH THE CURRENT MEDICAID PROGRAM?



# HOW DOES CURRENT MEDICAID FINANCING COMPARE WITH A MEDICAID BLOCK GRANT?



# WHAT ARE SOME EXAMPLES OF HEALTH CARE BLOCK GRANTS?

Child Health Insurance Program (CHIP) – Title XXI of the Social Security Act

- Funded through FY 2027 (\$18.6 billion in FY 2019)
- 7 million enrolled FY 2019

Maternal and Child Health Block Grant – Title V of the Social Security Act

- Subject to annual appropriations (\$678 million FY 2019)

Substance Abuse Prevention and Treatment Block Grant – Title XIX Public Health Service Act

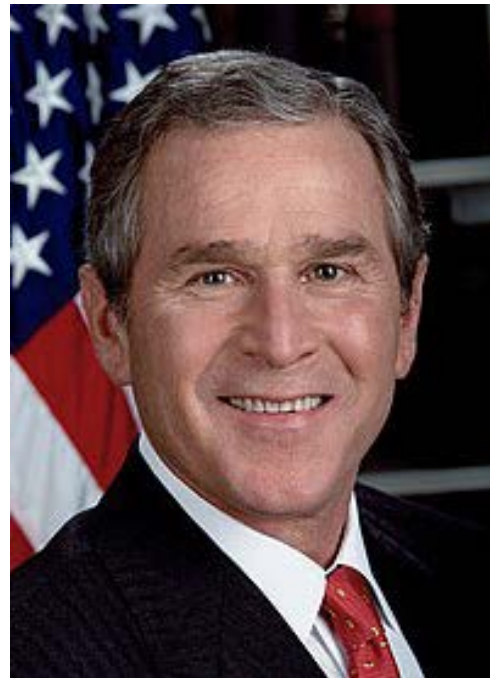
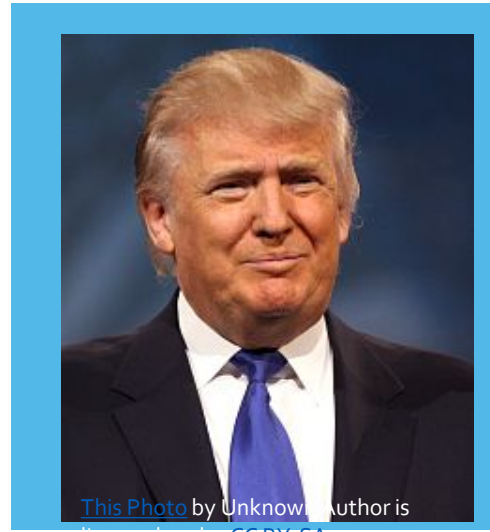
- Subject to annual appropriations (\$1.8 billion FY 2019)

## WHAT PROBLEMS IS A MEDICAID BLOCK GRANT INTENDED TO SOLVE?

- State desire for more flexibility in deciding:
  - what populations to cover
  - what services to cover
  - how much to pay for the services it decides to cover
  - deciding which providers it will allow to participate
- State desire for ability to limit its own state general fund spending on Medicaid in a fiscal year by:
  - capping enrollment

WHAT  
PROBLEMS IS A  
MEDICAID  
BLOCK GRANT  
NOT DESIGNED  
TO SOLVE?

- Inflation in health care prices
- State population growth
- Demographic changes in the state population
- High rates of uninsurance
- Economic downturns
- Public health epidemics
- Natural disasters



## HAVE THERE BEEN PROPOSALS AT THE NATIONAL LEVEL FOR A MEDICAID BLOCK GRANT?

- President Reagan – 1981
- Speaker Gingrich – 1995
- President George W. Bush – 2003
- President Trump – 2017

## HAS ANY STATE EVER HAD A MEDICAID BLOCK GRANT?

- No state has ever had a Medicaid block grant.
  - Puerto Rico and the territories have long operated their Medicaid programs under federal funding caps.
- Rhode Island operated under a “Global Medicaid Cap” under a section 1115 demonstration from 2009 to 2013
  - it renewed the demonstration but not the Global Cap.
- Utah is proposing what it calls a Medicaid “Per Capita Cap” for its partial Medicaid expansion population under a section 1115 demonstration

## WHAT IS A MEDICAID PER CAPITA CAP, AND HOW DOES IT COMPARE TO A MEDICAID BLOCK GRANT

- Like a Medicaid Block Grant, a Medicaid Per Capita Cap limits federal Medicaid matching payments to a state each year.
- Unlike a Medicaid Block Grant, the limit on federal Medicaid matching payments under a Per Capita Cap is not a fixed allotment set in advance, regardless of enrollment growth.
- Instead, the limit is based on spending per Medicaid beneficiary, so that the limit automatically adjusts for enrollment growth.
- Under a Medicaid Block Grant, there is no individual entitlement to a defined set of benefits. Under a Medicaid Per Capita Cap, eligible individuals would continue to have an entitlement to coverage.

# WHAT ARE THE PROS OF A MEDICAID BLOCK GRANT FOR A STATE?

- Flexibility to limit eligibility, benefits, payments to providers
- Ability to limit state General Fund spending
- Depending on design, flexibility to spend federal Medicaid funds on services other than health care or long-term care (e.g., housing, food).



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# WHAT ARE THE CONS OF A MEDICAID BLOCK GRANT FOR A STATE?

- The federal government will match state spending only up to the fixed block grant allotment each year. The state must either make cuts or pay for 100% of any spending above that amount.
- This means that, above that amount, the state bears 100% of the risk of health care inflation, population growth, demographic change, increasing uninsurance, economic downturns, public health epidemics, and natural disasters.



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# WHAT QUESTIONS SHOULD ALASKANS ASK THEIR POLICYMAKERS ABOUT A MEDICAID BLOCK GRANT?

State demographic challenges?

Implications for state and regional economic development?

Implications for emergency preparedness system?

Implications for public health system?

Implications for mental health and substance use disorder treatment?

Implications for Tribal health delivery systems?

Implications for K-12 school health?

Implications for graduate medical education?

Implications for state's credit rating?

## WHAT IS A “SECTION 1115 WAIVER”

- Section 1115 of the Social Security Act gives the Secretary of Health and Human Services the authority to waive state Medicaid plan requirements in order to enable states to demonstrate other ways of running their Medicaid programs.
- In order to approve a state demonstration, the Secretary must find that the demonstration is “likely to assist in promoting the objectives of” the federal Medicaid statute (Title XIX of the Social Security Act).
- Demonstrations are initially approved for 5 years, with 3-year extensions (at state request)
- Demonstrations must be budget neutral for the federal government

# CAN THE SECRETARY OF HHS ALLOW A STATE TO DEMONSTRATE A MEDICAID BLOCK GRANT?

- The federal courts have not ruled on this question, and (surprise!) lawyers disagree
- Pro: Section 1115 gives the Secretary extremely broad discretion to approve whatever demonstration a state asks for, so long as the Secretary finds it would be “likely to assist in promoting the objectives” of Medicaid.
- Con: Section 1115 does not give the Secretary any authority to waive the financing provisions of the Medicaid statute, and waiving the individual entitlement to coverage would not be “likely to assist in promoting the objectives” of Medicaid.
- The State should assess its litigation and oversight risks in light of these arguments

# OPPORTUNITY TO ASK ADDITIONAL QUESTIONS DURING THE NEXT 2 SESSIONS

- Session 2: Key considerations for negotiating budget parameters (July 23, 2019)
- Session 3: Key considerations for negotiating terms and conditions (August 20, 2019)