

FUNDING

How is all this paid for?



MEDICARE

Medicare is a program that is paid for by Federal taxes and is reasonably financially sustainable. Although improvements can be made with the program, its funding should not need an overhaul.

MEDICAID

MEDICAID is a program that is funded by a combination of Federal and State taxes to provide healthcare coverage to a specific group of people. This program is funded by State and Federal taxes, with the expansion lives relying heavily on Federal taxes. The program is administered by the State with the approval of the federal Centers for Medicare and Medicaid Services (CMS). As previously mentioned after the expansion of Medicaid with the ACA, States who participated in this expansion now have much greater access to federal taxes to fund their state program.

In order to contain costs and prevent fraud, waste, and abuse in this program *from government*, this needs to be restructured. There are 2 possible solutions that can be used to contain the amount of Federal money that States can draw to help fund their programs.

1. Block Grants - This is a set amount, paid annually to each state. This amount can vary from state to state based on population, but is a set amount. This would complete the

funding from the federal government and put a cap on taxpayer obligation. This does not prevent any state from adding to their funding using state taxpayer funds.

2. Capitation - In healthcare insurance, this is used to contract rates between health plans and provider groups where a rate is set per member/per month. This concept can be duplicated between the Federal government and a State based on Medicaid enrollment.

Because some of the states expanded their Medicaid programs and the funding is different for those members, this has been a sticking point with previous attempts at a plan.

- For States with a simple Medicaid program that did not expand, block grants are a perfect solution to contain costs.
- For the States that expanded, their basic Medicaid program could still be cost contained through block grants, and for the expansion group, capitation could be employed to shore up those costs.

This funding is essential because it determines how much Federal tax money is used in State run programs. It will put a cap on the amount of money any one state can receive. This does NOT prevent any state from providing any benefit they want, it will simply be funded in a limited fashion from *Federal taxes*, and the remainder can be supplied by State taxes. This will allow the State to decide how much additional cost they want to incur without bankrupting the entire nation.