

# What to Know About Medicaid and Potential Federal Funding Cuts

**Heather Saunders**

Senior Research Manager, Program on Medicaid and the Uninsured

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**KFF**

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# Medicaid Overview

# The basic foundations of Medicaid are related to the entitlement and the federal-state partnership.

## Entitlement

Eligible Individuals are entitled to a defined set of benefits



States are entitled to federal matching funds



## Federal

Sets core requirements on eligibility and benefits

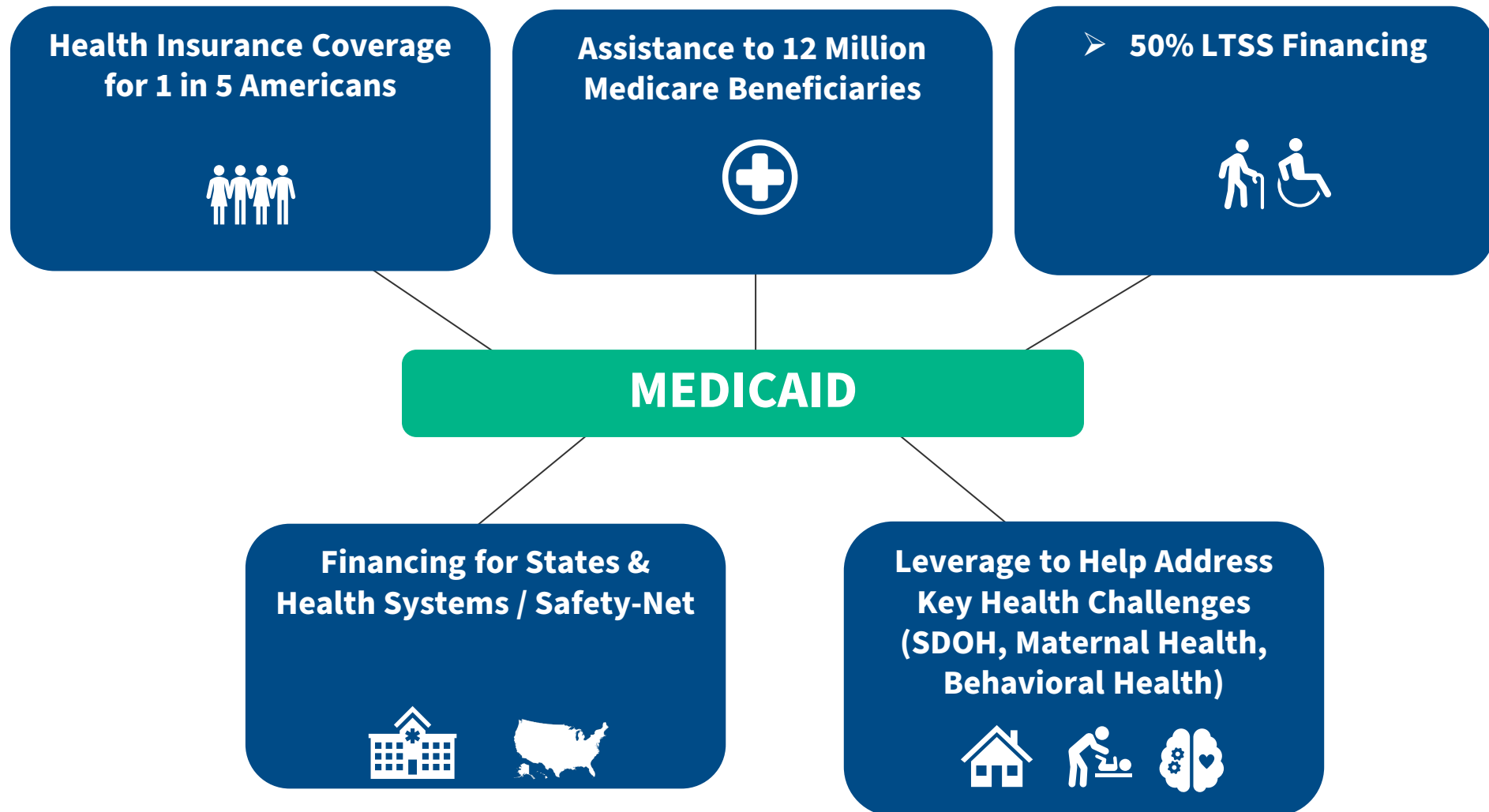


## Partnership

## State

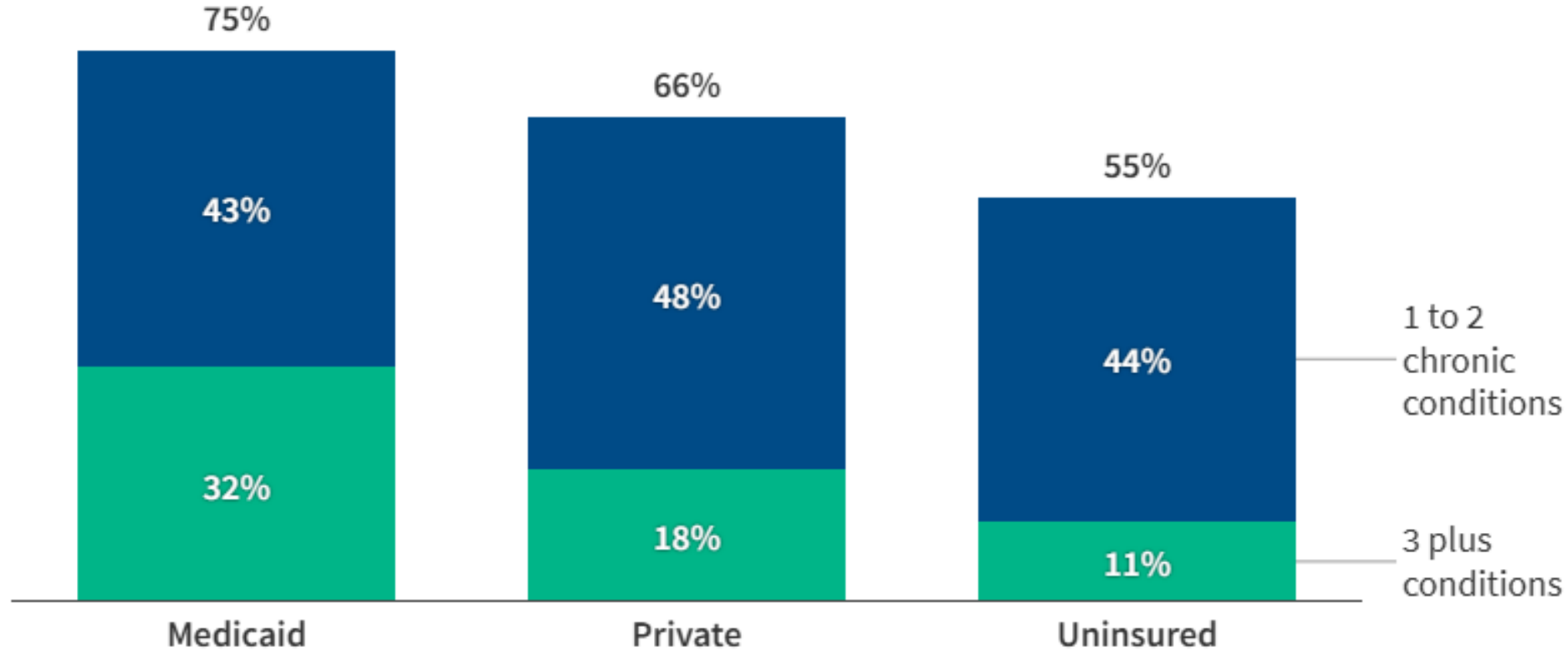
Flexibility to administer the program within federal guidelines

# Medicaid plays a central role in our health care system.



# Medicaid-enrolled adults report substantial health needs.

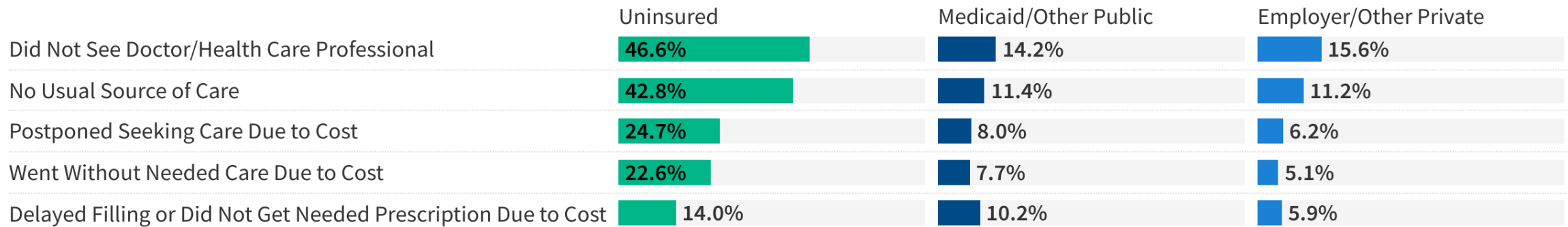
Three in four nonelderly Medicaid-enrolled adults report one or more chronic conditions, by coverage type



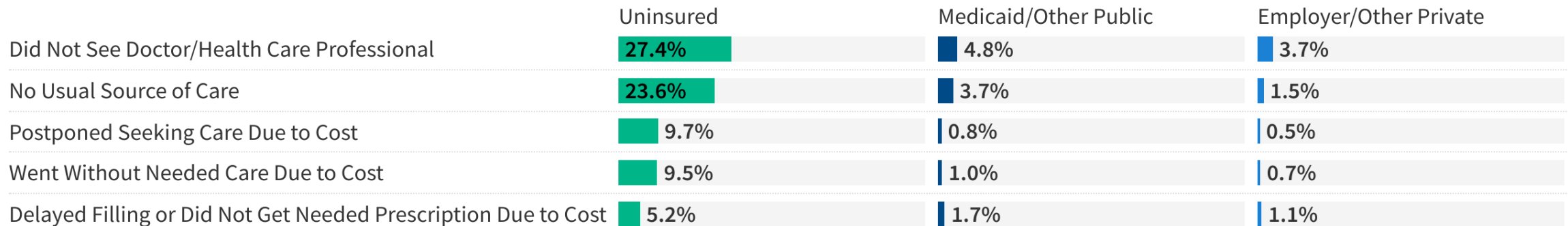
Note: This analysis sums the 24 chronic conditions collected by the National Health Interview Survey (NHIS), including mental health, physical, and cognitive impairment conditions, most of which are self-reported. The analysis includes adults aged 19-64 who reported having Medicaid coverage. See methods for details.  
KFF Issue Brief: 5 Key Facts About Medicaid Coverage for Adults with Chronic Conditions

# People with Medicaid report similar access to care as people with private insurance and better access than the uninsured.

## Adults (18-64)

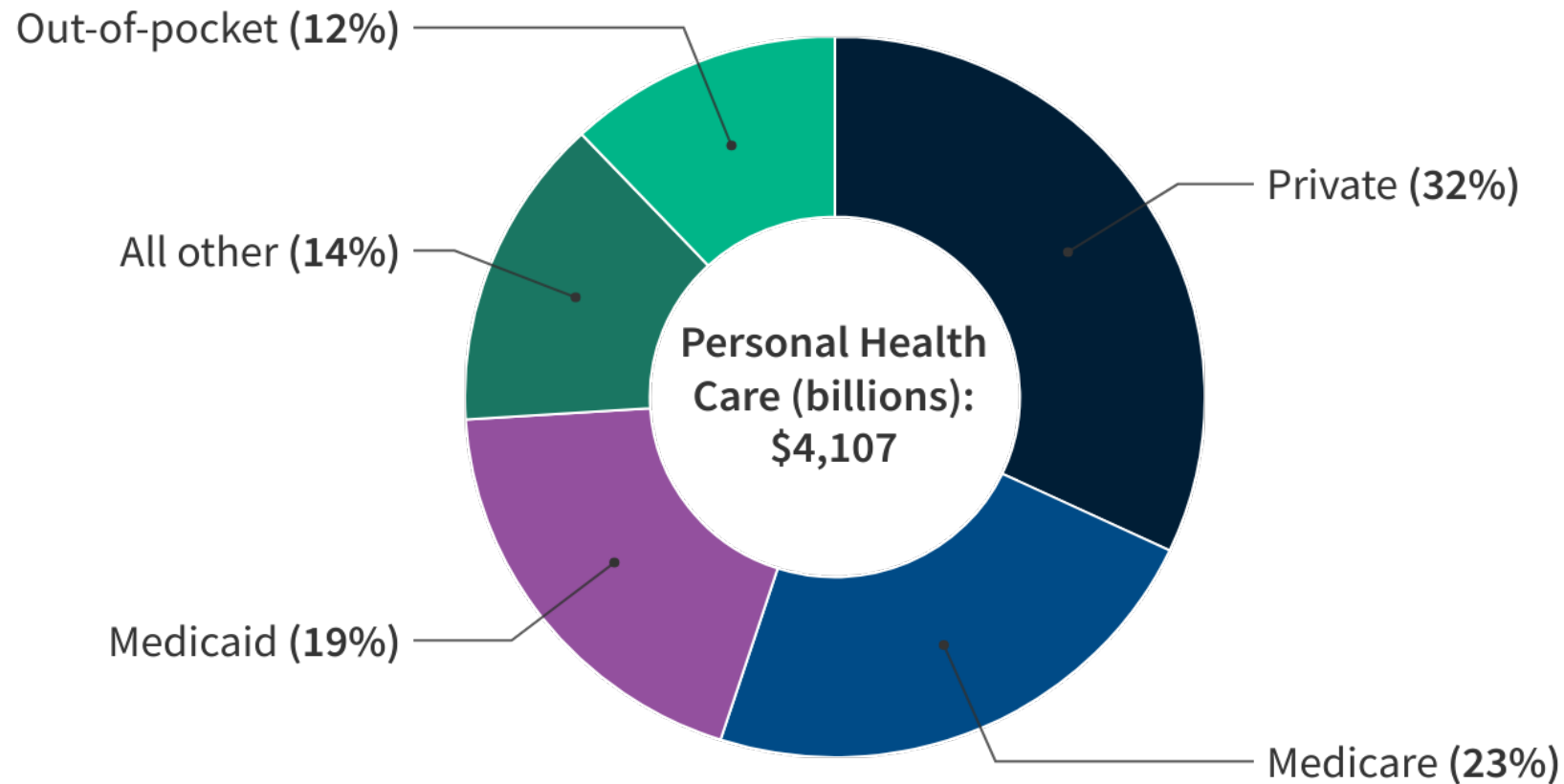


## Children (0-17)



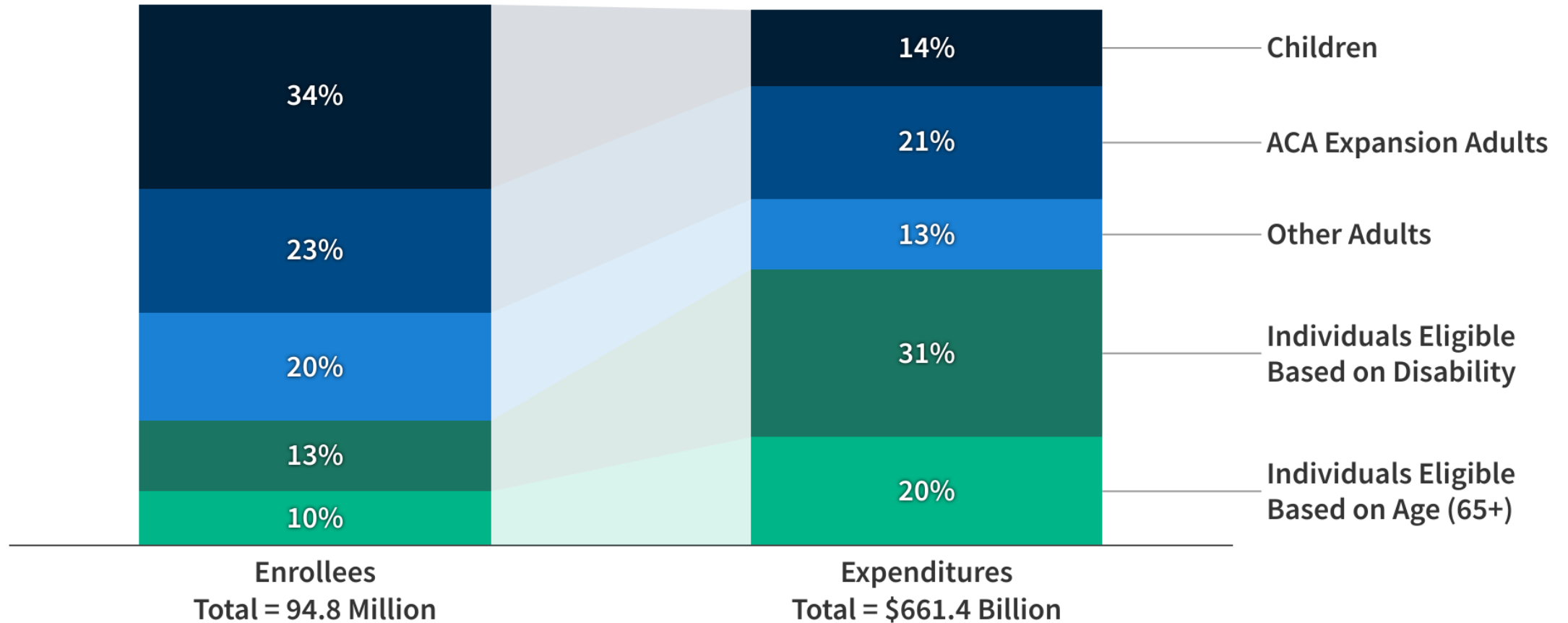
# Medicaid finances nearly one fifth of health care spending.

Personal health care spending by payer in 2023



Source: KFF estimates based on 2022 National Health Expenditure Accounts data from CMS, Office of the Actuary

# Medicaid spending is mostly for people who qualify based on age or disability.

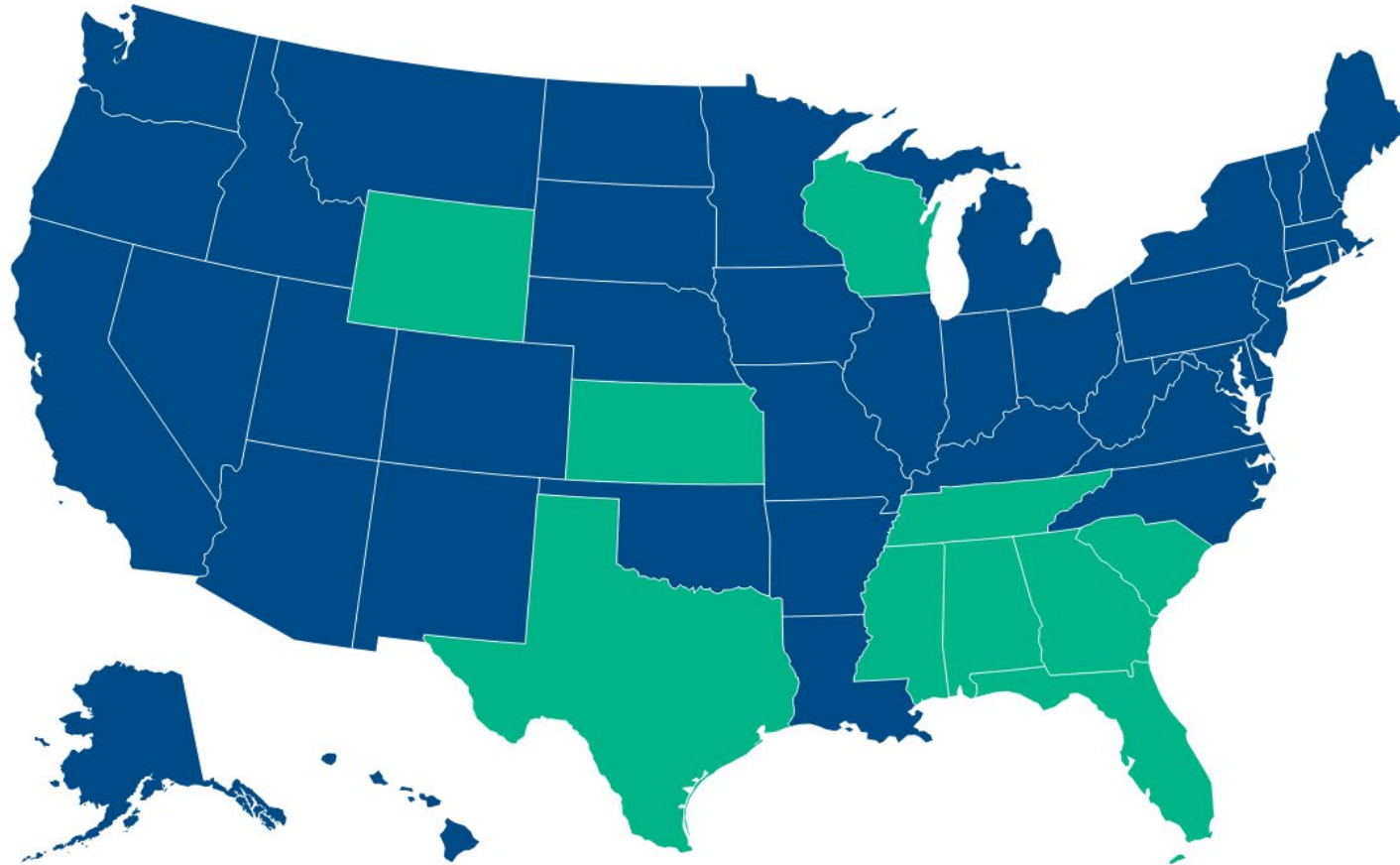


Note: Includes full and partial benefit enrollees enrolled in at least one month of Medicaid during 2021. Total may not sum to 100% due to rounding.

Source: KFF's [10 Things to Know About Medicaid](#)

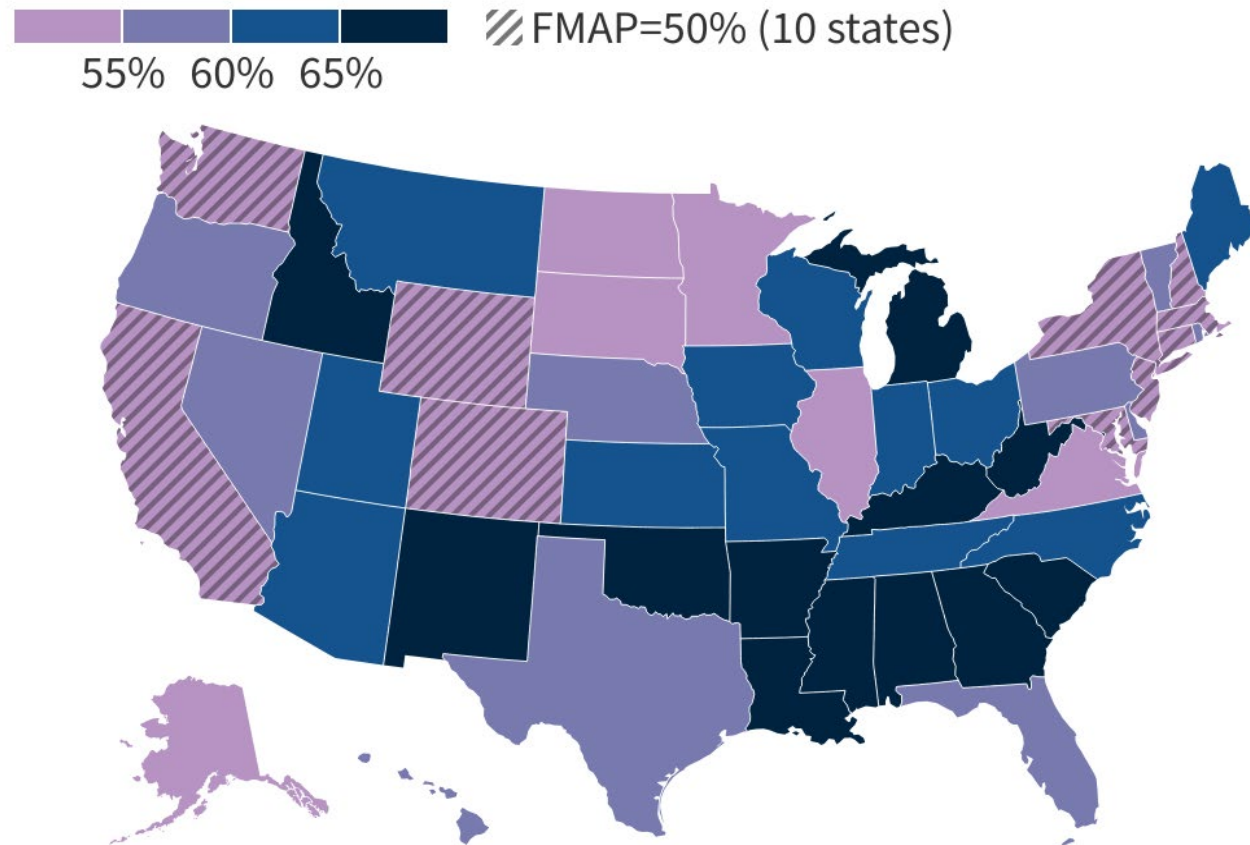
# As of April 2025, 41 states including DC have expanded Medicaid.

■ Adopted and Implemented (41 states including DC) ■ Not Adopted (10 states)



# The Medicaid matching rate (FMAP) varies across states and is based on a formula that relies on state per capita income

Federal Medicaid Assistance Percentages (FMAPs) for Traditional Medicaid Spending Effective for FFY 2026



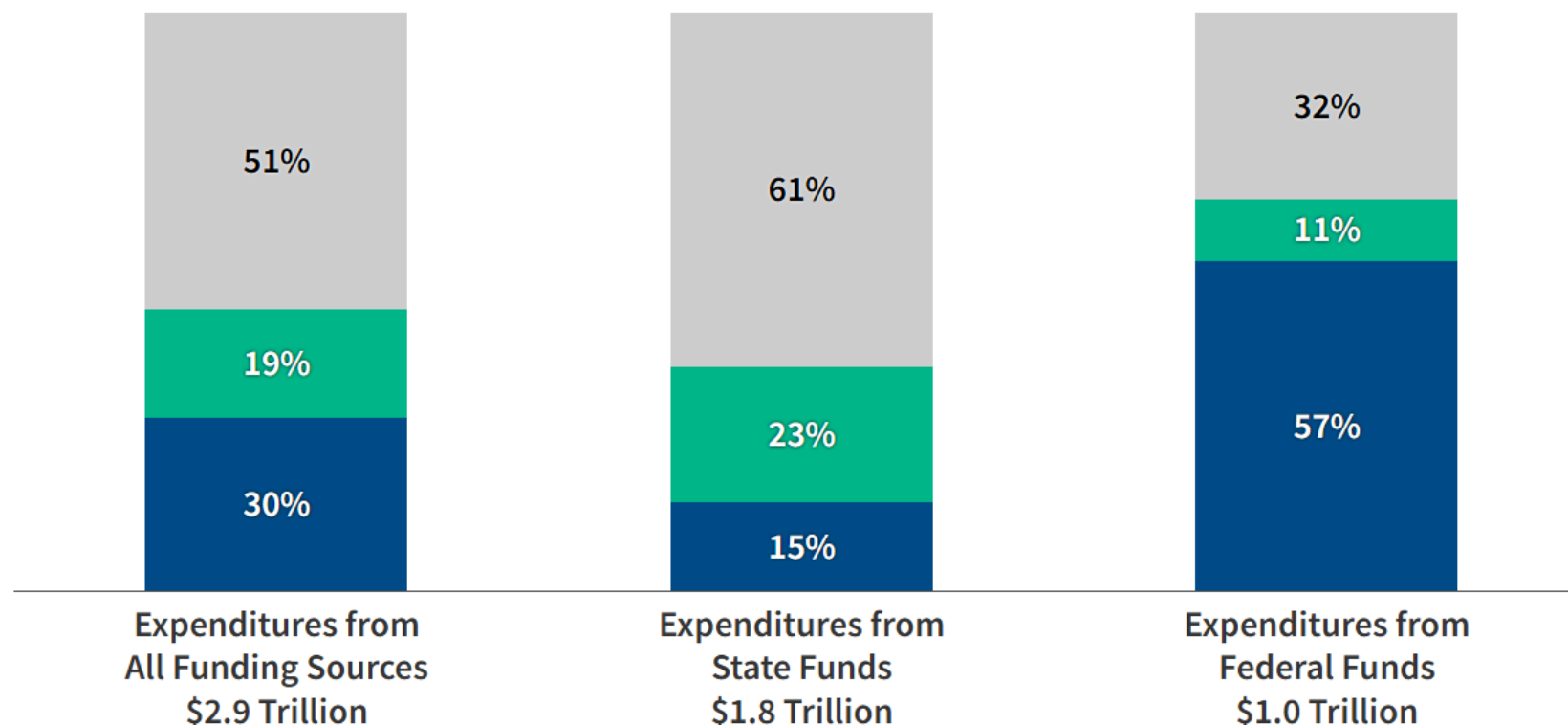
Note: FFY = federal fiscal year. These rates are in effect October 1, 2025 - September 30, 2026. These FMAPs are determined by a formula set in statute and are for services used by people eligible through traditional Medicaid, which includes individuals who are eligible as children, low-income parents, because of disability, or because of age (65+). The formula is designed so that the federal government pays a larger share of program costs in states with lower average per capita income.

Source: Federal Register, November 29, 2024 (Vol 89, No. 220), pp 94742-94745

# Medicaid is the largest single source of federal funds for states.

Distribution of state expenditures by source of funds, SFY 2023

■ Medicaid Expenditures ■ Elementary & Secondary Education Expenditures ■ All Other Expenditures



Note: SFY = state fiscal year. Expenditures from state funds include state general funds and other state funds. Expenditures from all funding sources include both expenditures from state funds and federal funds as well as bond funds. Expenditures from state funds and federal funds will not total to expenditures from all funding sources due to the exclusion of bond funds from state and federal funds. For additional information and state-specific notes, see data source.

# **Federal Proposals to Reduce Medicaid Spending**

# **Congress and the Trump administration are expected to debate significant changes to the Medicaid program.**

- House budget resolution includes up to \$880 billion or more from Medicaid but Senate targets are less clear
  - **Impose work requirements**
  - **Per capita cap on expansion group**
  - Eliminate the 90% enhanced match rate for the expansion population and replace with traditional match rate
  - Lower the federal medical assistance percentage or FMAP floor
  - Limit the use of provider taxes
  - Limit the use of state directed payments in managed care
  - Roll-back major rules (managed care, access, nursing facility staffing, eligibility & enrollment)

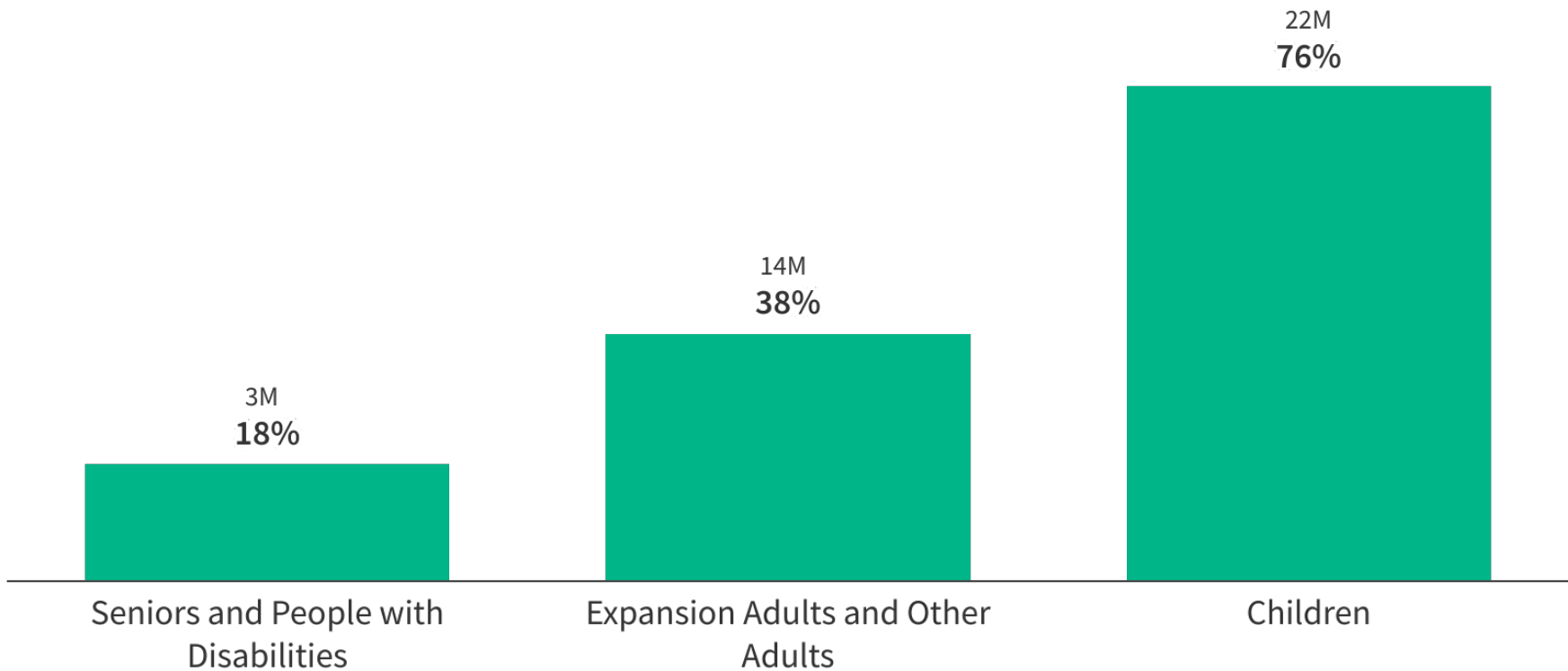
# “Fraud, waste, and abuse” are at the forefront of current debates as a basis for making changes in Medicaid more broadly.

## *Program Integrity Terms*

- **Fraud:** *Intentional deception; criminal act*  
→ e.g., provider who bills for services not provided
- **Abuse:** *Violates accepted standards*  
→ e.g., reimbursement for unnecessary or substandard services
- **Waste:** *Misuse of resources*  
→ e.g., unintentional duplicate lab tests
- **Improper Payments:** *Incorrect/ miscalculated payments; frequently confused with “fraud”*  
→ e.g., paid claim missing service date

# Potential federal Medicaid cuts are equivalent to Medicaid spending for 18% of seniors and people with disabilities, 38% of adults, or 76% of children.

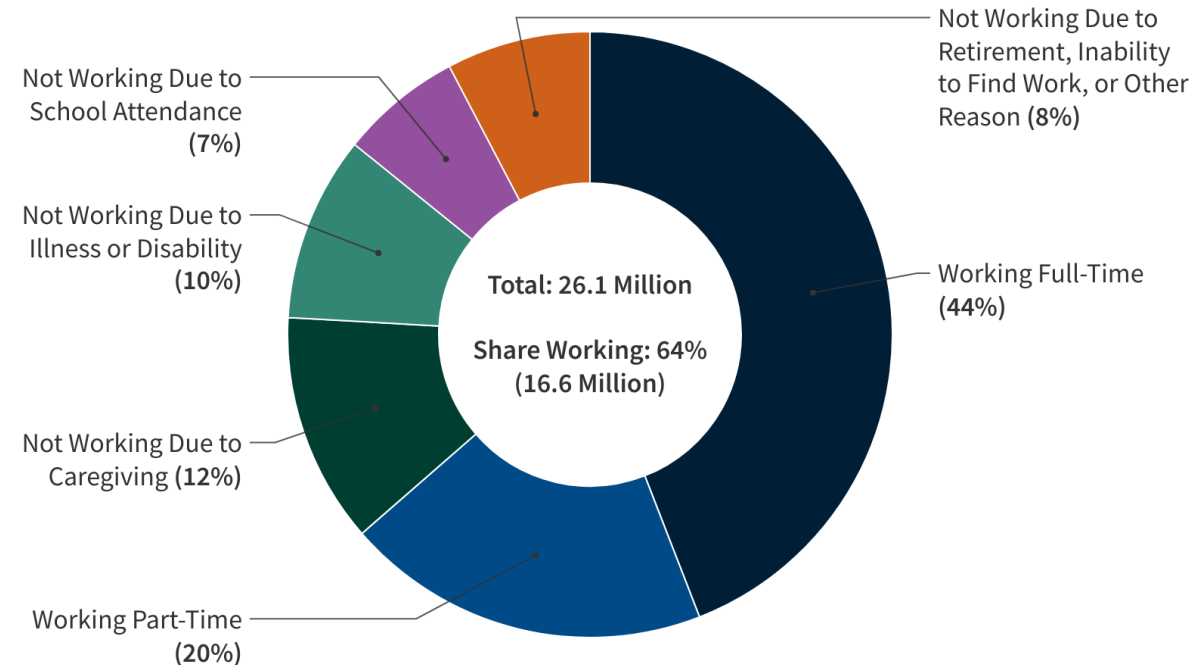
Number and share of enrollees in each group equivalent to \$88B in federal cuts based on total spending per enrollee



Source: KFF analysis of 2024 Medicaid enrollment and spending data. See [Putting \\$880 Billion in Potential Federal Medicaid Cuts in Context of State Budgets and Coverage](#) for more information.

# Congress is considering work requirements in Medicaid despite data that show 92% are working or face a barrier to work.

Work Status and Barriers to Work Among Medicaid Adults, 2023

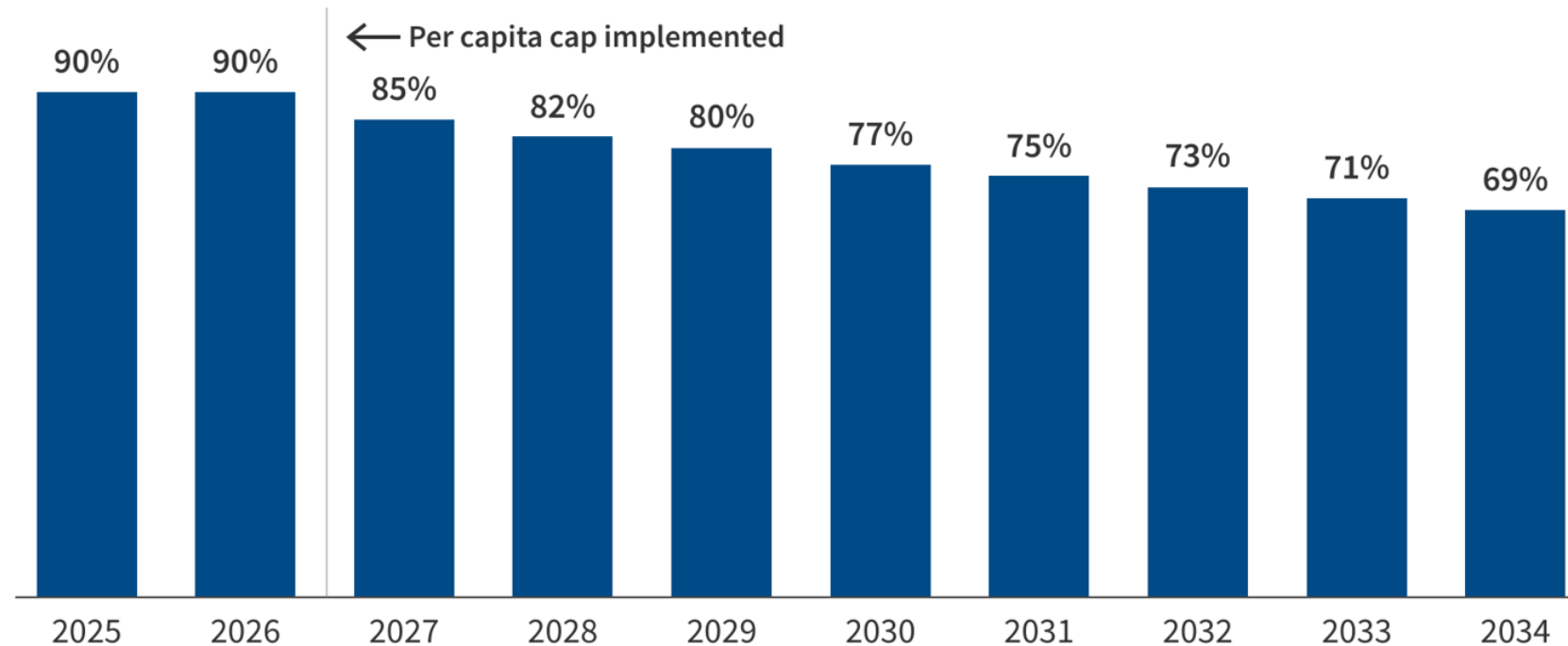


Note: Total may not sum to 100% due to rounding. Working Full-Time is based on total number of hours worked per week (at least 35 hours). Full-time workers may be simultaneously working more than one job. Includes Medicaid covered adults (age 19-64) who do not receive benefits from Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI) and are not also covered by Medicare.

Source: KFF analysis of the March 2024 Current Population Survey ASEC Supplement

# A per capita cap on the expansion population would erode the effective enhanced federal match rate over time.

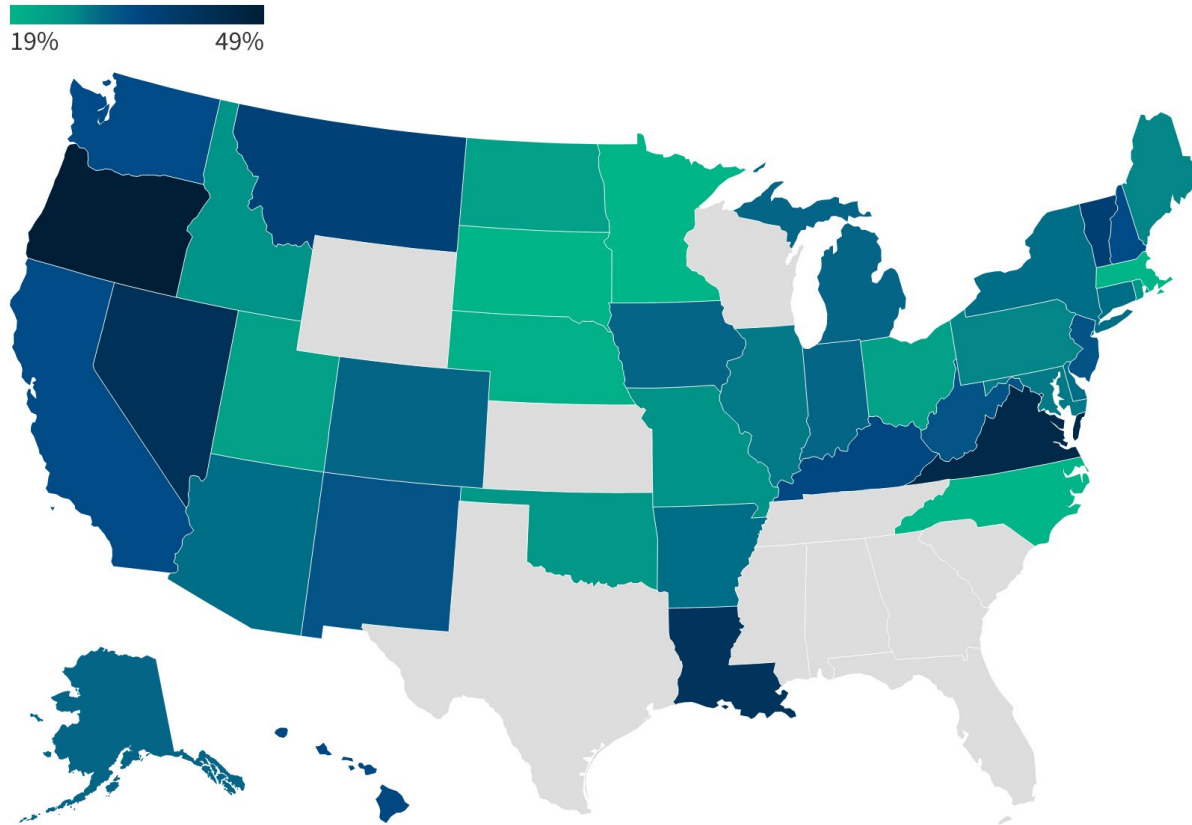
Federal share of Medicaid spending (or the effective FMAP) for the ACA expansion population by year if states maintain ACA expansion coverage and spending



Note: FMAP = federal medical assistance percentage. Changes show the federal share of spending (FY 2025-2034) if federal expenditures on the ACA Medicaid expansion population were limited by the growth in medical inflation starting in FY 2027. Source: KFF analysis of Medicaid enrollment and spending data from various sources. See Methods of "A Medicaid Per Capita Cap on the ACA Expansion Population: State by State Estimates" for more information about projections and assumptions

# Eliminating the ACA Expansion match could reduce total Medicaid enrollment by 20 million if all current expansion states drop ACA Expansion.

Estimated percent decline in Medicaid enrollment (FY 2034) if all current expansion states drop the ACA expansion (19 to 49% enrollment decrease)



Source: KFF analysis of Medicaid enrollment and spending data from various sources. See Methods of "Eliminating the Medicaid Expansion Federal Match Rate: State-by-State Estimates " for more information about projections and assumptions.

# Implications for People

# Majorities across partisanship, race and ethnicity, vote choice, and income view Medicaid favorably

Percent who say they have **very or somewhat favorable views** of each of the following:



# Here's what voters with Medicaid had to say when asked about cuts to the program:

*"For me it would, it would probably lead to death, and that's kinda harshly speaking, but it's the way that it would be. I've relied upon Medicaid for myself in order to survive. For my son, it would be survivable, but it would be difficult. He has real bad allergies, he wouldn't be able to hear."*

**55-year-old, White female  
(Trump voter, Oklahoma)**

*"I would just beg them please to do their best to keep medical coverage for people that need it. And I mean, I live every day, day to day taking my meds and I need it. I don't know what I would do without it."*

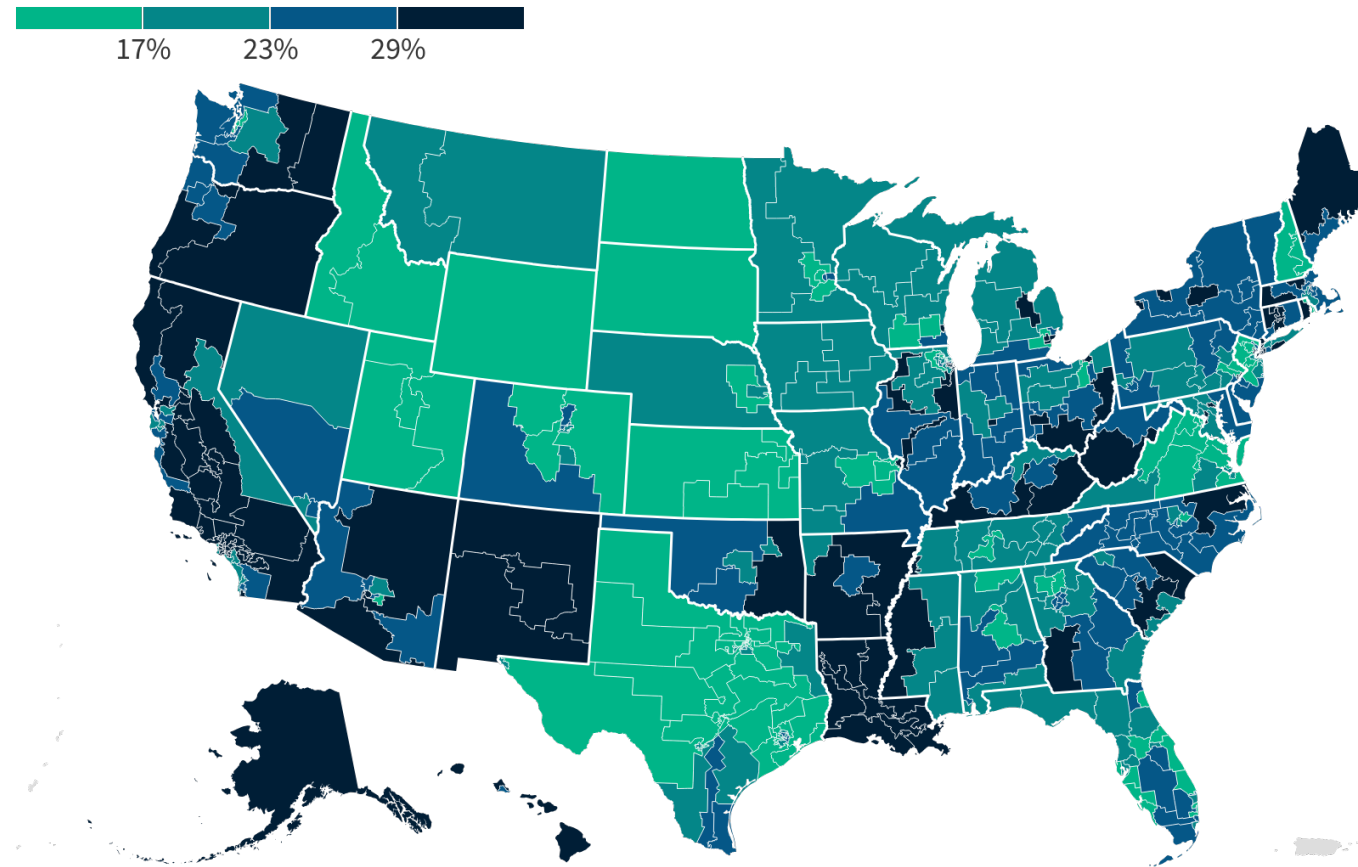
**39-year-old, Black male  
(Trump voter, Ohio)**

*"Well, I think they should step back and look at it and realize that we're not just a number on a spreadsheet or something that. We're actually people and what they decide to do has consequences."*

**39-year-old, White male  
(Harris voter, Kentucky)**

# At least half of either Republican or Democratic congressional districts have 21% or more residents enrolled in Medicaid.

Medicaid enrollment by congressional district and eligibility group, 2024



# THANK YOU

For more information, contact: [heathers@kff.org](mailto:heathers@kff.org)