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Medicaid Block Grants and Per Capita Caps Would Reduce Health Center Revenue and Service Capacity in Many States

Key Findings

- Under the 2017 proposals, by 2024, block grants and per capita caps would reduce total health center revenues by at least \$5.3 billion and \$4.3 billion, respectively, with serious implications for health centers' ability to operate.
- Block grants and per capita caps would have the greatest impact on health centers located in Medicaid expansion states, relative to health centers located in states that did not expand Medicaid.
- Executives at community health centers expect block grants to reduce capacity at their facilities and ultimately harm the quality of care, with long-term, detrimental impacts on population health.

The Question:

How would federal block grants and per capita caps in Medicaid affect community health centers?

Federally-funded community health centers serve tens of millions of patients each year, including many people with chronic conditions and other health issues that make them susceptible to severe illness from COVID-19. Earlier this year, the Centers for Medicare and Medicaid Services announced the Healthy Adult Opportunity (HAO) initiative, which allows states to make potentially significant changes to their Medicaid programs in exchange for limits on federal Medicaid dollars. Specifically, states participating in the HAO initiative would agree to capped federal Medicaid funding in the form of per capita caps or aggregate caps (i.e. block grants). First introduced decades ago, these two financing mechanisms have resurfaced periodically in Medicaid policy debates, including in 2017 Congressional proposals to repeal and replace the Affordable Care Act.

With support from the Robert Wood Johnson Foundation, Anne Rossier Markus, Ph.D., J.D., M.H.S., and colleagues at George Washington University used Medicaid provisions in the 2017 Congressional proposals to test models simulating the effect of block grants and per capita caps on health centers' total revenues and service capacity. The block grants and per capita caps modeled by the researchers were similar in essence to the options available under the HAO initiative. In one difference, states participating in the HAO initiative whose spending falls under their capped Medicaid funding will be able to share savings with the federal government; this aspect of the design of capped funding was not included in the assumptions underlying the researchers' models. The study also included review of Medicaid documents and interviews with health center leadership in seven states. Full findings are available in [The Milbank Quarterly](#).

The Implications:

Block grants and per capita caps would have a detrimental effect on health center revenues, with the greatest impact occurring in states that chose to expand Medicaid under the Affordable Care Act.

The researchers found that block grants and per capita caps would result in billion-dollar losses to health center revenue by 2024, with the impact on health centers varying by state. Health centers in Medicaid expansion states would be hardest hit under both scenarios. In these states, block grants would reduce health center revenue for the expansion population by 92 percent and for traditional enrollees by 58 percent; in states that did not expand Medicaid, revenues would fall by 38 percent. In the case of a per capita cap, health center revenue in expansion states would fall by 78 percent for the expansion population and by 3 percent for traditional enrollees, while the revenue loss would be limited to 2 percent in states that did not expand Medicaid. The study did not estimate any possible additional losses to health centers as a result of economic crises or other events that may affect service demand. Interviews with health center leaders underscore the potential health effects of cuts in Medicaid funding and the challenges that health centers face in planning for these and other policy changes in a rapidly evolving Medicaid landscape. In light of the COVID-19 pandemic, findings suggest block grants and per capita caps could leave health centers financially underprepared to respond to this and other health crises.

Contact Us

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**If you would like to learn more about related work, please contact:
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Infographics showing estimated impacts in individual states are available [here](#).



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