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Medicaid Reforms: Per Capita Caps and Community First Choice

Background:

The current discussions regarding repealing and replacing Obamacare include proposals to reform Medicaid. The most common reform raised is to shift Medicaid to a program where the federal financial contribution is limited or capped. In a block grant design, federal Medicaid would pay the states a preset overall amount. With per capita caps, federal Medicaid would contribute a set amount based on the number of enrollees in Medicaid. States under both federal payment reforms would have significant flexibility in designing the state's Medicaid scope of benefits, provider participation standards, and provider payment rates. To the extent that the federal contribution does not cover the cost of the program, the state would be responsible for the rest. Under current Medicaid standards, most home care benefits are fully optional for states.

In addition to proposals to shift federal Medicaid financing to a capped, defined contribution type of program, legislation that has passed the House of Representatives includes the repeal of an important optional program known as Community First Choice. Under that program, states receive enhanced federal financial support to incentivize an acceleration of a rebalancing of long term services and support (LTSS) spending towards home and community based care. Today, some state Medicaid programs spend over 70% of LTSS support on costly nursing homes while others care for many more citizens with 80% of LTSS focused on home care.

Issues/Concerns:

There are numerous unknowns regarding the outcome of a Medicaid block grant or per capita cap reform. The only two real "knowns" are that the change would effectively shift federal Medicaid to a defined contribution program and that states would have the flexibility to completely change the makeup of Medicaid. With home care as optional benefits, states may be forced to expend significant greater state funds to continue Medicaid at its current benefit level. In addition, the loss of Community First Choice benefits may reverse the essential rebalancing of LTSS away from efficient and effective home care and in favor of costly nursing home services.

Talking Points:

- Under any Medicaid reform, states should be required to maintain access to home and community based care and hospice services as a priority for the beneficiary population. Both the Republican and Democratic Party national platforms in 2016 established home care as a national priority.
- The Supreme Court held in 1999 that the Americans with Disability Act (ADA) requires Medicaid programs to provide care in the least restrictive environment. Any reforms should continue this standard and require states to rebalance Medicaid spending for long term services and supports in favor of cost effective home care over costly institutional services.

What should Congress do:

Ensure that home and community-based care and hospice services be maintained as a Medicaid priority through any Medicaid reform