

RATIONING HEALTH CARE TO OUR KIDS: WHY MEDICAID BLOCK GRANTS ARE A BAD IDEA FOR THE NATION'S CHILDREN

We should not be rationing health care among our nation's children. However, the House majority leadership's budget plan for Medicaid would do just that by cutting funding and restructuring the program into block grants.¹ This change would fundamentally alter how Medicaid operates and severely cut funding to states, starving our health care system of much-needed resources and rationing care among our children and other populations, such as people with disabilities, the elderly, and pregnant women.

Medicaid and the Children's Health Insurance Program (CHIP) collectively provide comprehensive health care coverage to **42.1 million children in the United States**.² Medicaid provides critical coverage for nearly 80% of children living in poverty³ and **covers 42% of the nation's births**.⁴ CHIP provides coverage to families with low to moderate incomes that are too high to qualify under Medicaid. Both Medicaid and CHIP have been integral to reducing the rate of uninsured children, which currently sits at 5.4%.⁵

Coverage under Medicaid and CHIP allows children to access necessary physical and behavioral health care, especially in the earliest years of development. It is also critical coverage for children with special health care needs, including those with disabilities, children and youth currently or formerly involved with the foster system, and children of color.

How is Medicaid currently funded?

Medicaid is currently funded through a federal-state partnership. The federal government pays a fixed percentage match for each dollar a state spends on Medicaid. The match percentage considers a state's per capita income, so that states with lower incomes get more support. The percentage of support the federal government provides ranged from 50 to 83% prior to the pandemic.⁶ Under this approach, when state costs rise, the federal government shares in the increased costs. This flexible financing structure makes Medicaid funding responsive to state needs.

What would happen if Medicaid was financed under a block grant system?

Changing the financing structure of Medicaid to a block grant system would limit federal funding by giving states a fixed amount of overall funding for their respective Medicaid programs without considering what states actually pay. The House majority leadership's budget

42.1

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42%

**OF BIRTHS COVERED BY
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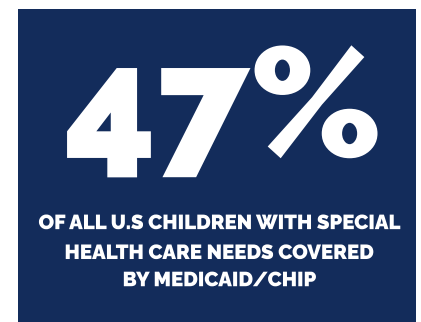
plan would convert Medicaid to five block grants for each of the following groups: Children, seniors, people with disabilities, pregnant women, and all other beneficiaries (including parents). Additionally, under the proposal, federal match for state Medicaid programs would be reduced to a 50/50 match for all states regardless of per capita income, disproportionately harming states with high rates of poverty.

The House majority leadership approach would provide an adjustment only for population growth, not for inflation in health care costs. Under this approach, if a state's Medicaid costs rise for any reason (i.e., inflation, recessions, natural disasters, pandemics, etc.), states would not receive any additional assistance from the federal government and would bear 100% of the increased costs. Facing such cuts, states will likely have to cut eligibility and benefits for enrollees as well as reimbursement rates paid to health care providers, including pediatricians.

Why is “block granting” Medicaid a bad idea for children?

Implementing a block grant system for Medicaid would be detrimental to children's health care. The fixed funding provided by block grants may not adequately meet the needs of children, resulting in limited resources for essential health care services. There would seemingly be fewer requirements in Medicaid under House majority leadership proposal, risking guaranteed benefits specifically designed for children, known as the Early and Period Screening, Diagnostic and Treatment (EPSDT) benefit. Overall, block grants like those proposed would lead to less access, delayed care, and poorer health outcomes. The negative impact of block grants would be especially significant for:

- **Children with special health care needs, including those with disabilities:** Medicaid and CHIP cover 47% of the more than 13 million U.S. children with special health care needs.⁷ These children often require costly treatment. Consequently, capping Medicaid funding would disproportionately affect these children by limiting access to services, including some that would not be available through private insurance. As a result, there is a risk of inadequate coverage and reduced access to essential services such as therapies, medications, and specialized treatments. Such limitations can lead to compromised health outcomes and place a heavier burden on families, who may be left with the financial responsibility of covering the care gaps. Ultimately, transforming Medicaid into a block grant system could undermine the well-being and support system for children with special health care needs.
- **Foster youth:** Medicaid plays a critical role for children in foster care by providing them with comprehensive health care coverage to address what are often their very particular needs. Foster youth often require comprehensive medical, mental health, and developmental services. Children in foster care are much more likely to have experienced multiple adverse



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childhood experiences (ACEs), such as abuse, neglect, and/or household dysfunction, than the general population. This increases their risk of negative health outcomes, including developmental delays, behavioral and emotion problems, and other health conditions like diabetes, heart disease, cancer, stroke, and obesity.

The fixed funding structure of block grants would fail to account for the unique health care needs of this population. Inadequate funding under a block grant system would limit access to essential health care services, potentially leaving foster youth without support for their physical and emotional well-being. Foster youth from historically excluded communities, who are already more likely to experience barriers to health care, would be disproportionately affected, leading to potential gaps in care, disrupted continuity, and increased challenges to their overall well-being. Preserving the current Medicaid financing structure is vital to ensuring equitable access to quality health care for all foster youth, regardless of their background or circumstances.

- **Children of color:** Medicaid and CHIP are primary sources of coverage for children of color. More than half of children who identify as Native American, Black, Latino, or multiracial have Medicaid as their source of health insurance.⁸ Children of color in the United States face an array of health disparities, including higher rates of chronic conditions such as asthma, obesity, diabetes, and hypertension. Black and Native American infants have higher rates of infant mortality compared to White infants. Limited access to mental health services, higher rates of being uninsured or underinsured, and disparities in oral health are also evident among children of color.

Medicaid, in its current form, serves as a vital safety net, helping to mitigate these inequities by providing comprehensive coverage and targeted programs. A block grant system would result in reduced funding and stricter eligibility criteria, limiting access to essential health care services for children of color. This situation would further exacerbate existing disparities, widening the gap in health outcomes. Additionally, a block grant system would compromise Medicaid's current flexibility in addressing social determinants of health, such as poverty and environmental challenges, hindering efforts to address the underlying causes of health inequities. Maintaining the current structure of Medicaid is crucial to ensure equitable access to quality health care for children, especially children of color, in order to address and overcome health disparities rooted in systemic inequities.

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Better Solutions for Kids

Rather than proposing to ration children's health care, Congress should build on the successes of Medicaid and CHIP to ensure that program benefits reach all eligible children. To do this, Congress should:

- Make CHIP permanent
- Reduce administrative burden for states that want to expand CHIP eligibility
- Expand continuous eligibility requirements in Medicaid and CHIP through age 5
- Require 12 months of Medicaid and CHIP postpartum coverage in all states
- Remove barriers to health coverage based on immigration status
- Allow families to purchase coverage through Medicaid, CHIP, or the Federal Employees Health Benefits Plan (FEHBP)
- Support state pilots to modernize Medicaid and CHIP eligibility and enrollment processes
- Require states to implement Express Lane Eligibility (ELE) for children.

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ENDNOTES

- 1 Republican Study Committee (RSC), Fiscal Year 2024 Budget (June 2023), available at https://hern.house.gov/uploadedfiles/202306141135_fy24_rsc_budget_print_final_c.pdf. The RSC budget plan would convert Medicaid to five block grants for each of the following groups: children, seniors, people with disabilities, pregnant women, and all other beneficiaries (including parents).
- 2 Centers for Medicare & Medicaid Services, March 2023 Medicaid and CHIP Enrollment Trends Snapshot, available at <https://www.medicaid.gov/medicaid/national-medicaid-chip-program-information/downloads/march-2023-medicaid-chip-enrollment-trend-snapshot.pdf>.
- 3 U.S. Census Bureau, More Children Were Covered by Medicaid and CHIP in 2021 (Sep. 2022), available at <https://www.census.gov/library/stories/2022/09/uninsured-rate-of-children-declines.html>.
- 4 Kaiser Family Foundation, Births Financed by Medicaid: 2020. Medicaid covers more than 50% of births in six states (AL, LA, MS, NM, OK, TX), available at <https://www.kff.org/medicaid/state-indicator/births-financed-by-medicaid/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Percent%20of%20Births%20Financed%20by%20Medicaid%22,%22sort%22:%22desc%22%7D> (last visited 2/1/2023).
- 5 U.S. Census Bureau, American Community survey (ACS), Table HIC-5, Health Insurance Coverage Status and Type of Coverage by State - Children Under 19: 2008 to 2021, Health Insurance Historical Tables. <https://www.census.gov/data/tables/time-series/demo/health-insurance/historical-series/hic.html>.
- 6 In response to the COVID-19 pandemic, the Families First Coronavirus Response Act, Pub. L. 116-127, gave states an additional 6.2% for Medicaid for meeting certain requirements, including keeping children and families continuously enrolled during the pandemic. That additional support will be phased out in 2023 as provided in the Consolidated Appropriations Act, 2023, Pub. L. 117-328.
- 7 Kaiser Family Foundation, Medicaid's Role for Children with Special Health Care Needs: A look at Eligibility, Services, and Spending (June 2019) available at <https://files.kff.org/attachment/Medicaid's-Role-for-Children-with-Special-Health-Care-Needs-A-Look-at-Eligibility-Services-and-Spending>.
- 8 Georgetown Center for Children and Families, Snapshot of Children with Medicaid by Race and Ethnicity, 2018 (July 2020), available at <https://ccf.georgetown.edu/wp-content/uploads/2020/07/Snapshot-Medicaid-kids-race-ethnicity-v4.pdf>.