Recent news reports have suggested that some Republicans in the US Congress may try to leverage a debate over increasing the federal government’s debt ceiling next year to push for cuts in entitlement programs such as Social Security and Medicare—a move that will face significant pushback from President Biden and other Democrats. Interestingly, there is 1 entitlement program that has been missing from reports of potential targets for spending reductions: Medicaid.

Is it possible that means Republicans are, in fact, not looking to cut spending on Medicaid along with other entitlements? That seems unlikely.

In fact, earlier this year, the conservative Republican Study Committee in the US House of Representatives proposed converting Medicaid into a block grant to states and reducing federal spending substantially. Over the years, there have been a number of Republican efforts to shift Medicaid from an individual entitlement for people who are eligible to a capped allotment provided to the states, including as part of the failed 2017 effort to repeal and replace the Affordable Care Act (ACA). However, opposition to Medicaid reductions among some key Republican senators—as well as governors—helped to derail that ACA repeal effort.

Historically, Social Security and Medicare have been considered part of the “third rail” of politics, with politicians proposing to cut spending in those programs doing so at their own political risk. Although Medicaid is not always mentioned along with those social insurance programs for seniors (as well as for people with disabilities), it may now be comparably sacrosanct.

### Medicaid: A Wider Reach Than Medicare

One fact that is likely not widely known is that Medicaid’s reach is now wider than Medicare’s. As of August 2022, 83.5 million people were enrolled in Medicaid, plus another 7.0 million enrolled in the Children’s Health Insurance Program (CHIP), compared with 64.9 million covered by Medicare. About 12 million people with low incomes are enrolled in both Medicare and Medicaid, with Medicaid helping to pay for premiums and patient cost sharing, as well as benefits such as long-term care not covered by Medicare.

In part, this large number of people covered by Medicaid is due to the COVID-19 pandemic and the federal government’s declaration of a public health emergency. For the duration of the emergency, states receive extra federal funding for Medicaid, in return for agreeing not to disenroll anyone covered by the program. The result has been increased Medicaid and CHIP enrollment of 19.3 million people since February 2020. When the Biden Administration declares an end to the public health emergency, which could come in early 2023, 5 million to 14 million people could lose Medicaid coverage, according to KFF (Kaiser Family Foundation) estimates.

### Medicaid Expansion Under the ACA

However, even before the pandemic, Medicaid was increasingly reaching a broader population. Two-thirds of adults report some connection to Medicaid, meaning they themselves or a friend or family member had been covered by the program at some point. This could be a child or adult in a low-income family, a person with disabilities, or someone receiving long-term care, for which Medicaid is the largest payer.
Within the past decade, expanded eligibility under the ACA has increased Medicaid coverage substantially. Starting in 2014, the ACA extended Medicaid eligibility to all adults with low incomes, including those without children—a group previously ineligible no matter how low their incomes—with the federal government picking up 90% of the cost over the long-term. As of 2021, 16.8 million newly eligible people were enrolled through the ACA's Medicaid expansion.

Medicaid expansion under the ACA was originally mandatory for states, but a Supreme Court decision in 2012 effectively made it voluntary. As of December 2022, 11 states have not expanded Medicaid, generally citing fiscal concerns, although ideological opposition to “Obamacare” is still widely considered a factor.

One sign of Medicaid’s power as a political issue is the success of state ballot initiatives to require Medicaid expansion. Among the states that have expanded Medicaid, 7 of them—Idaho, Maine, Missouri, Nebraska, Oklahoma, South Dakota, and Utah—did so through voter referenda over the opposition of state political leaders.

Still, more than 2 million people who are uninsured and have incomes below the poverty line are in the Medicaid “coverage gap,” meaning they do not qualify for Medicaid because their states have not expanded it, yet they also are not eligible for premium assistance in the ACA marketplaces. Medicaid expansion enrollees include working adults with low incomes, the kind of swing voters courted by both political parties. However, there is also broad public support for expansion, with 61% of people in nonexpansion states supporting it, according to a 2020 KFF poll. Two states with Democratic governors and Republican legislatures—North Carolina and Kansas—may be the most likely among the current holdout states to expand Medicaid in the coming year.

Medicaid Is a Fiscal Conundrum for States

Medicaid spending is shared by the federal government and states. Federal matching payments vary by state based on per-capita income, but on average, the federal government covered 69% of Medicaid expenses in fiscal year 2021.

This federal funding presents a fiscal conundrum for states. On the one hand, Medicaid represents a substantial portion of state budgets—29% in fiscal year 2019. On the other hand, federal matching payments for Medicaid also bring substantial revenue into states, making up 58% of all federal funds provided to state governments. Although there is always fiscal pressure on states to limit the growth in Medicaid spending, that pressure is mitigated by the fact that Medicaid reductions also diminish federal support. There is also continuing pressure to increase Medicaid spending, including to raise physician fees, which are generally significantly lower than in Medicare and through commercial insurance.

A Potential Double Whammy Ahead

Over the next year, Medicaid programs could be faced with a double whammy. First, an end to the public health emergency will mean reduced federal funding for states and substantial enrollment declines. Second, a possible simultaneous recession could hurt state finances and leave more unemployed people relying on Medicaid coverage. These pressures, combined with the reach and popularity of the program, would create political headwinds for federal and state legislators who want to resurface past ideas to cap Medicaid spending.
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