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Understanding *Medicaid Caps*

Often disguised as flexibility, caps on the Medicaid program lead to fiscal risk for Utah taxpayers, cuts to the Medicaid program and reduced access to care

Limits on Enrollment

The state of Utah received permission to cap enrollment in the Medicaid expansion program as part of SB 96, the legislature's replacement of Proposition 3's full Medicaid expansion. **This will effectively create an arbitrary wall between those who get coverage and those who don't based on their spot in line**—not their income, need, or other eligibility criteria.

Enrollment caps cut off the number of people who can sign up for Medicaid, which leaves people stuck in the coverage gap without access to care, in direct conflict with the decision Utah voters made in 2018 to close the coverage gap. Enrollment caps were previously granted in Utah for the Primary Care Network program and the Targeted Adult Medicaid expansion program, which was one of the reasons these programs failed to fill major gaps in coverage. Moreover, a cap for a regular Medicaid eligibility category like the state is now requesting has never been done before. Typically, anyone who is eligible is able to enroll.

The enrollment cap requested by the state is not tied to any set limit on number of enrollees, meaning the legislature could draw the line as soon as they feel it is no longer "practicable" to fund Medicaid expansion. Once the line is drawn with an enrollment cap, people immediately lose access to care and there is no waiting list. People must wait until enrollment reopens and they are allowed to come back and try again.

The state is also requesting a different kind of cap on Utah's federal Medicaid funding, called a **"Per Capita" Cap**. This is one of the unprecedented features in SB 96, and if approved, the ramifications would be widespread and consequential in Utah and around the nation.

Under a per capita cap, a state is asking the federal government for a limited amount of funding to cover its rising health care needs – without actually addressing rising health care costs

The Current Medicaid Program

As it exists today, Medicaid coverage is guaranteed to everyone who meets the eligibility criteria, without waiting lists or caps.
Federal "match rate" funding is guaranteed as well, and is based on a formula in the Medicaid law. (In Utah the state currently pays 32% and the federal government pays 68%)

The program is set up to adapt to changes in program needs, cost, and enrollment trends, with built-in flexibility to respond to health care crises.
The federal-state partnership ensures that eligible patients don't get locked out of care, and that states aren't left with disproportionate financial risk.

Shifting the Risk from Federal to State

In a per capita cap, the federal share of Medicaid spending is capped based on a pre-set amount calculated per enrollee.

A per capita cap is notably different from an enrollment cap, although both are instruments for cutting Medicaid.

The per capita cap is tied more concretely to the state and federal budget, while the enrollment cap may be used to lock out enrollees at any time. This arrangement limits the financial responsibility of the federal government and shifts all the pressure and risk onto states, who in turn shifts the risk onto low-income people.

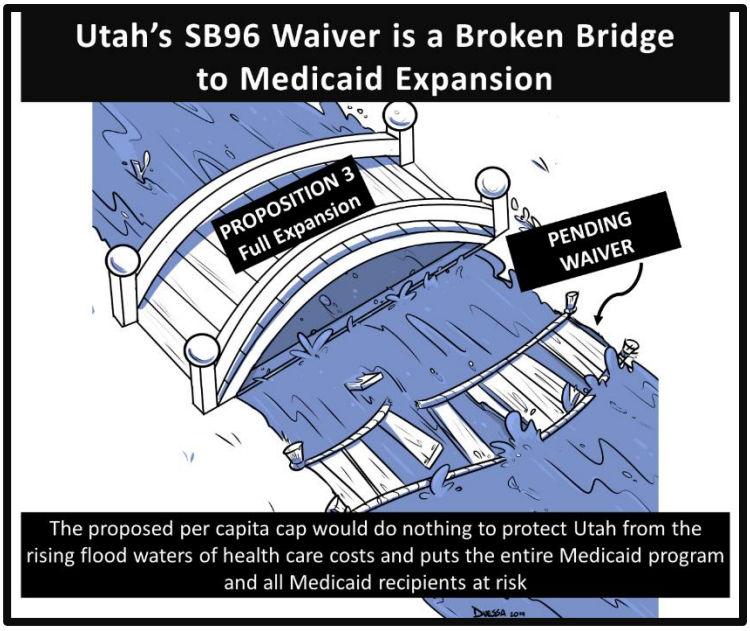
Because the state has less money under a per capita cap, Medicaid enrollment and/or services would inevitably be cut.

This will force state lawmakers to make difficult decisions regarding which enrollees to lock out, and which programs, services, and budgets to cut. This will lead to patients losing their health care.

Unpredictable Future Cuts

The only flexibility the state gains under a per capita cap is the flexibility to make cuts that are usually illegal under Medicaid law.

In 2017, the Congressional Budget Office predicted that per capita caps would result in cuts to Medicaid amounting to more than one-third of the program. Health care advocates are extremely concerned about the impact this kind of funding structure limitation would have on patients and programs.



Nationwide Implications

Cutting Medicaid through block grants or per capita caps is an idea that has been considered and rejected in the US Congress on multiple occasions over many years, and was a key piece of the effort to repeal the Affordable Care Act in 2017. After Congress failed to pass Medicaid caps, the effort shifted to the states. **If approved, Utah would set a dangerous nationwide precedent.**

Utah's Road to Capping Medicaid

The state is grappling with the uncertainty of capped funding, and in response, is requesting accommodations outside a traditional per capita cap.

They are requesting two separate match rates for the same population, something that has never been approved, instead of simply accepting the guaranteed, indefinite 90/10 match under full Medicaid expansion.

The state is also seeking permission to request an emergency exemption in the case of a crisis (like an epidemic or natural disaster), which has never been considered, would defeat the purpose of the cap, and would not be a guarantee, even if granted.

FULL MEDICAID EXPANSION *(Proposition 3)*	TRUE PER CAPITA CAP *(Passed in SB96)*	PROPOSED NEGOTIATED CAP *(in pending SB 96 waiver)*
✓90/10 match rate indefinitely with no cap	• 90/10 match rate up to capped limit	• 90/10 match up to capped limit, then traditional 68/32 after cap has been met
✓ Unlimited funding flexibility and flexibility to make a wide variety of program improvements	• The only flexibility after reaching cap is flexibility to cut care	• Limited funding flexibility- will depend on exact negotiations
✓ Unlimited support in a crisis, like a natural disaster or epidemic	• No additional support in the face of a crisis, like a natural disaster or epidemic	• Unknown flexibility for support in a crisis like a natural disaster

None of the negotiations in the third column would be necessary if Utah had accepted full Medicaid expansion. Instead, the state is attempting to mitigate the harm of a per capita cap by requesting added safety valves and funding flexibility, which still won't offer the security of full expansion.

Utah does not have to ask for these things.

Fully expanding Medicaid is the real way to avoid harmful cuts to necessary health care.

Unavoidable Budget Shortfalls

A Per Capita Cap will leave Utah's Medicaid Program $39 million short.

A per capita cap will never offer the state as good of a deal with the federal government as the current relationship available to any state that fully expands Medicaid. Per capita caps create an increasing gap between the state's financial need and federal government's financial support. Medicaid enrollment is often unpredictable as states experience unexpected economic recessions, natural disaster, or public health crises.

The open-ended flexibility is a critical part of Medicaid's success. Without this budget flexibility, the state of Utah will face a $39 million dollar deficit by 2024 due to the limited federal funding structure in a per capita cap. This shortfall could be even more extreme if Utah were to experience a disaster or public health crisis.

This would never happen under a traditional expansion as the federal government would always be required to pay 90% of the program regardless of any unexpected enrollment fluctuation in Utah.

Figure 1

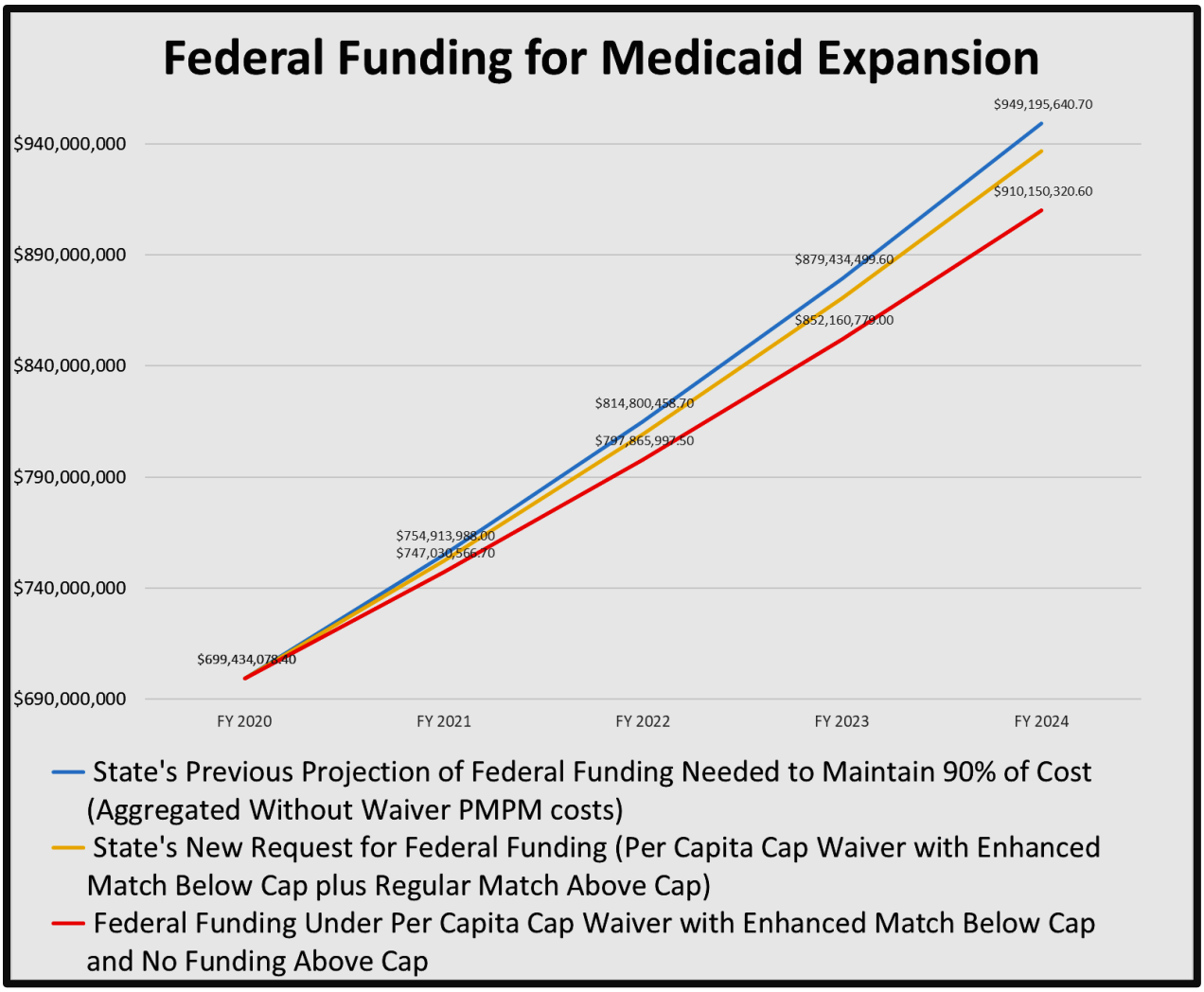
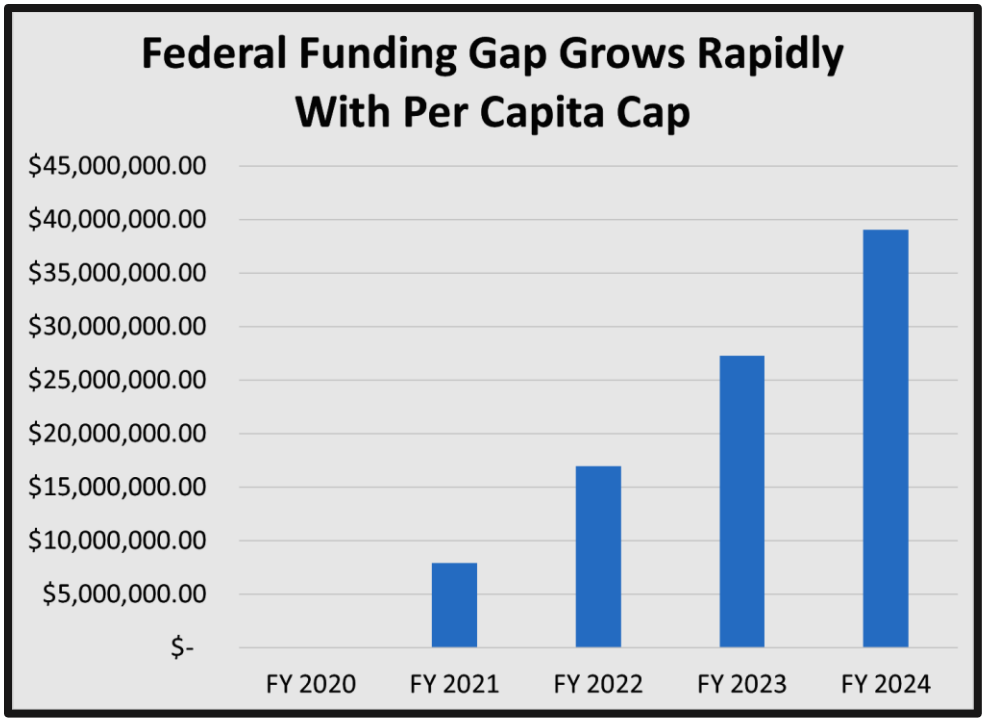


Figure 2



A Deeper Dive into The Per Capita Cap Formulation

In Figure 1, each trending line represents the portion of Utah's Medicaid budget that the federal government will pay in each of Utah's three pending scenarios. The three scenarios are: a full Medicaid expansion (90% Federal, 10% State); a per capita cap expansion with traditional funding after the cap has been reached (90% Federal/10% state until cap and then 68% Federal/32% State); and lastly a traditional per capita (90% Federal/10% State until the cap is reached and then 100% State).

The top line of Figure 1 shows the amount of money the state initially assumed would be needed from to cover the federal government to cover 90 percent of the cost of expansion. The lines below show the amount of funding the state is requesting through either a traditional per capita cap, or the proposed negotiated per capita cap. Figure 2 outlines the increasing gap between the federal funding Utah will need, and the federal funding Utah will get over time. This gap would grow drastically in the event of a public health crisis.

With a per capita cap, by 2024, Utah will be short $39 million in federal funding.

If the state is granted a negotiated per capita cap with the traditional funding match past the capped amount, an ask that has never been tried or approved, the state would still be $12.5 million short by 2024.

Instead of dipping into the state's general fund to compensate for this budget deficit, the state may implement the enrollment cap at any time to immediately eliminate the state's responsibility for paying a higher match rate to cover this population.

When the state uses the enrollment cap, the uninsured rate will increase, bringing along uncompensated care troubles to hospitals, providers, and again, the consumer. Overall, each of these capped Medicaid scenarios leave vulnerable consumers to face high health care costs alone with no safety nets to fall back on.

The Bottom Line:

Medicaid caps will lead to Medicaid cuts.

None of these harmful proposals would be necessary if Utah had done the fiscally responsible thing and implemented the full Medicaid expansion approved by voters in 2018.

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Sustainable Health Care Solutions for Underserved Utahns

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