

ACA Medicaid Expansion Weakens: Trump Administration Unveils Optional Plan for Block Grants

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January 30th, 2020 marked a dramatic change in [Medicaid funding](#), as the Trump Administration and Centers for Medicare & Medicaid Services (“CMS”) showcased a plan, called the “Healthy Adult Opportunity,” that would permit states to cap Medicaid spending. This was a blow to the Medicaid expansion under the Affordable Care Act (“ACA”), which expanded federal spending for low-income individuals that did not previously qualify for the program.

Traditionally, Medicaid functions with the federal government matching a state’s Medicaid funding, i.e. the more money a state spends on Medicaid, the more money the federal government would provide a state for the same. Now, the federal government is providing states with the option to adopt a block grant approach. Under the new plan, states can choose to opt-out of a portion of the federal funding, in exchange for a fixed payment. While the plan only applies to a certain population, that population could include millions. Specifically, the language states that the initiative is designed in regards to “adult beneficiaries under age 65 who are not eligible for Medicaid on the basis of a disability or their need for long-term care and for whom Medicaid coverage is optional for states.” This will have the largest impact on the childless low-income adults that were brought in through the ACA’s Medicaid expansion.

States that participate are rewarded with flexibility in designing how the affected group will be covered. They would have to option to make cuts to the types of benefits offered, including prescription drug coverage and co-payments. Additionally, the federal government will step back in its regulation of the agreements between states and private health insurance companies, resulting in far greater state autonomy. The impact has the potential to be far-reaching.

The Trump Administration and Seema Verma, the CMS Administrator, argue that this will result in a better use of resources for more fragile Medicaid enrollees with greater needs. Verma also argues that this plan will combat the lack of discipline states have displayed in determining enrollee eligibility for Medicaid.

While, expectedly, the Democratic Party has strongly denounced the move, key stakeholders have also had a strongly negative reaction to the plan. The American Academy of Family Physicians stated

the proposal would “reduce access to care in rural and other medically underserved areas; increase strain on state and local governments, physicians and other clinicians and patients;...increase uncompensated care costs” and “worsen overall health outcomes.”

There is an important point to note here: the optional program is just that – a choice. In fact, states that wish to participate have to affirmatively seek permission from the federal government in order to do so. Currently, only 14 states have not chosen to participate in the ACA’s Medicaid expansion. These states are among the most likely to participate in the Healthy Adult Opportunity, though it is certainly possible other Republican-majority states will follow suit.

With the process requiring permission, approval, and likely a more firm framework, the plan is likely to be slow in implementation. Moreover, it is almost certain that stakeholders will be bringing forth lawsuits in response to this plan. Consequently, it likely has many hurdles to overcome before becoming reality.

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