



PAID LEAVE  
CHILD CARE

CARE CAN'T WAIT

CARE CAN'T WAIT

Invest in Care Now!

CARE NOW

CARE CANT WAIT!

DISABILITY RIGHTS ARE HUMAN RIGHTS

# WE NEED YOU!

## 2025 MEDICAID ADVOCACY CAMPAIGN





# Housekeeping Items

- All participants are muted.
- There will be time at the end for Q&A, but you may ask questions using the chat box function at any time.
- If you have any technical issues, please send us a message in the chat. We will do our best to assist you.
- We will share a recording and PowerPoint slides with attendees afterwards.

# HOW MEDICAID SERVICES ARE FINANCED AND PROPOSALS TO LIMIT THEIR COSTS

Advocacy Conversations Part II



# Agenda

- Medicaid Basics
- Medicaid Financing Details
- Why is Medicaid a Target?
- Financing reform
- How States Respond
- No Guarantee of Protection
- Q & A



The background is a gradient from orange on the left to yellow on the right. Two white arrow shapes point towards each other from the left and right edges, framing the central text.

# Medicaid Basics

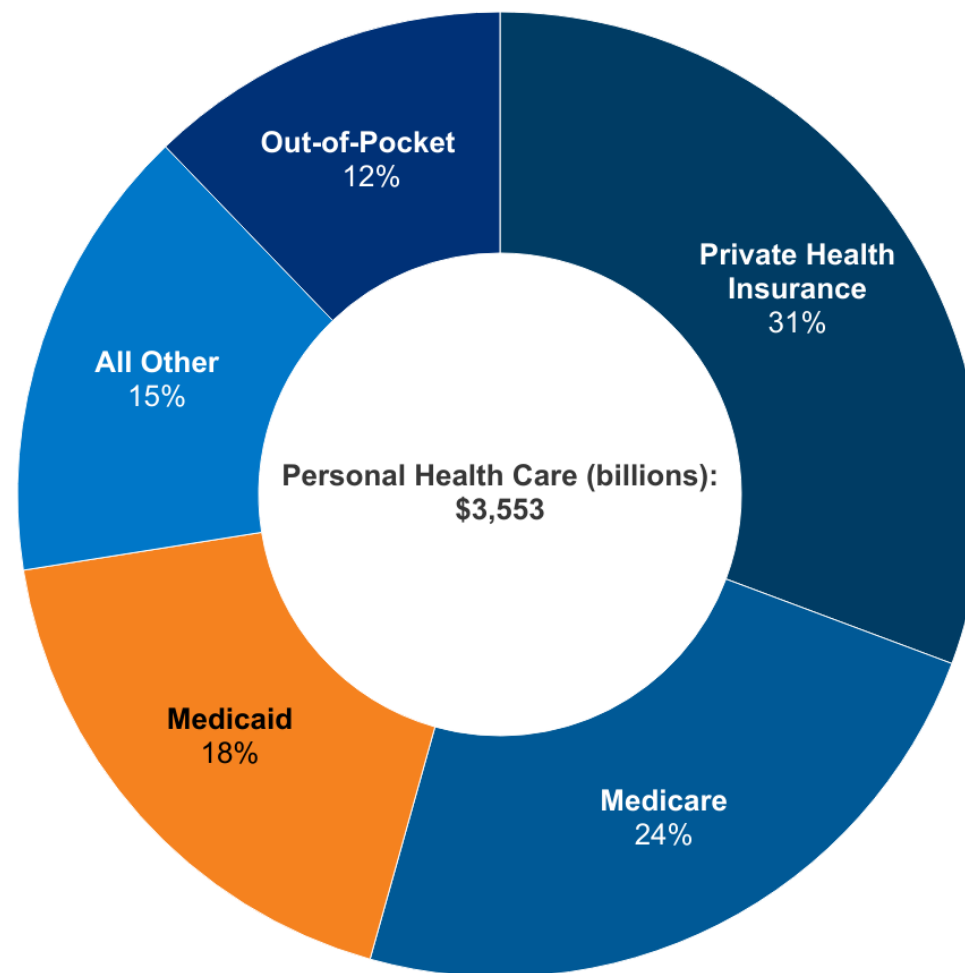


# Medicaid

- Medicaid is the largest public health insurance program
- 85 million Americans are covered
- It is the single largest source of federal funding for states

## Medicaid Finances Nearly One Fifth of Health Care Spending.

*Personal Health Care Spending by Payer in 2021*

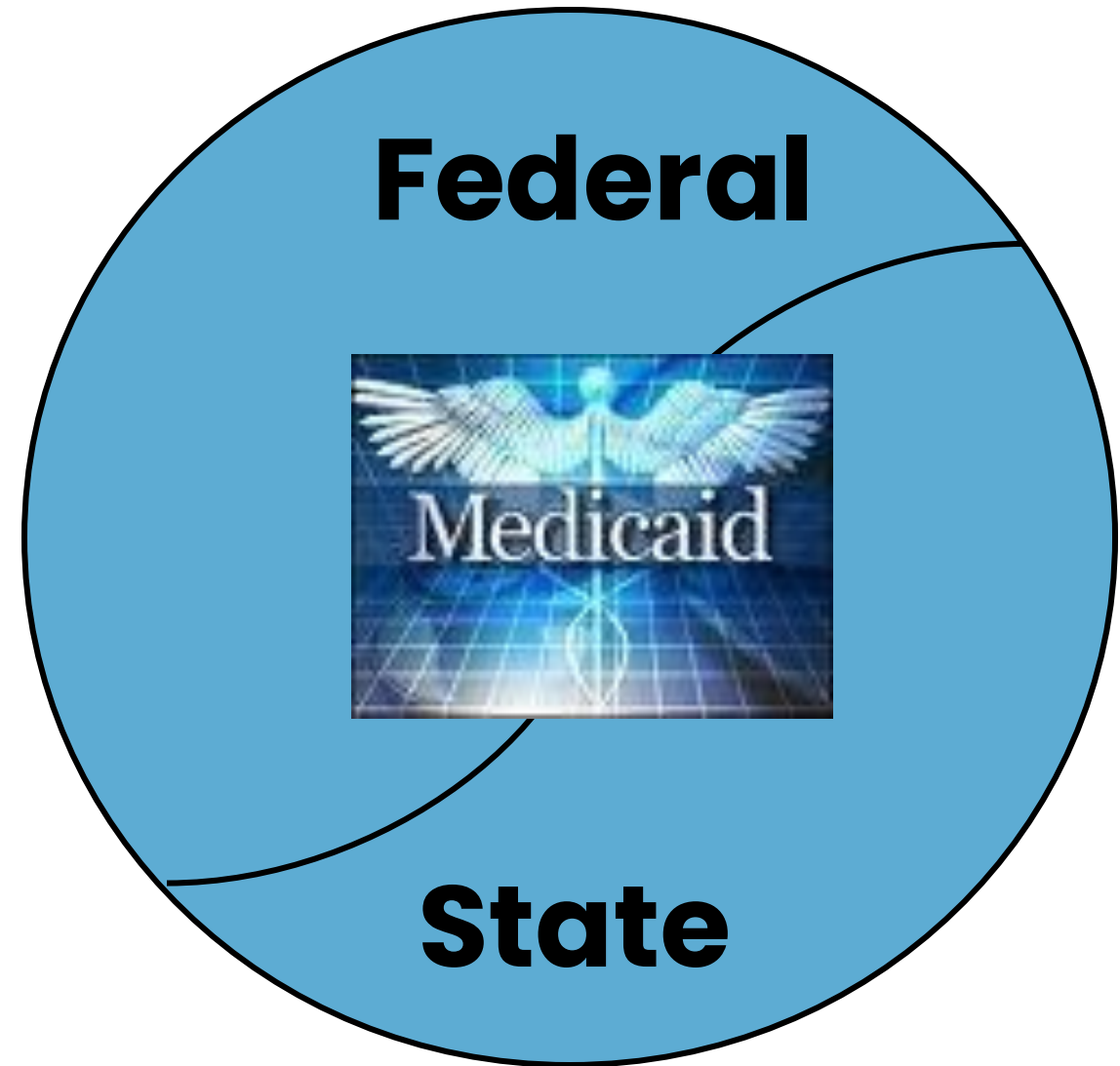


NOTE: All Other spending includes payments by the Children's Health Insurance Program, the Department of Defense, the Veterans Health Administration, worksite health care, other private revenues, Indian Health Services, workers' compensation, general assistance, maternal and child health, vocational rehabilitation, other federal programs, Substance Abuse and Mental Health Services Administration, other state and local programs, and school health.

SOURCE: KFF estimates based on 2021 National Health Expenditure Accounts data from CMS. Office of

# Medicaid: A Federal-State Program

- Provides comprehensive health care and long term supports & services for certain populations.
- Congress sets baseline eligibility, financing structure, and rules states must follow to get federal funding.
- States can add to what Congress does





# Who is Covered?

- Children based on family income
  - 39% of all children
  - Nearly ½ of children with special health care needs
- Pregnant women based on family income
  - 41% of all births
- Certain people with disabilities
  - 44% non-elderly, not in institutions
  - 23% non-elderly with mental illness
- Seniors in nursing homes
  - 62%



# Mandatory and Optional Services

- Mandatory services:

- Hospital
- Physician
- Federal health clinic services
- Transportation
- Nursing facility
- Home health
- Early periodic, screening, diagnostics and treatment (EPSDT) for children

- Optional Services:

- Home and community-based services
  - Personal care
  - Community First Choice option
  - Self-directed personal assistance services
- Intermediate Care Facilities (ICF) for IDD
- Therapy services
- Prescription drugs

# Medicaid Waiver Services



1915 (c) Home and Community Based Services Waiver most common for people with IDD



States submit formal requests to waive federal requirements



Negotiated with Centers for Medicare and Medicaid Services (CMS) officials



Require periodic renewals triggering additional negotiations



States have flexibility to limit services resulting in waiting lists in many states

# Examples of Waiver Services

- providing direct support professionals to assist with meals, bathing, dressing, and toileting
- communication support
- assistive technology
- supported employment
- behavioral supports
- services that may assist in diverting and/or transitioning individuals from institutional settings into their homes and community



# State Fundamentals

- States can adopt policies that exceed the minimum federal requirements.
- States set reimbursement rates to providers.





# Medicaid Financing Details

# State vs. Federal Payments

A State is entitled to federal funds based on its Federal Medical Assistance Percentage (FMAP), which varies from 50% in the wealthiest states to over 75% in poorer states.

As a federally protected entitlement, the federal government must pay their part of the services for eligible individuals if the state follows all the federal laws and regulations.



# Small Percentage Changes= Big Impact

A 50% FMAP is a \$1 to \$1 ratio

A 66% FMAP is a \$2 to \$1 ratio

A 75% FMAP is a \$3 to \$1 ratio

For every dollar a state puts in --the federal government puts in \$1, \$2 or \$3 in these examples

# FMAP Modifications

- Medicaid Expansion is a 90% (\$9 to \$1) ratio.
- Certain Administrative Costs, eg.:
  - Electronic Health Records 100%
- Community First Choice- adds 6% to FMAP of the state.

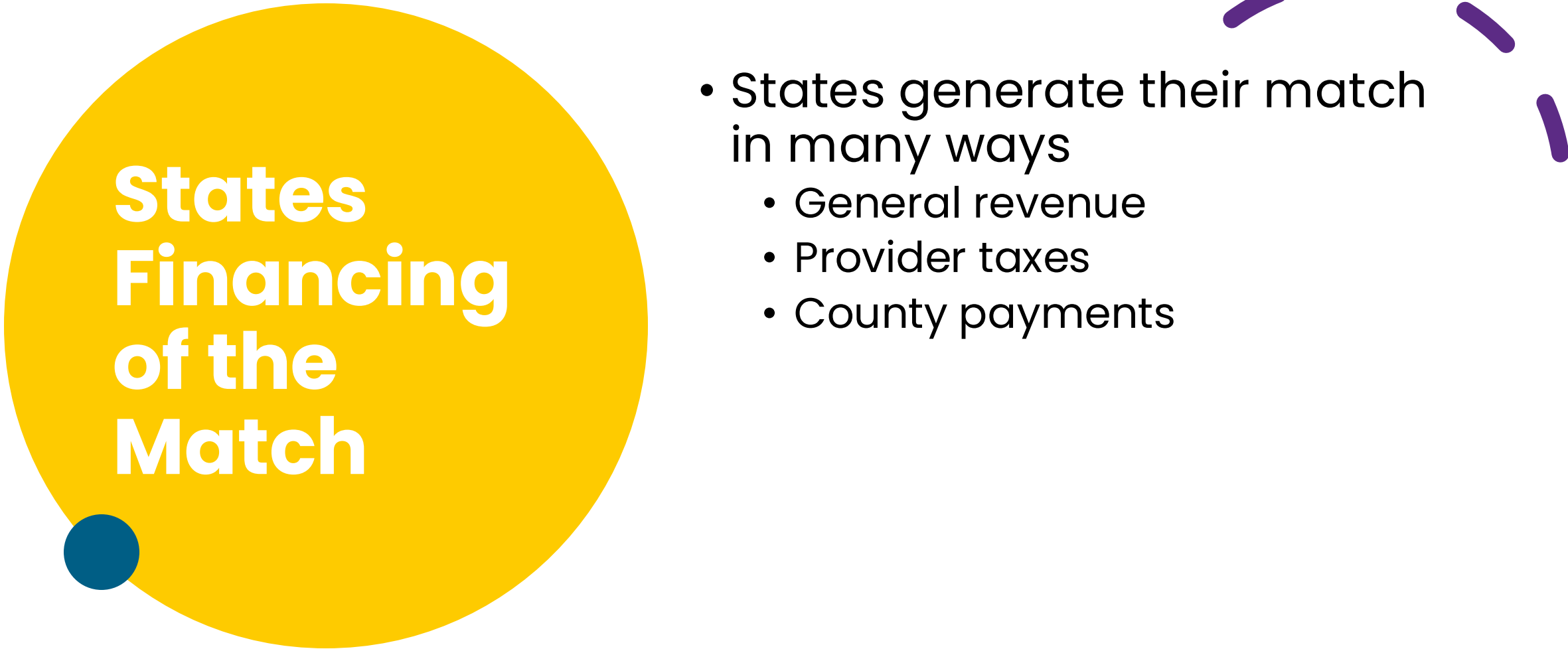
# Recent FMAP Boosts

10% FMAP increase for Home and Community Based Services in the American Rescue Plan (2021);

6.2% increase in the overall FMAP in the Families First Coronavirus Response Act (2020);

These were temporary boosts





# States Financing of the Match

- States generate their match in many ways
  - General revenue
  - Provider taxes
  - County payments



# **Why Is Medicaid A Target?**

# A Few Reasons

- Significant share of federal and state budgets
- Medicaid continues to grow
  - 41 states (including DC) have adopted Medicaid expansion for low income adults (138% of Federal Poverty Level)
  - Population is aging and demand for long term services and supports continues to grow
- Stereotypes about Medicaid beneficiaries and who are "deserving"

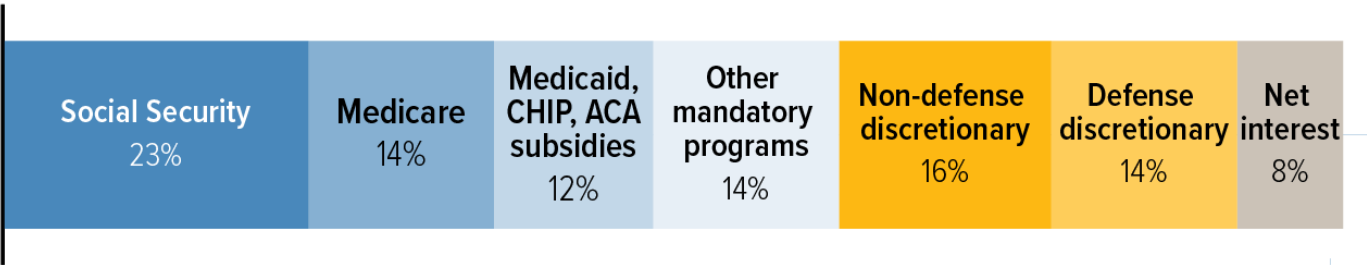


# History Tells Us It Could Be

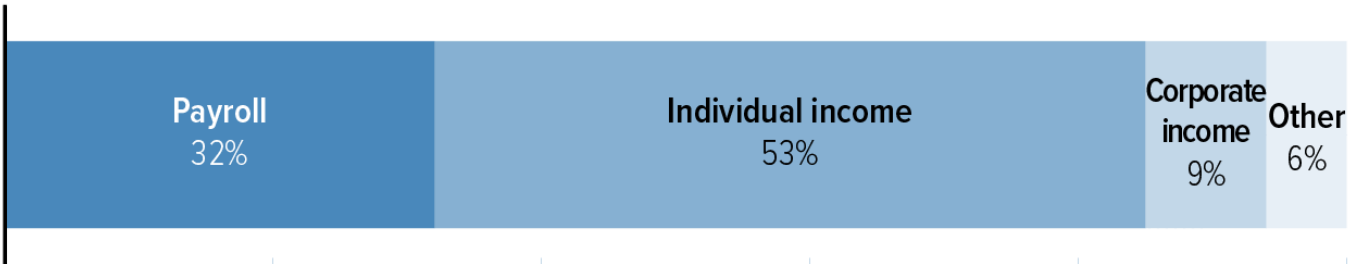
- Medicaid is a target in debate about:
  - Debt ceiling negotiations
  - Expiring tax cuts in FY 2025
  - Deficit reduction efforts

# Federal Budget Context

## Components of Federal Spending



## Components of Federal Tax Revenue

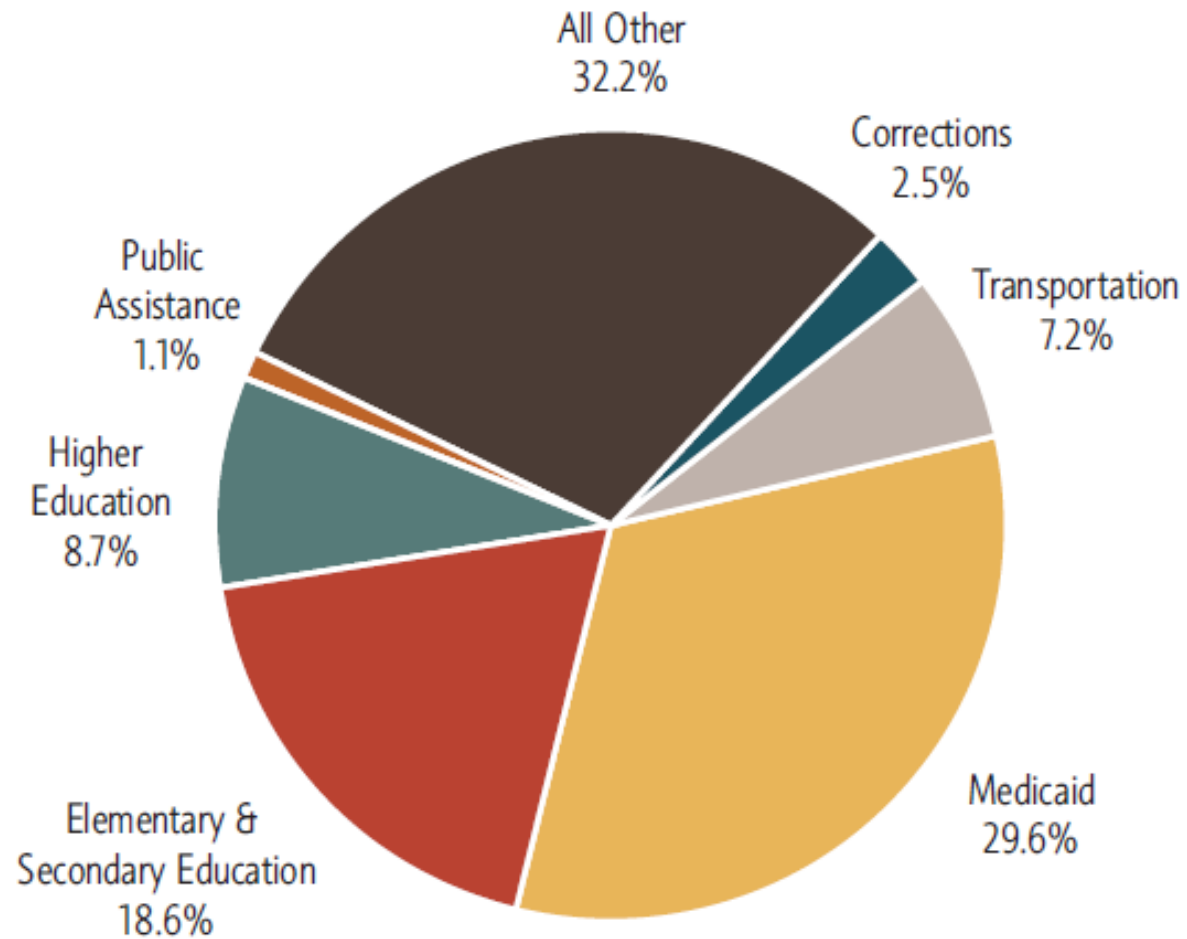


Note: "CHIP" = Children's Health Insurance Plan. "ACA" = Affordable Care Act. "Other" includes excise, customs duties, and more. Data are for fiscal year 2023 and do not add to 100 percent due to rounding.

Source: Congressional Budget Office



**FIGURE 4**  
**TOTAL STATE EXPENDITURES BY FUNCTION,**  
**FISCAL 2023**



# Demographic information

- Population is aging
- Medicaid is the largest single payer of LTSS in the United States
- in 2021, total Medicaid LTSS spending (combined federal and state) was \$207.0 billion, which comprised 44.3% of all LTSS expenditures.
- Approximately 33 million or 1 in 10 Americans are between 65-74 years old. That is an over 50 percent increase from 2010



# Financing Reform

# Proposals to Reduce Federal Spending

- Work requirements
  - Creates additional steps to eligibility
  - People must prove they cannot work due to illness or disability
  - Goal is reduce eligibility
- Limits on acceptable provider taxes or other ways states meet their match
- Block Grants or per capita caps

# Per-Capita Caps/Block Grants



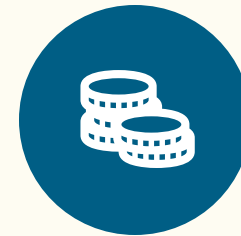
PER-CAPITA (PER BENEFICIARY ENROLLED) OR BLOCK GRANT (FIXED AMOUNT FOR THE STATE).



BASELINE YEAR + GROWTH RATE.



ISSUE: THE "GROWTH" RATE IS USUALLY MADE LOWER THAN ANTICIPATED SPENDING, DUE TO, FOR EXAMPLE THE AGING OF SOCIETY.



DIFFICULT TO RESPOND TO ECONOMIC CIRCUMSTANCES OR PANDEMICS



REMOVES THE "STATE ENTITLEMENT" THE GUARANTEE THAT THE FEDERAL GOVERNMENT WILL PAY THEIR SHARE FOR COVERED SERVICES AND POPULATIONS

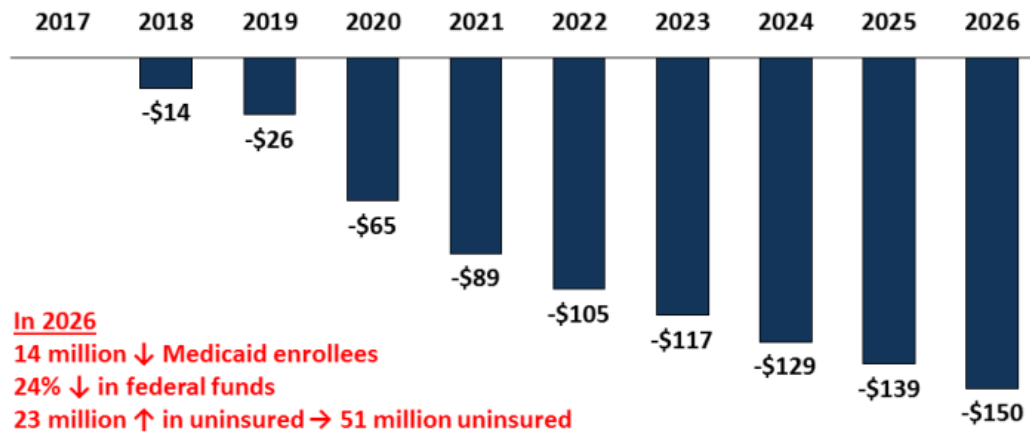


# It's about the money

Figure 1

## CBO Estimates of Reductions in Federal Medicaid Spending in the American Health Care Act (AHCA) for Coverage Provisions

Dollars in Billions (Reduction in Federal Medicaid Spending 2017-2026 = \$834 billion)



CBO Estimate of H.R. 1628 As Passed by the House on May 4, 2017, <https://www.cbo.gov/publication/52752>



- “Block grant and per capita cap proposals can be exceedingly complex, with arcane formulas for increasing federal spending over time.”
- KFF source: <https://www.kff.org/from-drew-altman/is-medicaid-too-big-to-block-grant/>



# **How States Respond**



# State Options

- To make up for federal cuts states can:
  - Raise taxes
  - Shift funding from other state budgets
  - Make changes within Medicaid program

**States  
have  
many  
“dials”  
to lower  
costs**

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Optional vs. Mandatory services.

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Optional vs. mandatory eligibility pathways.

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Waitlists for services.

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Reimbursement levels.

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“Assessments” of need that lower overall service hours.



**No Guarantee of  
Protection**



# Summary of Concerns



Fixed amount of state budget allocations combined with reduction in federal spending means less money to go around.



States face tough choices to make up the difference with reduced federal spending

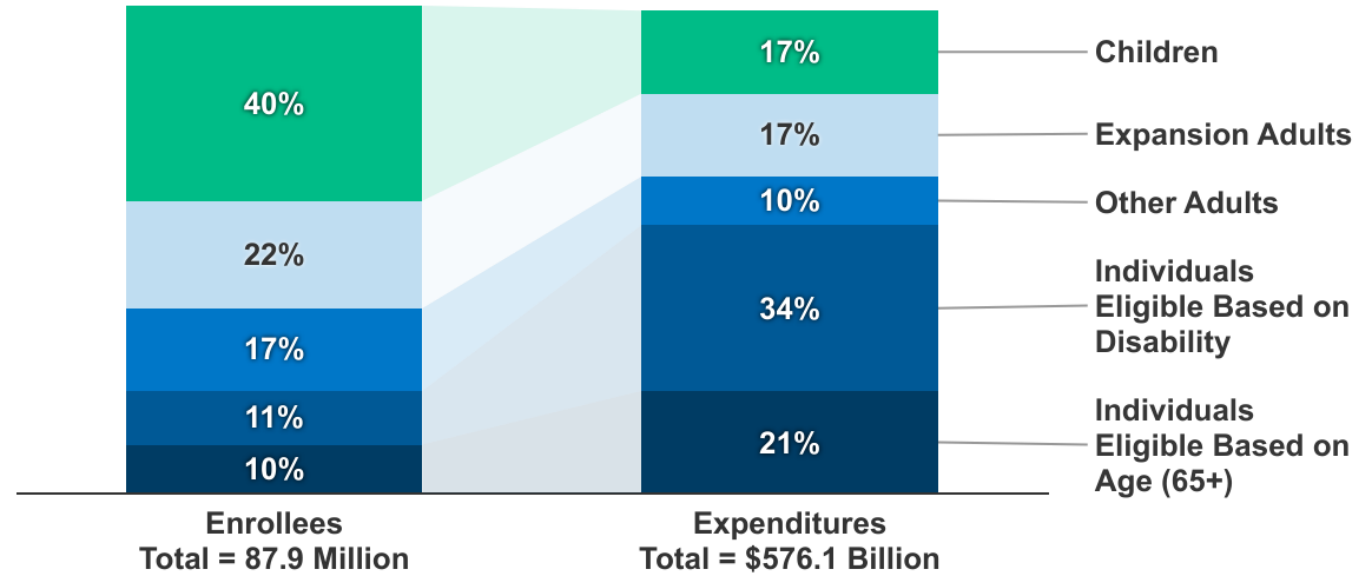


HCBS is optional and costly

Figure 6

## Adults Eligible for Medicaid Based on Disability or Age (65+) Accounted for 1 in 5 Enrollees but Over Half of All Spending in 2019.

Per Eligibility Group Enrollment and Spending by State



NOTE: Includes full and partial benefit enrollees ever enrolled during 2019. Total may not sum to 100% due to rounding.

SOURCE: KFF State Health Facts, Enrollees and Spending by Enrollment Group

**KFF**

# How do we avoid these dangers?

- Stay vigilant with an active national public policy team leading federal efforts.
- Engage and mobilize state and local chapters to prevent cuts before states face draconian changes.
- Stronger together--this is about the lives & future of people we serve!



**Questions?**

**THANK YOU**

Find us at  
[thearc.org/staff](https://thearc.org/staff)