Medicaid Funding Caps are a Barrier to Care for Cancer Patients & Survivors

American Cancer Society Cancer Action Network
fightcancer.org

Medicaid is the primary health insurance program for people in America with limited incomes, offering quality, affordable, and comprehensive health care coverage to over 72 million individuals.[1] Many people with cancer, those who will be diagnosed with cancer, and cancer survivors use Medicaid to access needed medical care. Having health insurance through Medicaid helps people in America stay healthy so they can maintain employment, care for their families, and pay their bills. The Medicaid program also helps communities, hospitals, schools, and the economy thrive.

The program operates under a federal-state partnership, with funding determined through the Federal Medical Assistance Percentage (FMAP). This funding structure adjusts to economic fluctuations, natural disasters, or increases in health care costs, ensuring states can respond to changing needs without compromising essential services. Medicaid's responsive funding model protects state budgets and helps safeguard the health and well-being of millions of people nationwide, particularly during times of crisis.

Some policymakers want to consider changing this funding structure. Previous proposals to replace the current funding arrangement with block grants or per capita caps—where federal funding would be fixed rather than responsive to state needs—could lead to significant funding shortfalls. Such structural changes would pose serious risks to Medicaid's ability to provide quality, affordable, care, particularly for individuals with serious illnesses such as cancer. **Federal cuts or capped funding could force states to limit enrollment, reduce benefits, or lower provider payments, undermining the program's ability to meet the needs of vulnerable populations.**

The American Cancer Society Cancer Action Network (ACS CAN) remains strongly opposed to changes in Medicaid financing that would transition to block grants or per capita caps. These approaches prioritize federal budget savings over the health and financial security of millions of Americans, creating barriers to care at a time when access to quality health services is more critical than ever.

Increasing Financial Risk and Unanticipated Medicaid Costs to States

Health care costs are often greater than projected, because medical expenses and health coverage needs are difficult to predict. For example, a new breakthrough drug, an exciting new cancer treatment, or an unexpected health care emergency (e.g., COVID-19) could cause health care costs to increase significantly, leaving states with a larger share of unanticipated Medicaid costs. Additionally, economic downturns or major state disasters (e.g., floods or hurricanes) could create greater need for Medicaid coverage among state residents. Currently, when these unexpected incidents occur the FMAP funding structure automatically adjusts to cover additional state spending to meet state beneficiary enrollment and needs. Under a block grant arrangement, however, fixed payments remain the same, leaving the state financially vulnerable and eligible enrollees without Medicaid coverage when they need help the most.

Per capita caps are also unable to respond to unexpected medical cost growth. If the federal funds are exhausted and states do not have enough in their own budgets to adjust, states may simply stop providing

or limit benefits and services until the next year's funds become available, leaving many beneficiaries – including those with cancer and cancer survivors – uninsured.

Restricting Eligibility, Enrollment, or Benefits Guaranteed by Medicaid

Block grants and per capita caps claim to provide states flexibility in administering state Medicaid programs. Unfortunately, this flexibility coupled with reduced federal funding will likely result in restrictions in eligibility, enrollment, and/or benefits and services for Medicaid enrollees rather than improved care. Because states may see a significant reduction in their overall federal funding under capped funding, they may be forced to use other cost-saving measures. These measures could include enrollment freezes, waiting lists, withholding certain medical benefits or services, closed prescription drug formularies, and increased cost sharing for beneficiaries. Enrollment freezes and waiting lists mean some Medicaid enrollees will not have the opportunity to receive early detection services that could prevent certain cancers from developing, diagnose cancers at an earlier stage, or provide timely and appropriate access.[2] Deterring a low-income person from care could result in higher costs later, which the state may have to bear.

Shifts Costs to Providers and Beneficiaries

Capping funding does nothing to reduce the need for health care services. Capping funding would simply shift additional costs to health systems, providers, and enrollees through uncompensated care. Many public hospitals, children's hospitals, rural providers, and community health centers make up the "safety net" for low-income individuals and families battling cancer. These health systems greatly rely on Medicaid revenue to provide services. Reduced federal and state funding could result in hospital systems, community health centers, and providers reducing the number of Medicaid patients or uninsured patients they treat due to lower reimbursement rates and greater uncompensated care costs. Not only would this mean less access for Medicaid enrollees and the uninsured, but it could also hinder the administration and Congress' efforts to improve the quality of health care.

The American Cancer Society Cancer Action Network's Position

ACS CAN opposes block grants and per capita caps in Medicaid. Capping funding and allowing states to impose changes that could prevent or disrupt care will seriously hinder the program's ability to serve its beneficiaries in a way that allows them to access quality, affordable, comprehensive health care. This will particularly affect people living with complex and expensive conditions like cancer. We will continue to work to ensure that people with cancer, survivors, and those at risk for cancer have quality, affordable, and comprehensive health insurance coverage.

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[1] Centers for Medicare and Medicaid Services. August 2024 Medicaid & CHIP Enrollment Data Highlights. https://www.medicaid.gov/medicaid/program-information/medicaid-and-chip-enrollment-data/report-highlights/index.html

[2] Solanki G, Schauffler HH, Miller LS. The direct and indirect effects of cost sharing on the use of preventive services. Health Services Research. 2000; 34:1331-50.