

Issue Brief

Medicaid Funding



What's the issue

- Medicaid is currently an entitlement program, which guarantees coverage for those who meet certain eligibility requirements.
- The program is funded by a combination of state and federal tax dollars, with federal funding guaranteed by matching the amount spent by the state without a limit.
- The federal share of Medicaid is determined by a formula set in statute that is based on a state's per capita income. The formula is designed so that the federal government pays a larger share of program costs in poorer states, and is referred to as FMAP.
- States have flexibility regarding the amount it determines should be spent on the program, allowing states to grant more resources to the program or expand coverage to other populations. Most changes would need to be approved by the federal Centers for Medicare and Medicaid Services (CMS) via a waiver or amendment to a state plan if it impacts the amount matched by the federal government.

Why does it matter?

- Recent efforts to repeal and replace the ACA have challenged the way that Medicaid is funded.
- Many repeal and replace proponents believe that states should have more flexibility in how they manage their Medicaid spending, while also capping the total amount of funding provided by the federal government.
- Two major alternatives being discussed, block grants and per capita cap funding, would result in dramatic cuts to future federal funding coming to Illinois for the Medicaid program.
- Medicaid is the third largest domestic program in the federal budget following Medicare and Social Security; and in most states, it is the single largest budget line item.
- Sixty-five cents of every dollar coming to Presence Health is from a government source. These funds, largely allocated to pay for services for those who cannot afford private insurance, allow us to continue to provide compassionate care for our communities.

What is the Presence Health perspective?

- **Medicaid provides access to essential health care services.** Presence Health believes that everyone, regardless of their ability to pay, deserves access to health care.
- **Transitioning to block grants or per capita caps would cut Medicaid spending.** While Medicaid would still be funded by both the state and the federal government, these new funding formulas would set program spending caps at the federal level regardless of the health care needs of actual Medicaid patients. The potential impact would be reductions in federal funding by up to 30 percent.
- **Illinois doesn't receive its fair share of federal funding.** Illinois has one of the lowest FMAPs in the country because it is calculated on per capita income and masks true economic conditions in the state.