

# HealthLeaders

## [The Devil in the Details: Examining CMS' Medicaid Block Grant Proposal](#)

*Stakeholders raise concerns that guidance unveiled by CMS on Medicaid block grants could lead to drastic cuts in the safety net program.*

By John Commins  
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### KEY TAKEAWAYS

- States that take up the block grant guidance should expect to be met with litigation from stakeholders.
- A lot of the flexibility that CMS is offering in its block grant guidance is already offered in Section 1115 waivers.
- States need to understand how much Medicaid matching federal dollars they risk losing before signing on to the block grant guidance.



After months of anticipation, the Centers for Medicare & Medicaid Services on Thursday rolled out its block grant guidance for Medicaid. Stakeholders are already raising concerns that the proposal, which is optional for states, has the potential to cut billions of federal dollars from the program and shred the safety net.

[Allison Orris](#), counsel for Manatt Health in Washington, D.C., and a former senior policy advisor at CMS and associate administrator for the Office of Management and Budget's Office of Information and Regulatory Affairs, offers her assessment of the proposal, and attempts to answer some of the concerns raised by stakeholders.

### HealthLeaders: What's your overall impression of this proposal?

**Orris:** This was touted as something that would really give states a lot of the flexibility that they've been asking for. And yet, when you look at it, it appears at first read to be very much changing the fundamental bargain that states make with the federal government to share in the financing of Medicaid. And yet it doesn't give states a lot of new flexibility.

For example, some states that have not yet expanded Medicaid have wanted the authority to do a partial expansion or have an enrollment cap and still get that enhanced federal funding. That's not permitted here and there's very understandable legal reasons why CMS couldn't go that far.

What that leaves us with is guidance that appears to shift a lot of financial risk to states, giving them less money than they would get under a traditional Medicaid expansion in exchange for some new forms of flexibility, but not sweeping forms of flexibility. Still, the consequences in a state that picks up the option could be very harmful to beneficiaries

The thing that states will want to look at is the money and how the money could put them at risk, because I'm not sure they're getting a whole lot more in exchange.

**HL: Provider stakeholders say this could lead to an increased number of uninsured and imperil the Medicaid safety net. Is this accurate?**

**Orris:** There is a risk of it. This is giving states the opportunity to impose either per capita caps or aggregate caps block grants on the Medicaid expansion population and certain other non-elderly, non-disabled populations.

For those populations that would be subject to capped funding, it really would be a fundamental change in the Medicaid program. It would limit funding that's available and it would give states more flexibility to impose higher cost sharing, or changes to enrollment practices that might make it harder for people to get enrolled and stay enrolled.

Also, CMS is promising some forms of relaxed programmatic oversight, such as less oversight on managed care contracting that could lead to lower payment rates for providers and plans, which would have a serious impact on access.

**HL: There are also concerns that communities could lose access to care under this proposal, especially in rural areas that depend on Medicaid funding. Is this possible?**

**Orris:** The devil is always in the details. This is optional for states. This is different than what Congress tried to do with repeal and replace. We're not going to assume that it's going to be picked up nationwide because it is not a deal for states.

But in states that do adopt it, there will be less money. States will have to make choices about how they're spending their money. They could reduce provider payments and adopt programmatic flexibilities that could reduce access to care for beneficiaries. There's also a provision for states that adopt the block grant model to divert money outside of Medicaid for other uses. So, the concerns that the stakeholders are citing are valid.

**HL: How do you see this block grant option evolving over time?**

**Orris:** The Medicaid program has been protective of patients and providers. Medicaid funding is an entitlement to states for matching funds and if you take away that promise of matching states dollar-for-dollar in their contributions, if there are increases in enrollment that aren't projected, [or] if there is an increase in an expensive cancer therapy, funding under the caps may not be adequate to pay for care that's needed for beneficiaries. So, where do the cuts come from? It could certainly come to provider rates and CMS has indicated that there'll be a little bit less oversight. So, putting all the pieces together, there is a risk that access under this program could really suffer.

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To read the complete Q&A, please click [here](#).