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RESEARCH SUMMARY

MEDICAID PER CAPITA CAPS
When Democrats Supported and Republicans Opposed Them, 1995–1997

Congressional Republicans who have vowed to repeal and replace the Affordable Care Act (ACA) have called for restructuring Medicaid, reviving a debate surrounding the idea of per capita spending allotments that has largely remained dormant for two decades.

In "Medicaid Per Capita Caps: When Democrats Supported and Republicans Opposed Them, 1995–1997," Galen Institute Senior Fellow Doug Badger traces the legislative history of that debate, which pitted supporters of block grants against those who advocated per capita allotments. Considering the historical Democratic support for per capita caps and Republican support today, healthcare reformers should look to this proposal as a potential starting point for constructive dialogue.

KEY POINTS

Medicaid is an entitlement program designed to provide medical care to certain low-income individuals. It is jointly financed by the states and the federal government.

- Medicaid reform became a popular topic in the mid-1990s, with a Republican-controlled Congress focused on cutting the growth rate of the increasingly expensive program.
- During this period, prominent Democrats supported per capita caps. The Clinton administration saw them as a way to reduce spending and maintain Medicaid's individual entitlement.
- At the time, Republicans opposed per capita caps and supported a program of block grants (called the MediGrant program), which would impose a hard, inflation-adjusted cap on federal Medicaid payments to each state.
- These differences were among the leading causes of a 21-day government shutdown in 1995.
- In 1996, Republicans softened their MediGrant proposal by retaining the individual entitlement for certain categories of beneficiaries. The MediGrant proposal was nevertheless

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again rejected by Democrats, who still supported per capita caps, and Medicaid reform stalled once again.

- Medicaid was again the subject of reform efforts in 1997, which concluded with an agreement to reduce payments to states for hospitals serving a disproportionate share of Medicaid recipients and give states more flexibility to manage their programs. The reform excluded both per capita caps and block grants, and the following year's budget surplus reduced further interest in controlling entitlement spending.