Today, the federal government released long-awaited guidance for states interested in block granting federal Medicaid funding. This marks a significant development on the health care policy front, and is an opportunity for states interested in new approaches to reining in Medicaid's runaway spending.

As I've written before, the way that Medicaid is funded plays an important role in explaining the program's growth. The status quo encourages states to spend as much as possible to receive more matching funds from the federal government. One of the best ways to improve the program and simultaneously contain costs would be to abandon the open-ended funding structure, and instead provide states with a yearly lump sum (block grant) payment of federal funding.

Show-Me Institute analysts have written about the benefits of Medicaid block grants for years, but until today no such proposal had ever received federal support. The new federal guidance indicates the current administration is serious about giving states more flexibility in deciding how to best administer their Medicaid programs. Unfortunately, there may be a serious weakness in the guidance provided today. It appears block grants may be limited to states that have already
expanded Medicaid.

How the federal government treats Tennessee’s application will be telling. Tennessee, which has not expanded Medicaid, submitted a waiver application for block grants months ago. As Missouri has also not expanded Medicaid, the reception to Tennessee’s application should provide clues as to the likelihood of Missouri being able to successfully apply with a similar proposal.

Today’s guidance may offer a new path for Missouri’s policymakers who are serious about addressing Medicaid’s cost problem; the question is whether they will be ready to seize the opportunity.

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