



{HEALTHCARE ADVISORY}

Trump Releases Block Grant Plan that would Transform Medicaid

The Trump administration today released guidance to Medicaid directors on how to convert their open-ended Medicaid funding into block grants.

The administration took a big step forward to let states convert a portion of Medicaid funding into block grants, a long-sought conservative overhaul of the safety net healthcare program that Democrats will wield as a political weapon during the election.

The plan is the administration's boldest step yet to curb Medicaid spending and shrink the program covering about 1 in 5 low-income Americans. But the move is inciting fierce opposition from Democrats who say it is the latest evidence that President Trump is trying to sabotage the ACA.

CMS Administrator Seema Verma, who's crafted the politically sensitive and closely guarded plan for over a year, today encouraged state Medicaid directors to request budgeted federal payments to cover poor adults who enrolled through the ACA's Medicaid expansion in recent years. States who voluntarily cover adult populations outside of the ACA expansion could also receive capped funding.

Some conservative states have expressed interest in block grants, but it is not clear how many will take up the Trump administration's new offer.

Capped Medicaid payments would represent a radical departure in how the 55-year-old program is financed. The federal government has long provided open-ended matching funds to states.

Verma is touting block grants as a way for states to take greater accountability for the health of their residents while better controlling program spending. Verma also sees the policy as a way to constrain the ACA's expansion of Medicaid to millions of low-income adults, a program that she argues has siphoned away resources for the most vulnerable populations covered by Medicaid.

"Adult Medicaid beneficiaries can hope for better health and all beneficiaries can expect a stronger, more sustainable program for years to come," Verma said this morning.

The rollout of the policy represents a signature achievement for Verma, who pushed through the plan just weeks after a high-profile feud with HHS Secretary Alex Azar jeopardized both of their jobs. The two have tried to repair their working relationship after an intervention from senior



White House officials, and Azar will appear at today's rollout in a show of support for Verma's policy.

Still, Medicaid advocates are likely to challenge the policy in court. Democratic lawmakers have long cautioned the Trump administration against advancing the policy, contending the health department doesn't have the authority to unilaterally cap program spending. In a letter to Verma this week, more than 20 House Democrats warned the move "defies Congress" and threatens care for some of the country's most vulnerable people.

Democrats are portraying the new block grant policy as a cut to America's healthcare and tied it to Trump's efforts to undermine the ACA. The DNC's war room this week tweeted the plan was "an attack on the ACA and its expansion of a program that now covers about 1 in 5 Americans."

The healthcare law, and in particular its Medicaid expansion, remains popular after Republicans failed to repeal and replace it in the first year of Trump's presidency. Nearly $\frac{3}{4}$ of states have expanded Medicaid since 2014, and the support for the program has boosted Democratic candidates in conservative strongholds.

On Wednesday, one day before the block grant rollout, Verma sought to rebut claims the administration is undermining the ACA, even as Trump supports a lawsuit that could kill the entire healthcare law.

"The tired canard that the Trump Administration is sabotaging the ACA rings hollow," Verma said. "Rather, we are keeping what works and fixing what's broken."

Block grants have been a regular feature in Republican health plans dating back to the 1980s. Republicans say that states can better manage the programs on a defined budget and fewer rules set by Washington. However, Medicaid advocates say a block grant would limit states' ability to respond to economic downturns and expensive new drugs, forcing them to trim their programs. There's never been enough support for the idea from Congress. Lawmakers rejected a block grant program in 2017, when it was debated during the failed ACA replacement effort.

The administration said states can pursue block grants under the health department's authority to waive Medicaid requirements to test new payment and healthcare delivery ideas. Critics argue, however, that the administration can't legally cap Medicaid spending without permission from Congress.

Sensitive to the negative connotations surrounding block grants, the Trump administration is branding the policy "Healthy Adult Opportunity." Officials are emphasizing that states receiving lump sum payments will face stricter oversight to ensure patients aren't getting sicker or losing



access to healthcare providers. Traditional populations covered by the program, like children, elderly adults and people with disabilities, would not be eligible for capped payments.

State Medicaid programs would also have new ability to limit health benefits and drugs. Some states have been frustrated that Medicaid programs, which must cover every FDA approved drug, have had limited tools for constraining drug costs. States could choose to receive lump sum funding or receive funding based on the number of enrollees.

Democratic states that expanded Medicaid are unlikely to take up Trump's offer, but it may draw some interest from conservative states.

Oklahoma Gov. Kevin Stitt, whose state hasn't expanded Medicaid, will appear alongside Verma during the Thursday morning announcement at HHS. Stitt has been agitating for a block grant as an alternative to a Medicaid expansion referendum expected on the Oklahoma ballot this year.

Mike Dunleavy, Alaska's Republican governor, has also expressed interest in a block grant. Last fall, Tennessee, which hasn't expanded Medicaid, became the first state to formally request a block grant for its program. Verma said the Tennessee request is broader than the scope of the new guidance.

Litigation could still halt the new policy, potentially leaving another one of Verma's Medicaid initiatives tied up in courts after a federal judge blocked new work rules. A federal appeals court in Washington, D.C., is weighing the Trump administration's request to revive the rules requiring some Medicaid enrollees to work, volunteer or attend school as a condition of coverage.

Groups like the National Health Law Program, which sued over work requirements, said they'll closely review the block grant plan. Its legal team will be "carefully assessing the enforcement and litigation options" said Leonardo Cuello, the group's health policy director.