



Common Cents

New Hampshire Fiscal Policy Institute Blog

Medicaid Block Grant Proposals Would Significantly Reduce Funding for New Hampshire

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This year, [policy proposals](#) at the federal level, particularly those related to [Medicaid](#), have often employed the concepts of “block grants” or “per capita caps.” All recent high-profile proposals to alter Medicaid using these concepts would effectively reduce federal funding to the state relative to current law.

Under the existing Medicaid program, if an individual meets certain eligibility requirements and qualifies for benefits, that individual receives those benefits. Such programs are known as [entitlement](#) programs. This structure results in relatively fast responses to changing needs compared to program models that require new appropriations incrementally. In the instance of an economic recession or a widespread natural disaster in New Hampshire, Medicaid would supply the resources needed to provide help to all qualified people even if the number of enrollees rises quickly. Under the current system, Medicaid and similar programs are structured to meet changing levels of need.

A [block grant](#) from the federal government typically provides a set amount of funds to a state government to accomplish certain broad goals. States typically have more flexibility within certain parameters to accomplish the goals identified by the federal government relative to an entitlement program. Certain programs, such as Temporary Assistance for Needy Families (TANF), are [already modeled as block grants](#). The real per-person value of the block grants over time, however, can also [vary dramatically depending](#) on inflation adjustments, population growth, or other changes to level of need. A Center on Budget and Policy Priorities [analysis](#) of 13 major federal block grant programs found 10 of the 13 had declined in value when adjusting for inflation, and 12 of the 13 declined when adjusting for inflation and population. For example, TANF funding has declined in real, inflation-adjusted terms by 33 percent since it became a block grant, and the decline rises to 44 percent when also accounting for population growth.

A [per capita cap](#) provides a set amount of funding per person to states to pay for the associated services. This model alleviates some of the concerns associated with population growth or projected enrollment increases, depending on its design. However, it still does not necessarily account for near-term changes in cost on a per capita basis, such as a fast-moving widespread illness, or changes in need, such as an economic downturn. As with block grants, details in the particular design of the program matter, but both block grants and per capita caps do not respond to changes in need as rapidly as an entitlement program in most scenarios.

The "[Graham-Cassidy](#)" [healthcare overhaul proposal](#) would use block granting to replace the [expanded Medicaid](#) and marketplace subsidies of the Affordable Care Act and transform traditional Medicaid, currently an entitlement program, into a per capita cap model. The block grant portion would also expire and end after 2026 if it is not reauthorized by Congress. While official estimates on the bill's cost are [not likely to be produced](#) before October, [published estimates](#) by [private firms](#) and non-profit organizations, including the [Kaiser Family Foundation](#) and the [Center on Budget and Policy Priorities](#), all suggest anticipated losses to New Hampshire's federal grant revenue similar to Governor Sununu's [stated estimate](#) of possibly more than \$1 billion between 2020 and 2026.

For more information on the Medicaid program in New Hampshire and recent federal funding proposals, see NHFPI's recent [Common Cents](#) blog posts.