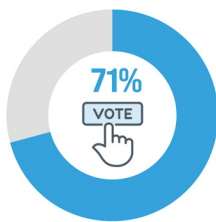


## Medicaid Federal Funding: Cuts to Federal Share ("FMAP") Hurt Families, Providers and State Economies

States and the federal government jointly cover the costs of health care and services provided to the almost 80 million people covered by Medicaid.<sup>1</sup> This federal-state funding partnership is the largest source of federal funding to states,<sup>2</sup> providing a lifeline of health coverage to low-income Americans, and serving as the financial backbone of the health care system and state and local economies.<sup>3</sup> While congressional proposals to change funding formulas might sound benign or bureaucratic, they represent a cataclysmic cut to Medicaid that would have dramatic health and economic repercussions: millions of Americans losing coverage, states forced to cut programs or raise taxes, hospitals and health care providers forced to cut services, and major economic impacts on local communities.



**Medicaid must be protected from attempts to cut or cap federal funding or shift program costs to states.** Cutting federal Medicaid funding would be a direct attack on the health and financial security of the American people and runs counter to public will, as **71% of voters want Congress to continue to guarantee coverage for low-income people through Medicaid.**<sup>4</sup>

### FEDERAL MEDICAID FUNDING: ESSENTIAL FOR STATES, PROVIDERS, AND PATIENTS

The federal share of Medicaid financing varies by state and is set by a formula known as the *Federal Medical Assistance Percentage (FMAP)*. Medicaid law requires the federal government to pay for (or “match”) at least 50% of Medicaid costs (and, for some populations, as much as 90%), guaranteeing a minimum level of financial support (or “floor”) to states to ensure they can provide health insurance to eligible residents.<sup>5</sup> Reducing the federal government’s responsibility to pay its share of Medicaid costs would worsen our country’s health care affordability crisis at a time when Americans from all backgrounds are imploring their representatives to lower costs on everyday needs like groceries, gas and health care.

***Congress is considering a variety of proposals to cut the federal share of Medicaid funding, which would threaten the economic security of states and the financial viability of doctors, nurses and health systems.***

CURRENT LEVEL OF FEDERAL MEDICAID SHARE	
<ul style="list-style-type: none"> <li>• For most parents, children, seniors, veterans, and people with disabilities, the federal government pays between 50% and 83% of Medicaid costs, depending on the state’s per capita income.<sup>6</sup></li> <li>• Certain populations and providers are covered by a different matching rate, including some Indian Health Service and tribal facilities (100%), certain children with complex medical needs (up to 90%), the District of Columbia and U.S. territories (70% floor for the district and specific formulas for territories).<sup>7</sup></li> <li>• For the 41 states (including the District of Columbia) that expanded Medicaid to low-income adults without dependent children, the federal government pays a 90% match to cover the cost of Medicaid services for this population.<sup>8</sup> This includes 20 states that voted for Kamala Harris and 21 states that voted for Donald Trump in 2024.<sup>9</sup></li> </ul>	
HARMFUL POLICY PROPOSALS TO CUT THE FEDERAL SHARE	IMPACT OF FEDERAL SHARE CUTS ON STATE BUDGETS
<ul style="list-style-type: none"> <li>• Remove the FMAP floor completely.<sup>10</sup></li> <li>• Lower the current 50% FMAP floor to 40%.<sup>11</sup></li> <li>• Default on the federal government’s commitment to states by reducing the 90% match rate for expansion down to states’ baseline match rate (between 50% and 83%).<sup>12</sup></li> <li>• Target FMAP reductions for the District of Columbia and/or specific states as “penalties” for using state dollars to cover certain services or populations.<sup>13</sup></li> </ul>	<p>All states are at risk of losing federal funding if they can no longer count on minimum federal support. Specifically:</p> <ul style="list-style-type: none"> <li>• The Congressional Budget Office projects <b>removing the FMAP floor would result in states paying an additional \$530 billion over nine years</b> to replace the lost federal share.<sup>14</sup></li> <li>• <b>If the FMAP floor is reduced to 40%</b>, ten states and the District of Columbia would need to pay an additional <b>\$30 billion dollars in 2025</b> alone, to replace the lost federal share.<sup>15</sup></li> <li>• Reducing the 90% match for the expansion population would increase average <b>state costs by 336%</b>.<sup>16</sup></li> </ul>



## REDUCING THE FEDERAL MEDICAID SHARE WOULD:



**Immediately throw 3.6 million people off of health insurance coverage across 12 states** and ultimately as many as 20 million people nationwide. Those 12 states (Arizona, Arkansas, Idaho,\* Illinois, Indiana, Iowa,\* Montana, New Hampshire, New Mexico,\* North Carolina, Utah and Virginia) have “trigger laws” that would end their state’s Medicaid expansion automatically (\*or nearly so) if the federal government’s Medicaid contribution drops.<sup>17</sup> This includes eight states that voted for Trump and four states that voted for Harris in 2024.<sup>18</sup>



**Propel state budgets into chaos.** More governors and state lawmakers are grappling with budget deficits than at any point since 2020.<sup>19</sup> Reducing or eliminating the FMAP would further destabilize state economies and force states to either raise taxes or make cuts to essential priorities, including health care, transportation, infrastructure, education and public safety.<sup>20</sup> Reducing the matching rate for the ACA Medicaid population alone could shift \$626 billion of costs onto states over 10 years.<sup>21</sup>



**Cut funding to providers and reduce access to critical services.** To address budget shortfalls, states would be forced to drop people from coverage, cut reimbursement to health care providers, and/or eliminate coverage of key medical services, like prescription drugs, mental health and substance use disorder treatment, and dental care.<sup>22</sup> People who lose insurance would be forced to seek care in expensive settings, like emergency rooms, further straining hospital workers who are overburdened and understaffed.<sup>23</sup>



**Drive economic instability for American families.** People without health insurance are less likely to use preventive care (checkups and screenings), access primary care or receive regular care for chronic conditions — leaving them sicker and less able to work or go to school.<sup>24</sup> With Medicaid, families have reduced exposure to medical debt, are better able to put food on the table and are less likely to be evicted from their homes.<sup>25</sup>



**Threaten more hospital closures and harm local economies, including rural areas.** Medicaid is a critical funding source for hospitals across the country and especially helps keep rural hospitals open.<sup>26</sup> Since 2010, three-quarters of rural hospital closures have been in states that did not extend Medicaid coverage to all low-income adults.<sup>27</sup> Hospitals are often the largest employer in a community, especially in some rural areas, and they serve as economic engines that drive local spending. When Medicaid dollars are taken away the “multiplier effect” causes a larger economic loss across the community, including the jobs, goods, and services that are no longer utilized.

## THE BOTTOM LINE: MEDICAID MATTERS TO EVERYONE

**Congress has the responsibility to stand with our nation’s families** by opposing any attempts to weaken the Medicaid program, including through federal funding formula changes that would make massive cuts to state budgets and services, health systems, and coverage for millions of Americans — jeopardizing family finances and local economies alike.

For more information or to connect with the Families USA team, please contact [healthpolicy@familiesusa.org](mailto:healthpolicy@familiesusa.org).

## ENDNOTES

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<sup>2</sup> Elizabeth Williams et al., “Medicaid Financing: The Basics,” KFF, January 29, 2025, <https://www.kff.org/medicaid/issue-brief/medicaid-financing-the-basics/>.

<sup>3</sup> Williams et al., “Medicaid Financing.”

<sup>4</sup> Grace Sparks, Robin Rudowitz, and Ashley Kirzinger, “Public Opinion on the Future of Medicaid: Results From the KFF Medicaid Unwinding Survey and KFF Health Tracking Poll,” KFF, June 4, 2024, <https://www.kff.org/medicaid/poll-finding/public-opinion-on-the-future-of-medicaid-kff-medicaid-unwinding-kff-health-tracking-poll/>.

<sup>5</sup> Alison Mitchell, *Medicaid’s Federal Medical Assistance Percentage (FMAP)*, Report R43847, (Congressional Research Service, updated July 29, 2020), <https://crsreports.congress.gov/product/pdf/R/R43847>.

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<sup>9</sup> Jennifer Tolbert, Clea Bell, and Robin Rudowitz, “Medicaid Expansion Is a Red and Blue State Issue,” KFF, November 27, 2024, <https://www.kff.org/medicaid/issue-brief/medicaid-expansion-is-a-red-and-blue-state-issue/>.

<sup>10</sup> Options for Reducing the Deficit: 2025 to 2034, Publication 60557, (Congressional Budget Office, December 2024), <https://www.cbo.gov/system/files/2024-12/60557-budget-options.pdf>.

<sup>11</sup> Brian Blase and Drew Gonshorowski, Medicaid Financing Reform: Stopping Discrimination Against the Most Vulnerable and Reducing Bias Favoring Wealthy States (Paragon Health Institute, July 2024), <https://paragoninstitute.org/medicaid/medicaid-financing-reform-stopping-discrimination-against-the-most-vulnerable-and-reducing-biasfavoring-wealthy-states/>.

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<sup>13</sup> Reconciliation Options 2025, House Ways and Means Committee, January 7, 2025. <https://www.politico.com/f/?id=00000194-74a8-d40a-ab9e-7bc70940000>.

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<sup>17</sup> Adam Searing, “Federal Funding Cuts to Medicaid May Trigger Automatic Loss of Health Coverage for Millions of Residents of Certain States,” *Say Ahhh!* (blog), Georgetown University Center for Children and Families, November 27, 2024, <https://ccf.georgetown.edu/2024/11/27/federal-funding-cuts-to-medicaid-may-trigger-automatic-loss-of-health-coverage-for-millions-of-residents-of-certain-states/>.

<sup>18</sup> Tolbert, Bell, and Rudowitz, “Medicaid Expansion.”

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<sup>21</sup> Elizabeth Williams, et al., “Eliminating the Medicaid Expansion Federal Match Rate: State-by-State Estimates,” KFF, February 13, 2025, <https://www.kff.org/medicaid/issue-brief/eliminating-the-medicaid-expansion-federal-match-rate-state-by-state-estimates/>.

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