



Research

2025 Block Grant/Per Capita Cap Estimation

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Executive Summary

In 2018, provisions from a proposal authored by the Health Policy Consensus Group – an affiliation of health policy analysts offering recommendations and analysis on a variety of health policy issues – titled “Health Care Choices Proposal” were discussed by Republican economic and health advisers during the first Trump Administration as a potential reform of the Medicaid program. With the re-election of President Trump, similar proposals may again be on the table.

The American Action Forum’s Center for Health and Economy (H&E) analyzed part of this framework to estimate the budgetary, coverage, and premium implications of some of these proposed reforms to the Medicaid funding process – specifically, instituting either a per-capita cap on federal funding of states’ Medicaid programs or providing federal Medicaid funding through a fixed block grant calculated from the previously mentioned per-capita amounts. While the “Health Care Choices Proposal” assesses broader Affordable Care Act-related spending (for example, subsidies and the Medicaid expansion population) H&E specifically looked at the block grant/per-capita cap proposal (herein referred to as the Medicaid Reform Proposal (MRP)) with respect to Medicaid expenditures. Below are estimates for selected impacts of the MRP:

- **Budget Impact:** Compared to H&E’s 2024 baseline, H&E’s projection of the Medicaid noted block grant or per-capita cap provision would decrease federal spending by approximately **\$670 billion** from 2025–2034, or \$67 billion per year.
- **Coverage Impact:** Under H&E’s considered reforms, Medicaid enrollment would decrease by 3.8 million by 2034. Enrollment in Bronze and Catastrophic plans on the subsidized exchange would potentially increase by 2.3 million and 1.6 million,

respectively. Minimal changes in enrollment were observed for Silver, Gold, and Platinum plans.

- **Premium Impact:** Annual premiums for Bronze and Catastrophic plans in both single coverage and family coverage would decrease moderately under these reforms as compared to current baseline estimates. Annual premiums for single coverage and family coverage for Silver, Gold, and Platinum plans would increase substantially.

Introduction

With the new Trump Administration, there have been discussions among the president's economic advisers and congressional Republicans to revisit proposed Medicaid reforms originally discussed during Trump's first term in office. During previous health care policy debates, a frequently discussed Medicaid reform proposal recommended by the Health Policy Consensus Group's "Health Care Choices Proposal" involved switching from the current system of state Medicaid reimbursement to a block grant/per-capita cap allotment system. While the "Health Care Choices Proposal" assesses broader Affordable Care Act-related spending - for example, individual market subsidies or spending on Medicaid expansion - the American Action Forum's Center for Health and Economy's (H&E) block grant/per-capita cap proposal (herein referred to as the Medicaid Reform Proposal (MRP)) considers only reforms to Medicaid expenditures.

The MRP discussed above concerns two policy proposals:

1. The impact of placing a cap on states' Medicaid funding on a per-enrollee basis.
2. The effects of a block grant capping the total amount the federal government reimburses state Medicaid programs.

This report estimates the impact of both a block grant method of funding disbursement to states and a per-capita funding method. All impacts projected in this report are relative to the 2024 H&E baseline estimations and are associated with some degree of uncertainty. For consistency purposes, the MRP is estimated to begin in 2025, but projections utilize the most current data.

Under the current program design, the federal government reimburses states for a portion of each state's Medicaid spending, with no upper limit or cap on the amount of federal funding a state can receive.

The per-capita allotment proposal would create per-enrollee limits on federal government payments to states' Medicaid funds, indexed to the CPI-U. Any state with spending higher

than its targeted aggregate amount would receive corresponding reductions to federal funding in the following fiscal year.

States would alternatively have the option to receive a Medicaid block grant, a fixed amount of federal funding instead of a per-capita allotment. The formula for the block grant amount would be based on the targeted per-enrollee amount from the per-capita cap provision. The block grant amount would increase according to the CPI-U, with unspent funds available for the next fiscal year.

Analysis

The analysis uses a microsimulation model which employs micro-data available through the Medical Expenditure Panel Survey to analyze the effects of health policies on the health insurance plan choices of the under-65 population and to interpret broader effects. This report utilizes a microsimulation comparing these outcomes with the [2024 H&E baseline estimates](#).

While previous proposed plans may differ in certain provisions, the analysis considers the general implementation of a block grant or per-capita cap beginning in 2025.

Budget Impact

The MRP demonstrates **savings of \$670 billion** to the federal budget compared to baseline estimates. By summing the annual differences between current policy (baseline) and MRP estimates, an average net saving of **\$67 billion** is predicted for each fiscal year. The tables below demonstrate the net savings for each fiscal year comparing the H&E baseline to the MRP budget from 2024 to 2035. Table 1 demonstrates the 2024 baseline budgetary estimates, including federal spending in the individual market as well as Medicaid. Table 2 highlights the budgetary outlook of the MRP, with the final table demonstrating net budgetary savings specifically from Medicaid.

Baseline Budgetary Outlook (billions) ¹												
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2034
Uses of Funds²												
Health Insurance Marketplace	128	134	82	80	77	75	72	68	63	672	690	889
Cost Sharing Benefits	0	0	0	0	0	0	0	0	0	0	0	0
Premium Tax Credits	128	134	82	80	77	75	72	68	63	59	52	889
Medicaid	436	453	470	488	507	527	547	569	591	614	637	5,839
Other	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	563	587	552	568	585	601	619	637	654	672	690	6,728
Net Budgetary Impact³	-563	-587	-552	-568	-585	-601	-619	-637	-654	-672	-690	-6728

Table 1. Baseline Budgetary Outlook (billions)

		Proposal Budgetary Outlook (billions)										
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Sources of Funds												
Individual Mandate Taxes		0	0	0	0	0	0	0	0	0	0	0
Uses of Funds												
Health Insurance Marketplace		71.2	75	75.4	94.2	106.1	107.4	108.5	112.6	116	119.2	120.9
Cost Sharing Benefits		0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Premium Tax Credits		70.7	74.6	75.1	93.9	105.7	107	108.2	112.3	115.8	119	120.7
Medicaid		395.2	408.1	421.4	435.1	449.3	463.9	479.1	494.7	510.9	527.7	544.9
Net Expenditures		466.4	483.1	496.8	529.3	555.3	571.3	587.6	607.4	626.9	646.9	665.8

Table 2. MRP Budgetary Outlook (billions)

		Proposal Budgetary Outlook - Medicaid (billions)										
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
Baseline		453.0	470.0	488.0	507.0	527.0	547.0	569.0	591.0	614.0	637.0	5403.0
Proposal		408.1	421.4	435.1	449.3	463.9	479.1	494.7	510.9	527.7	544.9	4735.1
Net Budgetary Impact		44.9	48.6	52.9	57.7	63.1	67.9	74.3	80.1	86.3	92.1	667.9

Table 3. MRP Budgetary Outlook - Medicaid (billions)

Coverage Impact

Participation in various health coverage programs will fluctuate based on the MRP. Implementation of the MRP would lead to a predicted decrease in Medicaid enrollment by 3.8 million over a 10-year period. Individual market coverage is projected to increase by 3.1 million individuals over a 10-year period. The MRP predicts an uptick of 2.3 million individuals enrolled in Bronze plans and 1.6 million individuals enrolled in Catastrophic plans. Bronze, Silver, and Catastrophic plans are projected to account for the vast majority of Subsidized Exchange plans. Table 4 demonstrates the net changes between MRP enrollment and the 2024 baseline enrollment estimates, with Table 5 providing the full enrollment outlook underneath the MRP. Table 6 provides the net differences in subsidized exchange enrollment between the 2024 baseline estimates and the MRP enrollment projections. The final two tables, Tables 7 and 8, demonstrate the plan choice distribution in the individual market and the health insurance marketplace.

Net Insurance Coverage - Proposal

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Subsidized Exchange	-4.4	-4.6	0.6	1.4	2	2.2	2.4	2.8	3.1	3.4	3.7
Bronze	-1.5	-1.7	0.6	1.1	1.4	1.5	1.6	1.8	2	2.1	2.3
Catastrophic	1.6	1.7	1.7	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.6
Gold	-0.7	-0.8	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
Platinum	0	0	0	0	0	0	0	0	0	0	0
Silver	-3.8	-3.8	-1.5	-1.2	-1	-0.9	-0.7	-0.6	-0.4	-0.3	-0.1
Other Non-Group	2.6	2.5	0.7	0.3	0.1	0	-0.1	-0.2	-0.4	-0.4	-0.6
Bronze	0.6	0.6	-0.1	-0.2	-0.2	-0.2	-0.3	-0.3	-0.4	-0.4	-0.4
Catastrophic	0.4	0.5	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4
Gold	0	0	0	0	0	0	0	0	0	0	0
Platinum	0	0	0	0	0	0	0	0	0	0	0
Silver	1.6	1.4	1	0.8	0.6	0.6	0.5	0.5	0.4	0.4	0.3
	0	0	0	0	0	0	0	0	0	0	0
Total Ind Market	-1.8	-2	1.3	1.7	2.1	2.2	2.3	2.5	2.8	2.9	3.1
	0	0	0	0	0	0	0	0	0	0	0
Medicaid	-3.6	-3.6	-3.6	-3.7	-3.7	-3.7	-3.7	-3.7	-3.8	-3.8	-3.8
	0	0	0	0	0	0	0	0	0	0	0
Total Insured	-5.4	-5.7	-2.4	-2	-1.6	-1.5	-1.4	-1.2	-1	-0.8	-0.7
	0	0	0	0	0	0	0	0	0	0	0
Uninsured	4.4	4.6	1.3	0.9	0.5	0.4	0.3	0.1	-0.1	-0.3	-0.5
	0	0	0	0	0	0	0	0	0	0	0
Total Population	-1	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-1.2

Table 4. Net Insurance Coverage - MRP (millions)

Total Health Insurance Enrollment - Proposal

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Subsidized Exchange	9.1	8.9	8.6	8.8	8.9	8.5	8.2	8.0	7.7	7.5	7.2
Bronze	2.7	2.8	2.8	3.2	3.5	3.4	3.3	3.3	3.3	3.3	3.2
Catastrophic	1.6	1.7	1.7	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.6
Gold	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Platinum	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Silver	4.6	4.2	3.9	3.7	3.4	3.2	3.0	2.8	2.6	2.4	2.2
Other Non-Group	4.9	4.7	4.5	4.1	3.9	3.7	3.6	3.5	3.3	3.2	3.0
Bronze	1.3	1.3	1.2	1.1	1.1	1.1	1.0	1.0	1.0	0.9	0.9
Catastrophic	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.2	1.2	1.2	1.2
Gold	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Platinum	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Silver	2.2	2.0	1.8	1.6	1.4	1.3	1.2	1.1	1.1	1.0	0.9
Total Ind Market	14.0	13.6	13.1	12.9	12.8	12.3	11.8	11.5	11.0	10.6	10.2
Medicaid	68.8	69.0	69.1	69.3	69.5	69.6	69.8	70.0	70.1	70.3	70.5
Total Insured	82.8	82.5	82.2	82.2	82.2	81.9	81.6	81.4	81.2	81.0	80.7
Uninsured	29.9	30.4	31.1	31.4	31.7	32.4	33.0	33.5	34.1	34.7	35.3
Total Population	112.7	113.0	113.3	113.6	113.9	114.3	114.6	114.9	115.3	115.6	116.0

Table 5. Total Health Insurance Enrollment - MRP (millions)

Net Insurance Enrollment - Proposal

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Subsidized Exchange	-4.4	-4.6	0.6	1.4	2.0	2.2	2.4	2.8	3.1	3.4	3.7
Bronze	-1.5	-1.7	0.6	1.1	1.4	1.5	1.6	1.8	2.0	2.1	2.3
Catastrophic	1.6	1.7	1.7	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.6
Gold	-0.7	-0.8	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
Platinum	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Silver	-3.8	-3.8	-1.5	-1.2	-1.0	-0.9	-0.7	-0.6	-0.4	-0.3	-0.1
Other Non-Group	2.6	2.5	0.7	0.3	0.1	0.0	-0.1	-0.2	-0.4	-0.4	-0.6
Bronze	0.6	0.6	-0.1	-0.2	-0.2	-0.2	-0.3	-0.3	-0.4	-0.4	-0.4

Table 6. Net MRP Insurance Enrollment (millions)

Plan Choice Distribution in the Individual Market¹

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Platinum	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Gold	2%	3%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Silver	55%	53%	51%	47%	44%	44%	42%	41%	39%	38%	36%
Bronze	18%	19%	20%	23%	25%	25%	26%	27%	27%	28%	29%
Catastrophic	24%	25%	26%	27%	29%	29%	30%	31%	31%	32%	33%
Total Enrollment (millions)	12	12	11	11	11	10	10	10	9	9	9

¹ The Individual Market refers to the commercial, non-group market and includes sales of insurance within the Marketplace and direct sales by insurers

² Silver plans include plans that receive cost-sharing assistance

Table 7. Plan Choice Distribution in the Individual Market

Plan Choice Distribution in the Health Insurance Marketplace

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2032	2034
Platinum	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Gold	3%	3%	3%	3%	3%	3%	2%	2%	2%	2%	2%
Silver ²	72%	70%	68%	64%	60%	59%	58%	56%	55%	52%	51%
Bronze	25%	27%	29%	33%	37%	38%	40%	41%	43%	45%	47%
Total Enrollment (millions)	6.3	6.1	5.8	5.8	5.7	5.4	5.2	5	4.8	4.6	4.3

¹ The Individual Market refers to the commercial, non-group market and includes sales of insurance within the Marketplace and direct sales by insurers

² Silver plans include plans that receive cost-sharing assistance

Table 8. Plan Choice Distribution in the Health Insurance Marketplace

Premium Impact

Under the MRP, annual premiums are projected to fluctuate over the 10-year window. Annual premiums for Bronze and Catastrophic plans in both single coverage and family coverage are predicted to decrease moderately – 14 percent and 5 percent, respectively, for single coverage; 12 percent and 9 percent for family coverage. Annual premiums for single

coverage and family coverage for Silver, Gold, and Platinum are expected to increase - 24 percent, 17 percent, and 16 percent, respectively, for single coverage, 29 percent, 32 percent, and 34 percent, respectively, for family coverage by 2034. These changes are reflected in the tables below. Table 9 provides the net difference premiums between the 2024 baseline estimates and Table 10 demonstrates total average premium estimations from the MRP.

Net Total Premiums - Proposal										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Single Coverage										
Bronze	-500	-1000	-1500	-1500	-1600	-1500	-1600	-1500	-1600	-1600
Catastrophic	-1300	-700	-900	-800	-800	-700	-800	-800	-600	-600
Gold	2,600	1,900	1,800	2,000	2,100	2,100	2,200	2,200	2,200	2,200
Platinum	3,400	2,300	2,200	2,300	2,400	2,400	2,500	2,500	2,600	2,400
Silver	2,300	2,200	2,100	2,300	2,400	2,600	2,700	2,800	2,900	3,000
Family										
Bronze	900	-1600	-2500	-2700	-2900	-2900	-3100	-3200	-3200	-3100
Catastrophic	-3100	-600	-1000	-900	-1000	-1200	-1200	-1400	-1400	-1600
Gold	9,900	7,600	7,600	7,800	8,100	8,600	8,900	9,400	9,500	10,000
Platinum	1,140	8,100	7,800	8,100	8,400	9,300	9,800	10,500	11,300	12,100
Silver	6,200	5,200	5,200	5,500	5,800	6,300	6,700	7,200	7,700	8,200

Table 9. Annual Net Total Premiums - MRP (USD)

Total Average Premiums - Proposal											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Single Coverage	6,400	6,600	6,800	7,300	7,700	8,000	8,300	8,600	8,900	9,200	9,500
Bronze	7,200	7,400	7,700	8,400	8,800	9,100	9,400	9,800	10,100	10,500	10,800
Catastrophic	5,300	5,500	5,700	6,100	6,300	6,600	6,800	7,100	7,400	7,600	7,900
Gold	7,100	7,400	7,600	8,200	8,500	8,900	9,300	9,700	10,100	10,600	11,000
Platinum	7,800	8,100	8,400	9,000	9,400	9,800	10,300	10,700	11,200	11,700	12,300
Silver	6,300	6,500	6,700	7,200	7,400	7,700	8,000	8,300	8,700	9,000	9,400
Family	12,800	13,800	14,600	16,500	17,900	18,600	19,600	20,600	21,700	22,700	23,900
Bronze	15,700	16,400	16,900	18,300	19,000	19,600	20,400	21,200	22,100	22,700	23,400
Catastrophic	11,200	11,600	11,900	12,700	13,100	13,600	14,200	14,700	15,300	15,800	16,500
Gold	14,100	14,700	15,200	16,100	16,800	17,500	18,200	18,900	19,700	20,400	21,300
Platinum	15,500	16,100	16,700	17,800	18,500	19,300	20,100	20,900	21,800	22,700	23,800
Silver	13,500	14,000	14,400	15,200	15,800	16,400	17,000	17,700	18,400	19,100	19,800

Table 10. Annual Total Average Premiums - MRP (USD)

Conclusion

Based on analysis of the MRP, the observed 10-year window shows a statistically significant impact on the federal budget through decreased Medicaid enrollment and increased individual market enrollment. This change in individual market enrollment impacts

premiums in the market, with some plans' premiums decreasing for consumers and increasing premiums for other plans.