

Federal funding for Medicaid program should not be capped: AMA

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The AMA has come out foursquare against caps on federal Medicaid funding, which are a key element of the House-passed American Health Care Act (AHCA) and are being considered for incorporation into the Senate version of the legislation that is still being drafted.

At the 2017 AMA Annual Meeting this week, delegates adopted a straightforward new policy to “oppose caps on federal Medicaid funding.”

Carl A. Sirio, MD, a member of the AMA Board of Trustees, explained the move in a statement.

“Capping Medicaid funding would be disastrous for patients, by limiting medical responses to unforeseen events and medical innovations,” said Dr. Sirio, a board-certified internist and critical care physician. “Physicians and states need the flexibility to respond. Caps would threaten coverage for vulnerable populations—especially children and those in need of a safety net—a point we have made repeatedly to policymakers in Washington.”

According to the Congressional Budget Office’s (CBO) May 24 scoring of the AHCA (H.R. 1628), the bill would cut the federal assistance that helps states fund Medicaid by \$839 billion between 2017 and 2026. Right now, the federal government matches state spending on Medicaid according to a formula that ranges from 50–73 percent. The higher matching rates go to states whose residents have lower average personal income.

Under the AHCA, funding would instead be paid on a per-capita basis and would be adjusted annually by the Medical Consumer Price Index. Any spending above the cap would have to be financed in full by the state government, should its elected leaders opt to do so.

In a May 23 letter to Senate Finance Committee Chair Orrin Hatch, R, Utah, the AMA explained in detail its opposition to capping or block-granting Medicaid.

“The underlying structure of existing Medicaid financing ensures that states are able to react to economically driven changes in enrollment, as well as increased health care needs driven by external factors, including natural disasters, epidemics, or break-through treatments for serious medical conditions, such as hepatitis C,” wrote AMA Executive Vice President and CEO James L. Madara, MD.

“The AMA has long supported state flexibility in the Medicaid programs so that states may pursue innovations that improve care for patients with low incomes in ways that best meet each state’s unique needs. Changes to the program, however, such as through per-capita caps or block grants, will likely limit the ability of states to respond to increased demand for certain services and force states to limit coverage and increase the number of uninsured. Changes to the financing of Medicaid must guarantee it maintains its indispensable role as a dependable safety net able to respond quickly to changing circumstances,” he wrote.

“Any new Medicaid proposals must also ensure that quality coverage remains available and affordable for Medicaid beneficiaries and those state governments that chose to accept enhanced federal funding are not disadvantaged in their efforts to improve and maintain the health of their citizens,” Dr. Madara added.

Given that, Dr. Madara’s letter does offer some recommendations for Medicaid reform. Lawmakers should:

- | Allow states the freedom to develop and test different models for covering low-income residents, including the use of premium subsidies for non-disabled and non-elderly Medicaid beneficiaries that can be used to purchase comparable private insurance with little or no cost-sharing.
- | Authorize joint waivers under sections 1115 and 1332 to allow Medicaid to subsidize broader state coverage innovations.
- | Encourage states to decrease the administrative burdens of public insurance programs and utilize new payment incentive arrangements that promote practice efficiency and the provision of high quality and proven cost-effective care.
- | Encourage states to develop and test alternatives without incurring new and costly unfunded federal mandates or capping federal funds.

The funding stream for traditional Medicaid is distinct from federal money for the expansion of Medicaid that became available in recent years and has helped cover millions of poor Americans who did not qualify for traditional Medicaid. The AHCA also would reduce funding for this expanded Medicaid program. According to news reports, the Senate version of the legislation that is being drafted also would cut this expanded Medicaid program, but draw down federal funding for it over a longer period of time—perhaps as long as seven years.

All together, the CBO estimates the AHCA would result in 23 million fewer Americans having health insurance by 2026, when compared with leaving the current health law in place. The AMA has urged the Senate to choose a different path for reform, one that does not result in currently covered Americans becoming uninsured.

Read more about the AMA's comprehensive vision for health-system reform, refined over more than two decades by the AMA House of Delegates, which is composed of representatives of more than 190 state and national specialty medical associations.

You can further explore the AMA's health reform objectives at Patientsbeforepolitics.org, an online platform designed to educate and engage patients and physicians on the current debate. The site makes it easy for patients and physicians to write their elected Congressional representatives and urge them to protect Americans' access to quality care.

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