

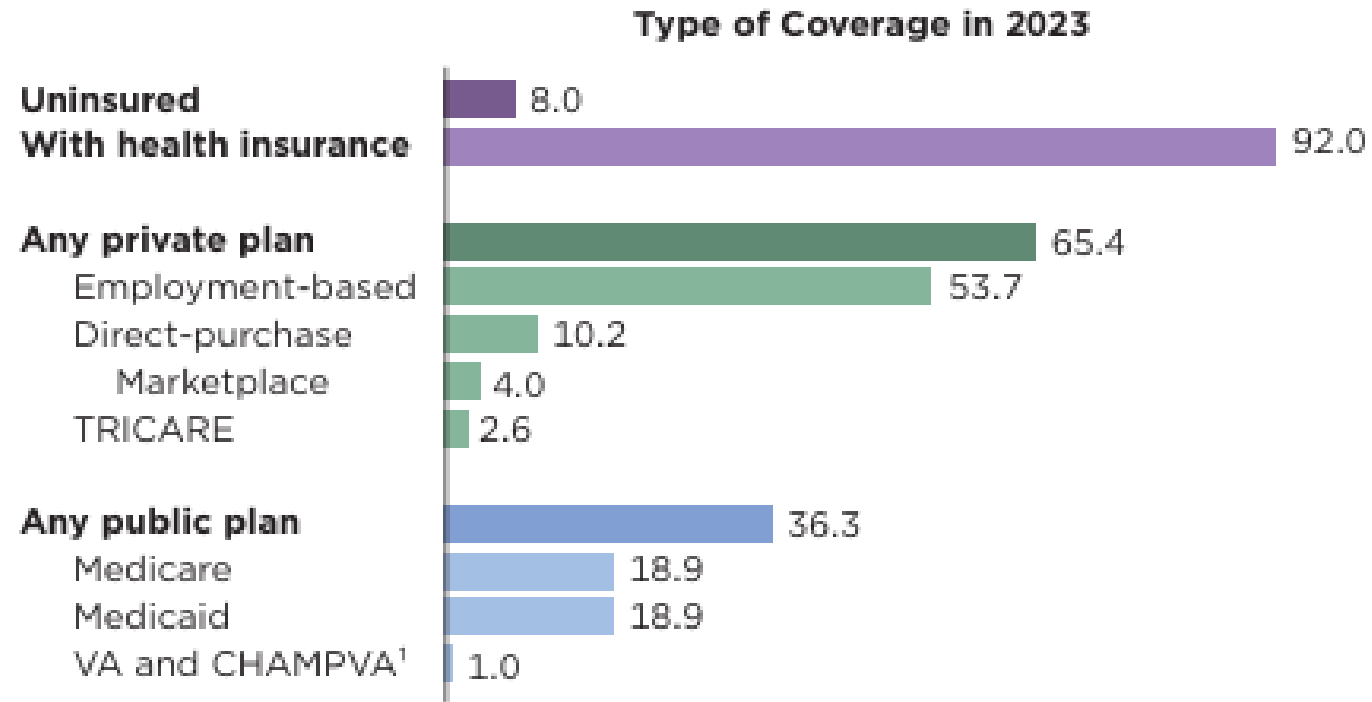
# The Consequences of Deep Cuts to Medicaid

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# Medicaid Covers Nearly 80 Million People

## Percentage of People by Type of Health Insurance Coverage, 2023



\* Denotes a statistically significant change between 2022 and 2023 at the 90 percent confidence level.


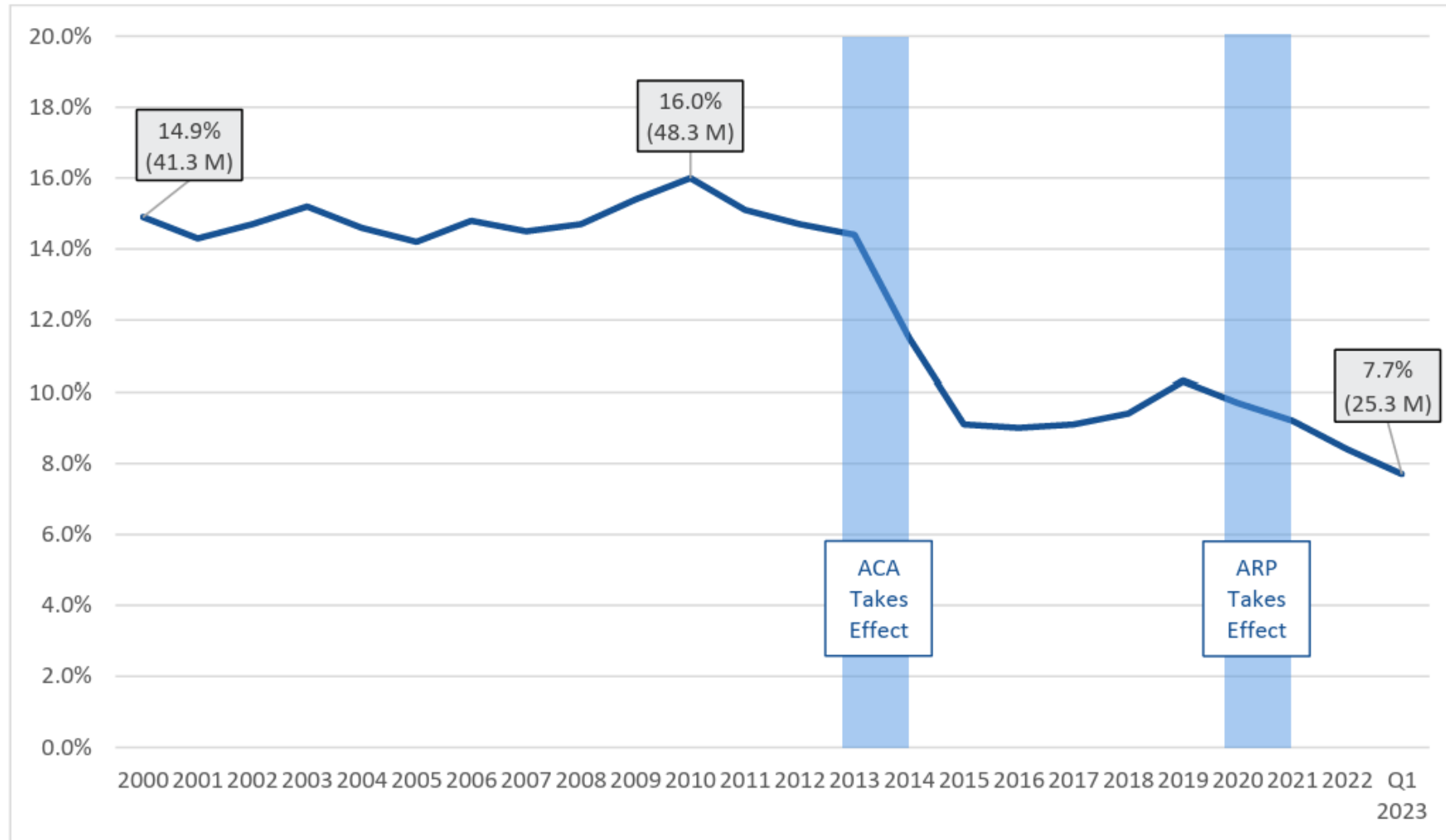
<sup>1</sup> Includes CHAMPVA (Civilian Health and Medical Program of the Department of Veterans Affairs), as well as care provided by the Department of Veterans Affairs (VA) and the military.

Note: The estimates by type of coverage are not mutually exclusive; people can be covered by more than one type of health insurance during the year. Information on confidentiality protection, sampling error, nonsampling error, and definitions is available at <https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar24.pdf>.

Source: U.S. Census Bureau, Current Population Survey, 2023 and 2024 Annual Social and Economic Supplements (CPS ASEC).

# Uninsured Rates Have Dropped to A Record Low, Largely Due to Medicaid <sup>2</sup>

Figure 1. National Uninsured Rate, All Ages (2000 – Q1 2023)

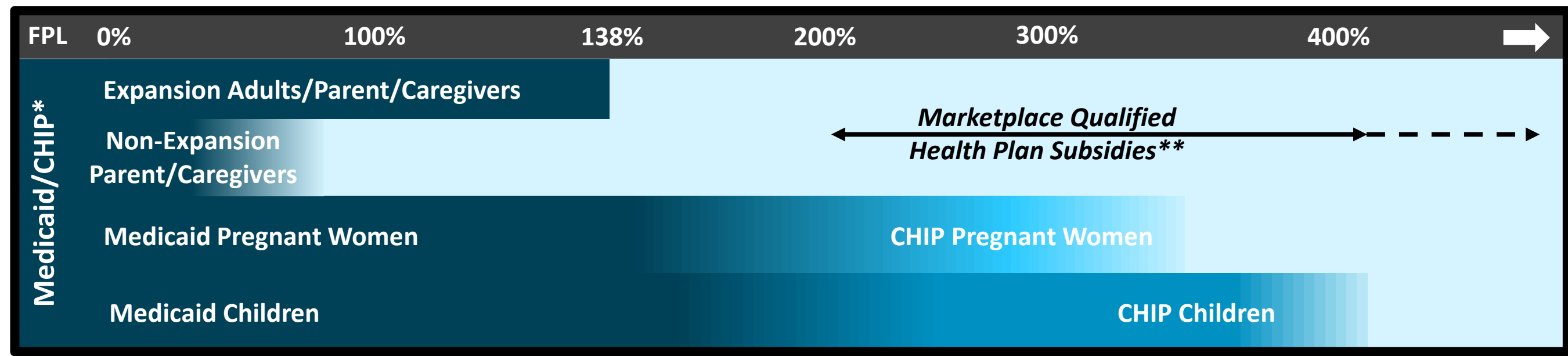


**Uncompensated care provided to uninsured patients dropped by one-third** in the two year period following implementation of the Affordable Care Act (ACA) coverage provisions.

Source: ASPE, [National Uninsured Rate Reaches an All-Time Low in Early 2023 After the Close of the ACA Open Enrollment Period](#). KFF, [Declines in Uncompensated Care Costs for The Uninsured under the ACA and Implications of Recent Growth in the Uninsured Rate](#).

# Medicaid is an Essential Part of the ACA Continuum of Coverage

Medicaid is one of three Insurance Affordability Programs providing a continuum of subsidized insurance for those without affordable employer-sponsored insurance.



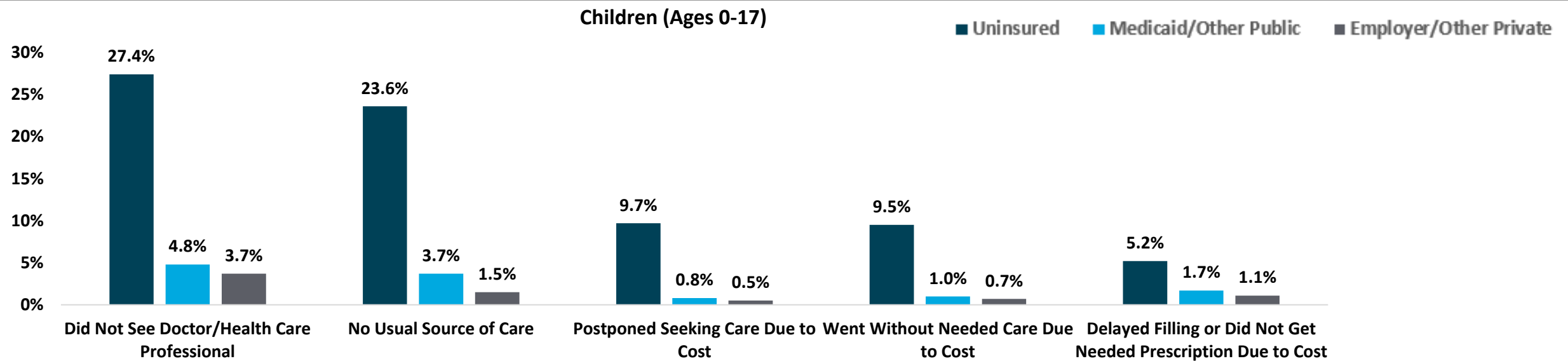
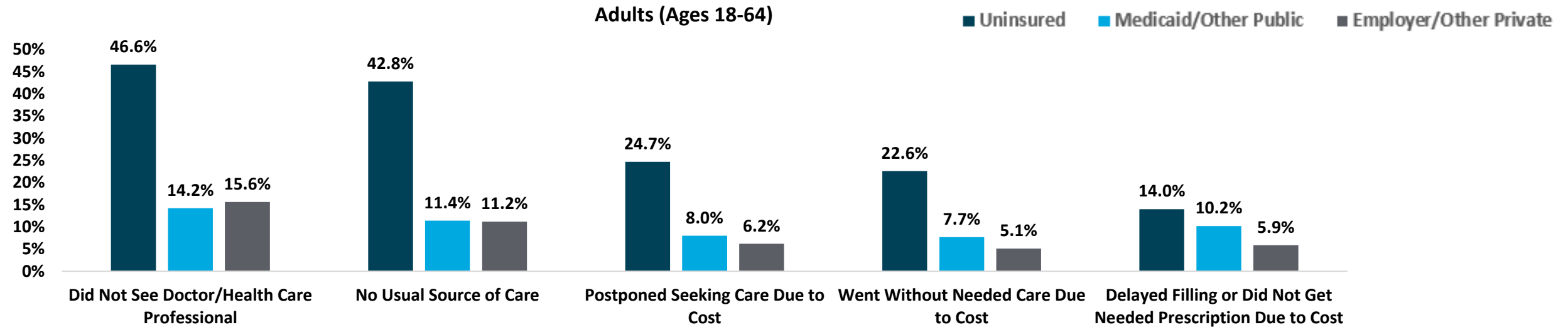
\*Eligibility levels for all categories other than the expansion group vary by state.

\*\*In the ten Medicaid non-expansion states, individuals with incomes lower than 100% of the federal poverty line (FPL) are generally not eligible for Marketplace tax credits or Medicaid unless they meet other state eligibility criteria.

Source: KFF, [Medicaid and CHIP Income Eligibility Limits \(2024\)](#).

# Medicaid Does Its Job

According to survey data, adults and children with Medicaid report similar access to care as people with private insurance and significantly better access to care than people who are uninsured.

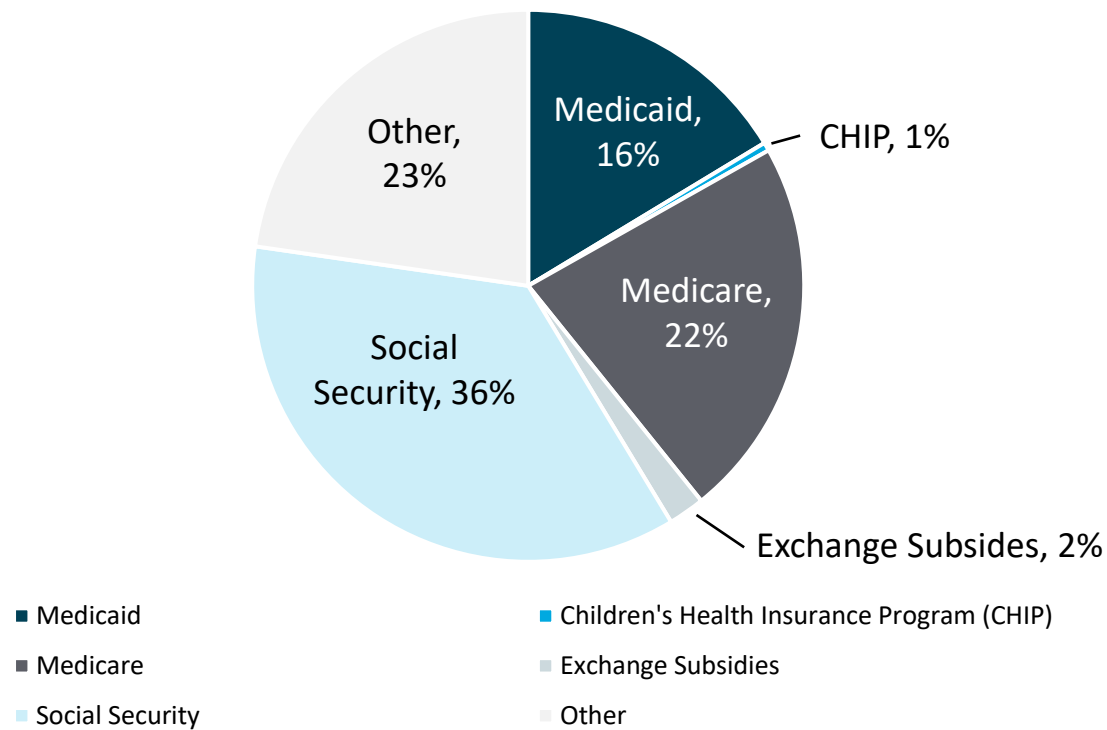


Source: KFF, [10 Things to Know About Medicaid](#).

# Medicaid Proposals Are Not About Health Reform But Will Cause Large Losses of Health Care and Disruptions Across the Health Care System

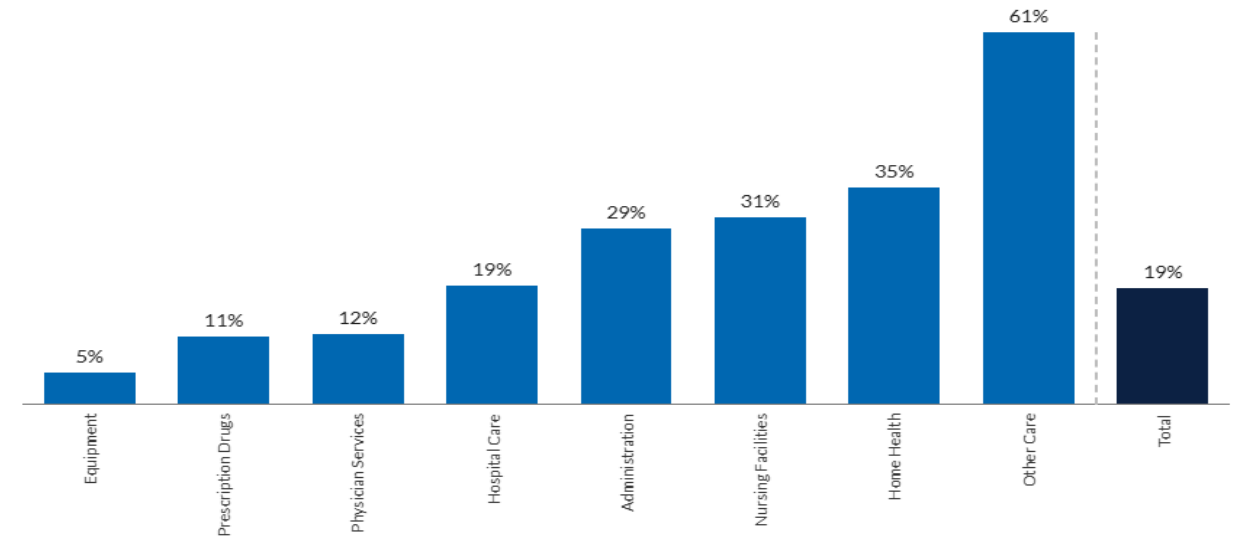
**With Social Security and Medicare off the Table, Medicaid has Become the Key Source of Reconciliation Offsets**

**Major Health Programs and Other Components of Mandatory Program Spending for Federal Budget as a Share of Federal Outlays, Fiscal Year 2023**



**Medicaid Finances Almost One-Fifth of Health Care Spending in the U.S.**

**Percentage Paid by Medicaid, 2022**



Source: Centers for Medicare and Medicaid Services • Embed • Download image

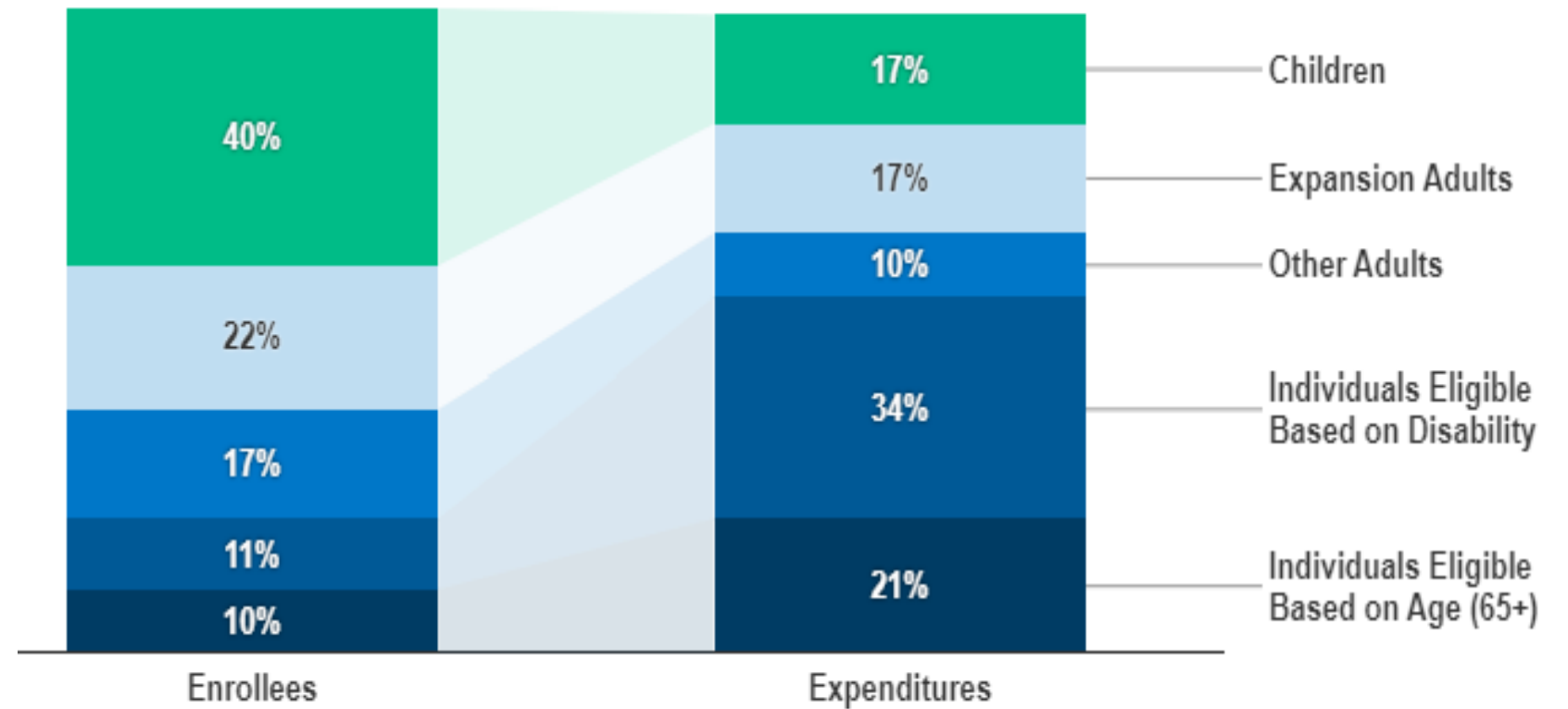
Notes: Data are for 2022. "Equipment" includes both durable medical equipment and other non-durable medical products. "Physician Services" includes expenditures for physician and clinical services, dental services, and other professional services. "Administration" includes expenditures on government administration and the net cost of health insurance. "Other Care" is other health, residential, and personal care expenditures. "Total" refers to the portion of health consumption expenditures paid by Medicaid.



# Where Will the Cuts Land?

- Large cuts to federal Medicaid funding risk taking health care away from the large and diverse group of people who are covered by the program.
- Medicaid pays for long term care provided in the community and in nursing homes. Cutting funding would mean taking critical care away from those who need it most.
- Medicaid helps 1 in 3 children get early screening and detection services so that developmental delays, behavioral issues, and health challenges can be managed. Medicaid also covers more than a third of children with special health care needs.

### Medicaid Enrollment and Costs, By Eligibility Group



- Enrollees eligible based on disability or age (65+) comprise 21% of all enrollees but account for over half of total spending.
- Children account for the largest proportion of enrollment but only 17% of costs.

Source: KFF, [Medicaid Financing: The Basics](#); Cost and Coverage Collaborative, [Defending Medicaid Against Federal Cuts](#). MACPAC, [Medicaid Access in Brief: Children and Youth with Special Health Care Needs](#). Data Note: CMS calculations using calendar year 2020 Medicaid Budget and Expenditure System expenditure data and 2020 T-MSIS data on enrollees and expenditures.

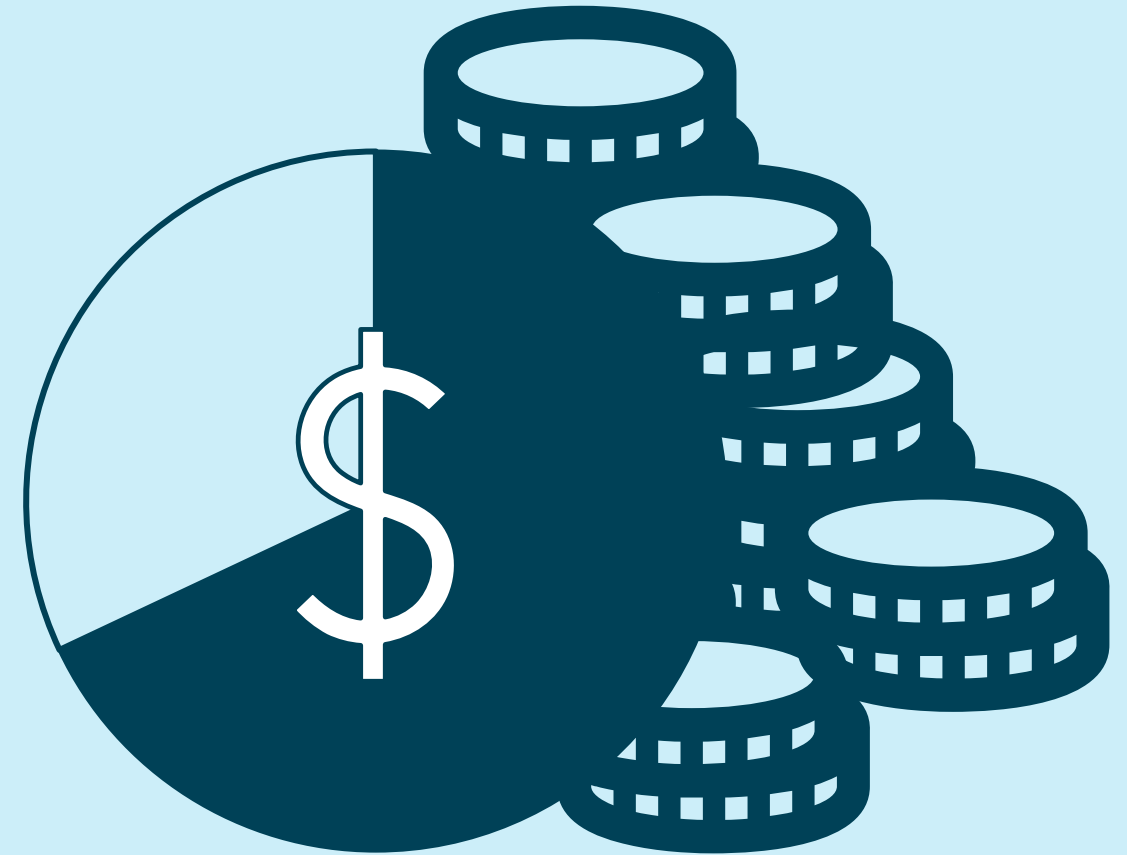
# Consequences of Defunding Medicaid



# Cuts to Federal Medicaid Funding Shift Costs to State Budgets and Taxpayers

States and the federal government share the cost of Medicaid. More than **two-thirds** of state Medicaid expenditures are federally funded.

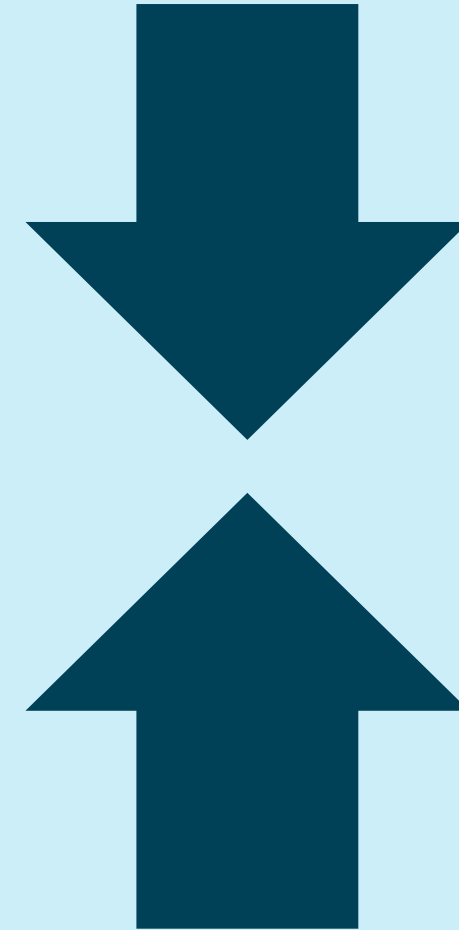
Large cuts to federal Medicaid funds would require states to increase their own spending or cut **program services, eligibility, or provider payments** (or some combination of all three).



# Cuts to Federal Medicaid Funding Leave States Financially At Risk

**The impact will vary by state**, but nationally an \$880 billion cut would reduce federal Medicaid funding to states by about 10%.

States would have to **increase state spending on Medicaid by at least 20% just to maintain current programs**. Medicaid is already the second largest expenditure of state funds.



Source: Manatt financial modeling analysis. Fierce Healthcare, [Trump endorses House budget proposal, likely leading to severe Medicaid cuts.](#)

# Rate Cuts Will Destabilize the System of Delivering Care, and Not Just for Medicaid Enrollees

Medicaid rates vary by state and service but generally are well below Medicare and far below commercial rates. All Medicaid providers could be impacted, most notably those in rural communities and those with a high share of Medicaid covered patients.

**Children's hospitals** rely on Medicaid for about half of their revenue.

**Rural hospitals** are closing across the country, and nearly half of those that remain are "in the red."

**Safety net hospitals** disproportionately serve people who are uninsured or enrolled in Medicaid and have little ability to shift costs to other payers.

Community health care providers will be impacted, including **federally-qualified health centers (FQHCs)**, where Medicaid accounts for 43% of revenues on average.

In 2021, Medicaid paid for **long-term services and supports (LTSS) and supports for 9 million people and accounted for nearly 45% of all LTSS funding.**

**Behavioral health providers** for whom Medicaid is a major source of revenue.

# Cuts to Medicaid Would Undermine Access to Behavioral Health Care While the Nation is in the Middle of a Crisis

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Medicaid is the single largest payer for mental health and substance use disorder (SUD) services in the United States, covering more than **one quarter of all spending** for these services.

In 2022, Medicaid spent **\$81 billion** on behavioral health services. In 2020, Medicaid covered **23%** of nonelderly adults with mental illness and **26%** with serious mental illness, and **22%** with SUD.



Source: Manatt, [Cutting Federal Medicaid Funding: 8 Key Consequences That Everyone Should be Talking About](#), The 80 Million, December 2024.

# Defunding Medicaid Would Strike a Blow to Families Who Need Help Paying for Long-Term Services and Supports (LTSS) and to Their Providers <sup>12</sup>

Medicaid is the **single largest source of payment for nursing home and home and community based long term care, accounting for nearly 45% of all LTSS funding in 2021.** Neither Medicare nor job-based insurance cover most long term care services. Faced with large federal Medicaid cuts, states will be hard pressed to avoid cutting this particularly high-cost service, putting millions of people at risk of **losing services** and experiencing severe **health and financial consequences**



Source: Manatt, [Cutting Federal Medicaid Funding: 8 Key Consequences That Everyone Should be Talking About](#), The 80 Million, December 2024.

# Cutting Medicaid Will Hurt Medicare Enrollees and Weaken Medicare Coverage

**Three out of every ten dollars** spent by the Medicaid program support care and access for *Medicare* beneficiaries.

**In 2020, Medicaid provided care and support to 20% of all Medicare enrollees.**

- Medicaid pays for **services** like long-term care not covered by Medicare.
- Medicaid also helps pay for the **cost sharing** imposed by Medicare for lower income enrollees.



Source: Manatt, [Cutting Federal Medicaid Funding: 8 Key Consequences That Everyone Should be Talking About](#), The 80 Million, December 2024. KFF, [Enrollment and Spending Patterns Among Medicare-Medicaid Enrollees \(Dual Eligibles\)](#).

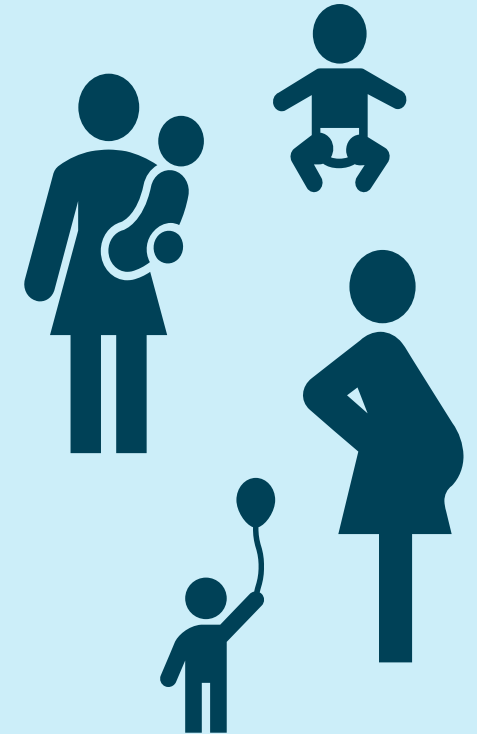
# Medicaid Supports the Health and Improves Long Term Wellbeing of Children and Pregnant Women

Medicaid finances about **41% of all births** and covers **half of all children in the United States.**

Research shows long-run benefits of providing Medicaid to pregnant women and children, including **improved adult health, lower reliance on cash and other assistance payments, and greater tax revenues due to higher earnings**—substantially larger than the cost of providing coverage.

Each dollar spent on covering children **repaid roughly \$1.80 to the government in the long run.**

The Congressional Budget Office estimates that long-term fiscal effects (e.g., higher income and tax revenues) of Medicaid-funded services on children can **offset half or more** of the initial Medicaid investments.



Source: ASPE, Medicaid: [The Health and Economic Benefits of Expanding Eligibility](#). CBO, [Exploring the Effects of Medicaid During Childhood on the Economy and the Budget: Working Paper 2023-07](#). CMS, [2024 Medicaid & CHIP Beneficiaries at a Glance: Maternal Health](#). Georgetown, [How Many Children Are Losing Medicaid](#).

# Federal Medicaid Funding Makes Room for States to Prioritize State Funding on Education

Federal Funds Expenditures by Function, SFY 2024



\$1,045 Billion

Medicaid	56.1%
K-12	9.9%
Transportation	6.1%
Higher Education	3.1%
Public Assistance	1.7%
Corrections	0.7%
All Other	22.3%

## Medicaid/Education as a Share of State Budgets - State & Federal Funds

Medicaid	Elementary and Secondary Education	Higher Education
28.8%	19.5%	8.7%

## Medicaid/Education as a Share of State Budgets- State only Funds

Medicaid	Elementary and Secondary Education	Higher Education
14.2%	24.6%	11.9%

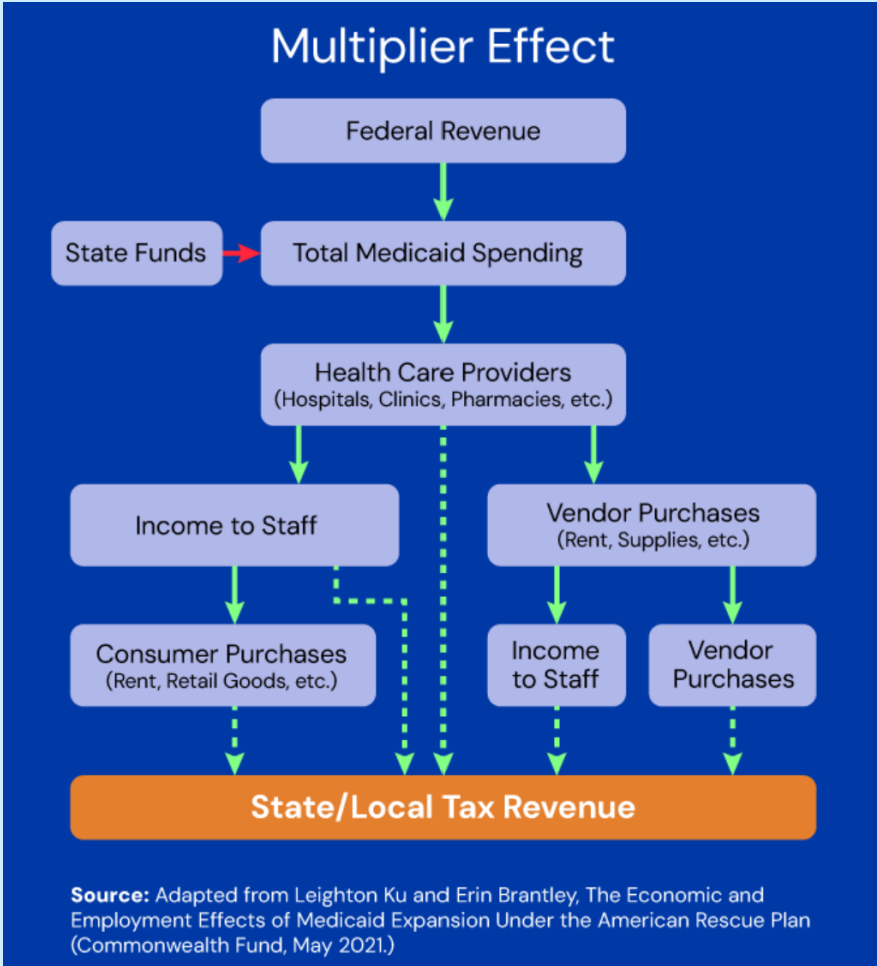
Source: NASBO, [2024 State Expenditure Report](#). MACPAC, [Medicaid as a Share of States' Total Budgets and State-Funded Budgets](#).



# Stripping States of Federal Medicaid Funding Would Impact the Health Care Workforce and State and Local Economies <sup>16</sup>

Deep cuts to federal Medicaid funding would not just impact Medicaid, but also states' **health care providers**, and the **economic ecosystem** that health care systems support including local employees, small businesses and vendors.

Health care has been referred to as “**the beating heart**” of local rural economies.

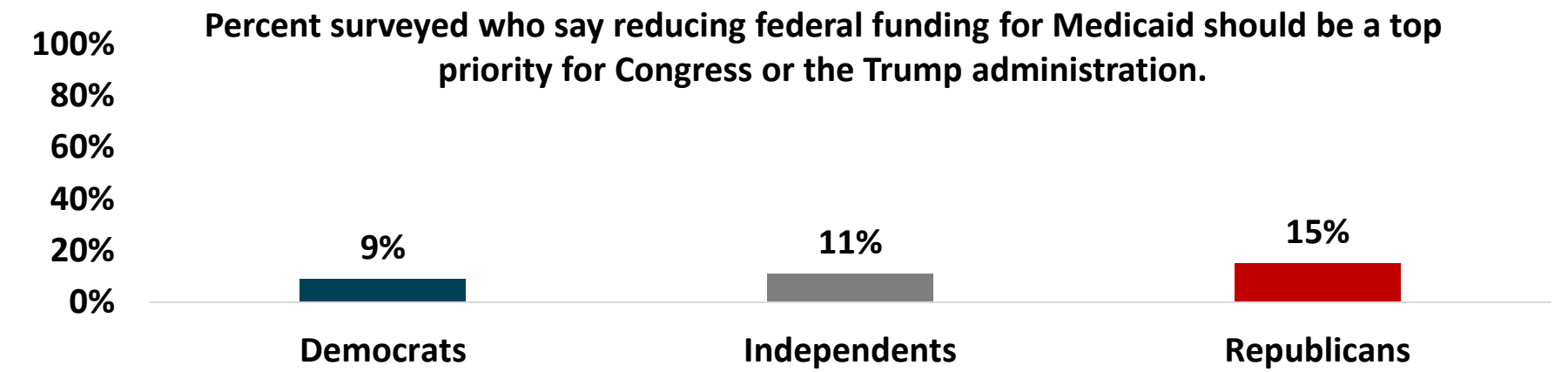
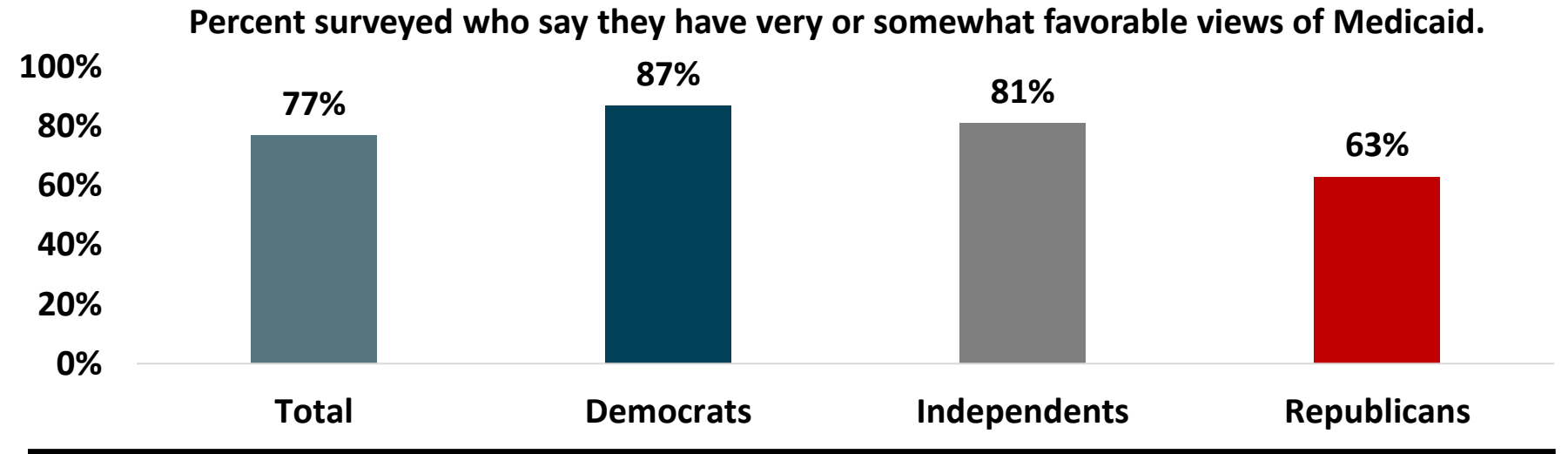


Source: Manatt, [Cutting Federal Medicaid Funding: 8 Key Consequences That Everyone Should be Talking About](#), The 80 Million, December 2024. NRHA, [Rural Hospitals: The Beating Heart of A Local Economy](#).

# It's Not Just a "Poor People's Program;" Most People Have a Strong Connection to Medicaid

Medicaid is viewed favorably by large majorities of the public. The public is not aligned with prioritizing cuts to Medicaid.

Two-Thirds Of U.S. Adults Have A Connection To The Medicaid Program



Source: KFF, [Health Tracking Poll: Public Weighs Health Care Spending and Other Priorities for Incoming Administration](#). KFF, [5 Charts About Public Opinion on Medicaid](#).

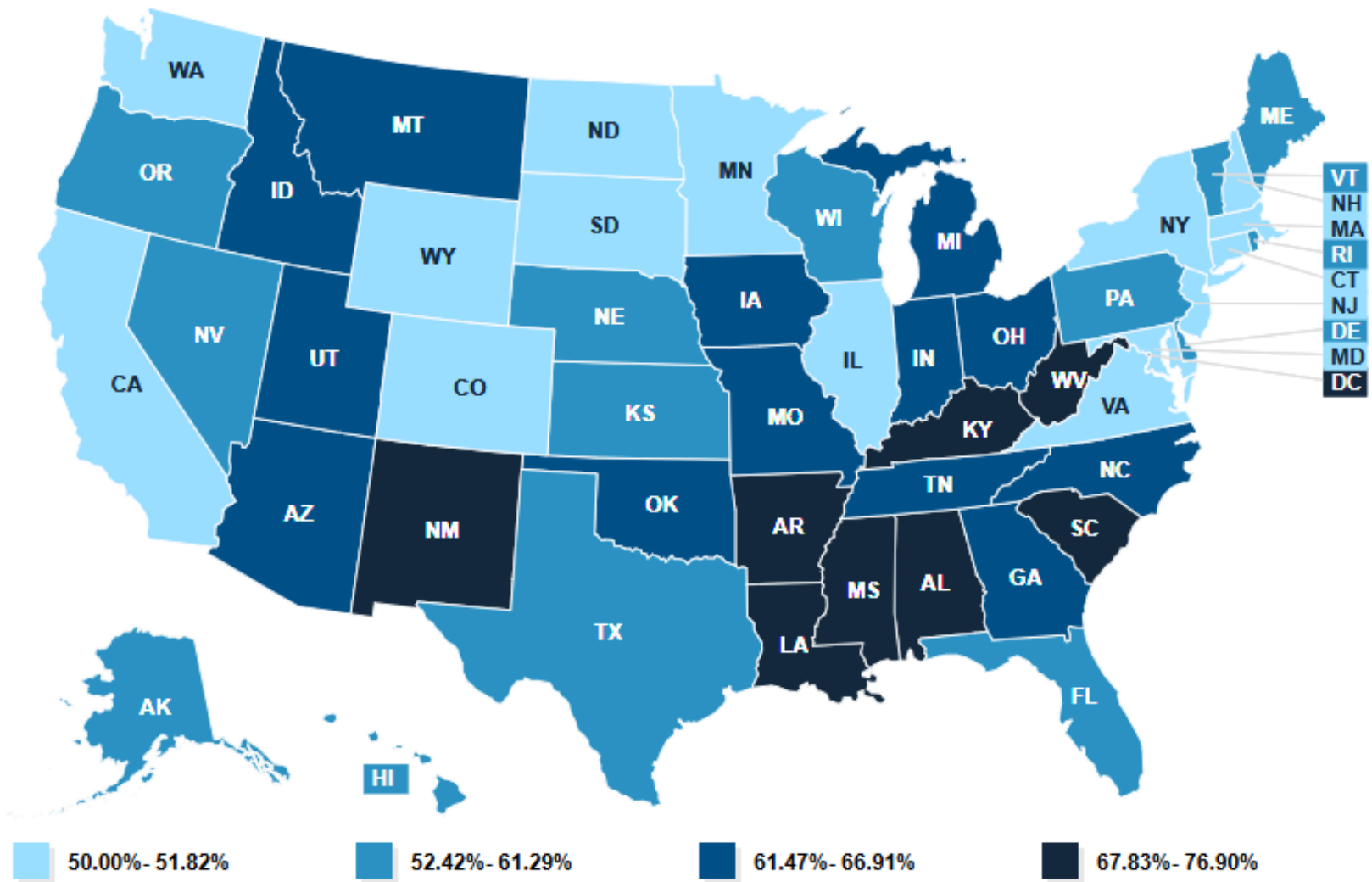
# Deep Cuts to Medicaid Under Consideration

House Republicans are considering large federal funding cuts, including options to make billions in cuts to Medicaid.

Potential Cut	Projected Ten-Year Savings
Medicaid Per Capita Caps	\$900 billion
End the Enhanced Federal Medical Assistance Percentage (FMAP) for the Medicaid Expansion Population	\$561 billion
Lower Medicaid FMAP Floor	\$387 billion
Limit Medicaid Provider Taxes	\$175 billion
Repeal Biden Medicaid Eligibility Rule	\$164 billion
Repeal Biden Medicaid/Children's Health Insurance Program (CHIP) Access	\$121 billion
Impose Work Requirements (Per HR 2811)	\$100 billion
End Enhanced Match Rate for Administrative Activities	\$69 billion
Limit Federal Health Programs Eligibility Based on Citizenship	\$35 billion
Limit State-Directed Payments (SDPs) in Medicaid	\$25 billion
End American Rescue Plan Act Temporary FMAP Increase for Medicaid Expansion Take-Up	\$18 billion
Medicaid FMAP Penalty for Covering Undocumented Persons with State-Only Funds	<i>TBD</i>

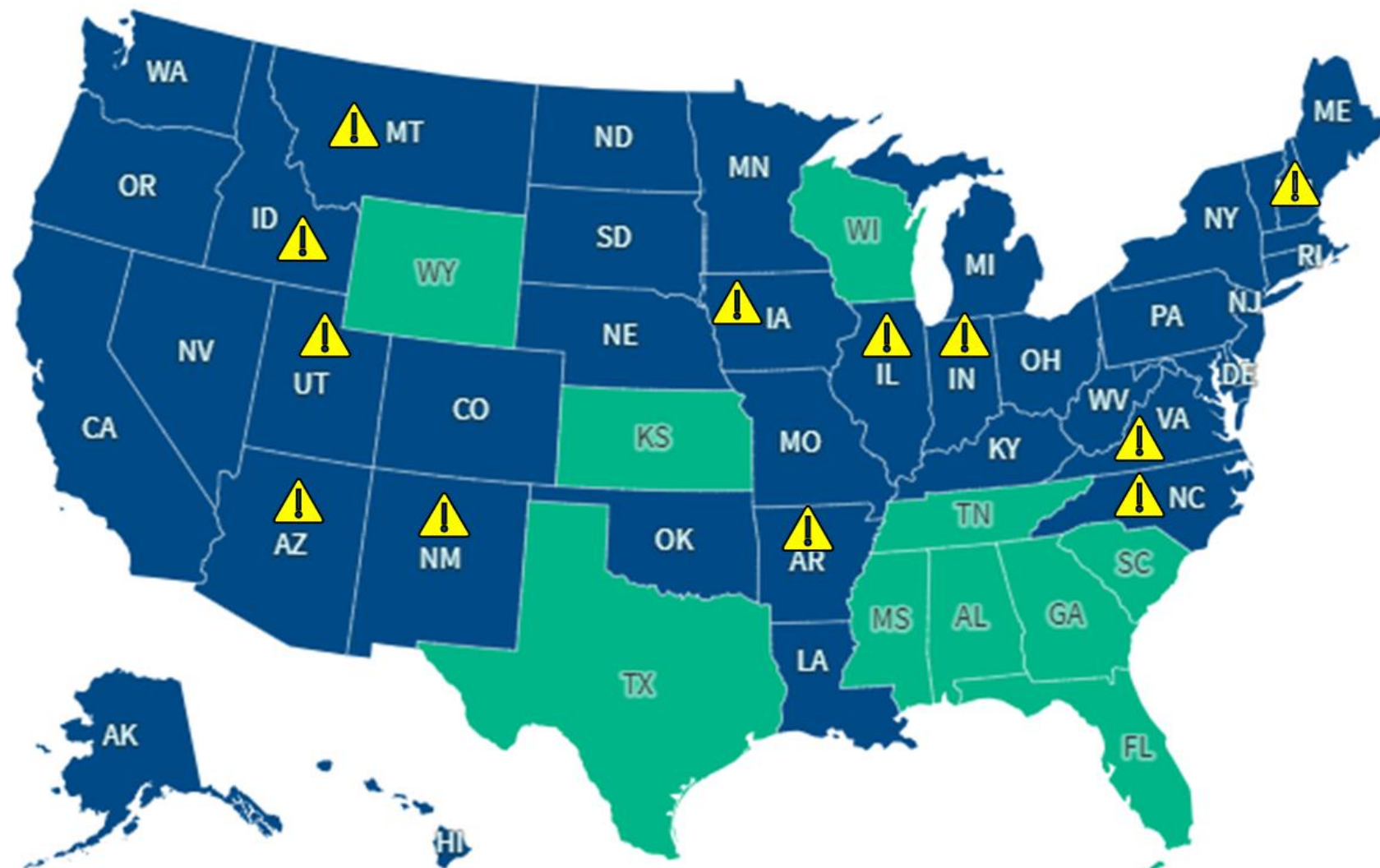
Source: [List of potential cuts compiled by House Republicans \(January 17, 2025\)](#).

# State "Regular" FMAP Levels (*Fiscal Year 2026*) Vary by State



Note: Graphic from [KFF](#).  
Source: Federal Register, [Federal Financial Participation in State Assistance Expenditures; Federal Matching Share for Medicaid, the Children's Health Insurance Program, and Aid to Needy Aged, Blind, or Disabled Persons for October 1, 2025, Through September 30, 2026.](#)

# All Expansion States Are Affected by the Proposal to Drop the 90% FMAP 20



**Map Key:**

- = Adopted and implemented Medicaid expansion
- = Not adopted Medicaid expansion
- ! = Expansion state with “poison pill”

Source: KFF, [Medicaid Expansion is a Red and Blue State Issue.](#)

# Mandatory and Optional Benefits in Medicaid

**States have broad latitude in designing Medicaid benefit packages.**

Mandatory Benefits	Optional Benefits	
Inpatient hospital services	Prescription drugs	Other practitioner services
Outpatient hospital services	Clinic services	Private duty nursing services
Early and periodic screening, diagnostic, and treatment services (EPSDT)	Physical Therapy	Personal Care
Nursing facility services	Occupational therapy	Hospice
Home health services	Speech, hearing and language disorder services	Case management
Physician services	Respiratory care services	Services for individuals aged 65 + in an institution for mental diseases
Rural health clinic services	Other diagnostic, screening, preventative and rehabilitative services	Services in an intermediate care facility for individuals with intellectual disability
Federally qualified health center services	Podiatry services	State plan home and community-based services
Laboratory and X-ray services	Optometry services	Self-directed personal assistance services
Family planning services	Dental services	Community first choice option
Nurse midwife services	Dentures	TB-related services
Certified pediatric and family nurse practitioner services	Prosthetics	Inpatient psychiatric services for individuals under age 21
Freestanding birth center services	Eyeglasses	Other services approved by the Secretary
Transportation to medical care	Chiropractic services	Health homes for enrollees with chronic conditions
Tobacco cessation counseling for pregnant women		