

Block Grants and Waivers in Medicaid:

Making Sense of the Options

Summary:

Medicaid is a federal-state partnership that provides health coverage to low-income individuals. With escalating costs and record enrollment, decision makers are asking whether they have flexibility to negotiate program changes with the federal government. Medicaid waivers and block grants are hot topics in these discussions.

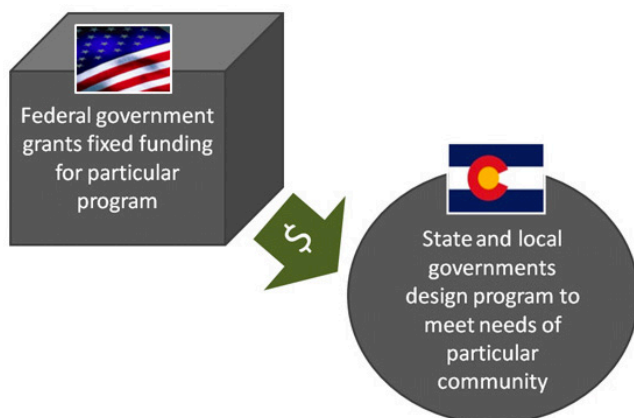
In general:

- Block grants and waivers are tools that increase state flexibility in administering federal programs.
- Block grant proposals aimed at reducing federal Medicaid spending transform the program from an entitlement.
- Colorado has long used waivers to expand or redesign Medicaid services.

What is a Medicaid block grant?

The federal government matches state funding for Medicaid. Block grants would change this. They are fixed grants to states to implement a particular program. States gain flexibility in how to design their programs, but are responsible for costs above the block grant amount.

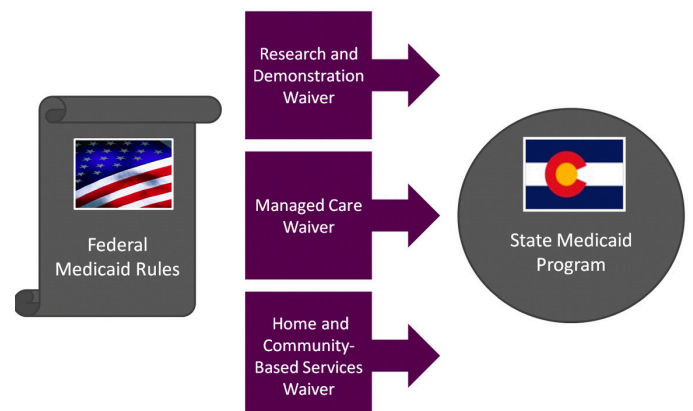
Graph 1. Medicaid Block Grant



What is a Medicaid waiver?

A waiver is a request made by a state to “waive” – or make an exception - to a federal rule. Waivers can be used to implement Medicaid managed care, roll out a demonstration project or allow a particular population to receive Medicaid services in their home or in the community.

Graph 2. Medicaid Waivers



Addressing the Problem:

Block grants and waivers are tools used to increase state flexibility. Block grant programs are found across many federal departments. One example is the Temporary Assistance for Needy Families (TANF) program, largely referred to as “welfare reform” when it was passed in 1996. Some argue that the TANF block grant has kept spending under control, while others point out that it has not kept pace with demand and has shifted costs to individuals.¹

In contrast to block grants, the federal government has historically promoted the waiver strategy in Medicaid. Colorado has a long history of using waivers to redesign or expand Medicaid services. Some examples include:

- Implementing Medicaid managed care
- Capping the enrollment of adults without dependent children at 10,000 individuals
- Allowing individuals to receive care in their home instead of an institution (such as the elderly, individuals with disabilities, HIV, brain injury).

CHI's Analysis:

Proponents of block grants cite a number of policy goals – to spur innovation, to reduce federal spending and to turn over more control to states. Critics say block grants do not adjust for demand and leave states (or individuals) financially vulnerable. Both sides agree that a block grant in the Medicaid program would shift the program from an individual entitlement program. In other words, limiting federal funding may mean limiting services.

Rhode Island's Global Waiver

Rhode Island was awarded a “global” demonstration waiver in 2009 to rebalance its Medicaid long-term services and supports (LTSS). The program is not a block grant because Rhode Island can only draw federal funds based on how much it has spent.

The funding is capped at \$12 billion (state and federal combined) over five years. However, the program has been heralded for successfully saving \$36 million in LTSS and improving access to primary care.² Critics argue that Rhode Island's spending cap was overly generous and would increase federal spending if it were expanded to all the states.³



Waivers are an established - yet incremental - approach to redesigning Medicaid. Waivers are also subject to availability of funds, and many of Colorado's waiver programs have waiting lists.

Conclusion:

Block grant and waiver discussions are likely to continue at the state and national levels, including in Colorado. Home and community based waivers will become particularly important as the state's population ages.

¹ Manhattan Institute. How Block Grants Can Make Medicaid Work. Sept 2012. Available at http://www.manhattan-institute.org/html/ir_24.htm, and Kaiser Commission on Medicaid and the Uninsured. "Implications of a Federal Block Grant for Medicaid." April 2011. Available at <http://www.kff.org/medicaid/upload/8173.pdf>.

² The Lewin Group. An Independent Evaluation of Rhode Island's Global Waiver. December 6, 2011. Available at http://www.ohhs.ri.gov/documents/documents11/Lewin_report_12_6_11.pdf

³ Cross-Call, J and J. Solomon. "Rhode Island's Global Waiver Not a Model for How States Would Fare Under a Medicaid Block Grant." March 22, 2011. Available at <http://www.cbpp.org/files/3-16-11health2.pdf>.

