



AAF: Medicaid Reform 101

TOPLINE: Let the drafting begin. Congress has unlocked the reconciliation process. Now, Congress can begin the actual drafting of the bill.

BACKGROUND: Medicaid is a federal program where the federal government partners with state governments to provide health insurance for lower-income Americans. Medicaid is the 3rd largest mandatory program and represents ~\$1 out of every \$5 spent on health care in America. In 2022, Medicaid accounted for 9% of federal spending.

STATE OF PLAY: The House passed a resolution instructing the Energy & Commerce Committee to cut \$880 billion of the projected \$8.2 trillion in spending over the next 10 years (which includes healthcare programs like Medicaid as well as energy and telecommunications programs). Committee-approved spending would still dramatically increase, but at a slower rate. Meanwhile, the Senate resolution calls for trimming just \$1 billion from these projected increases—leaving Medicaid to soar from under \$600 billion last year to just shy of \$1 trillion in 2035.

Remember: House Conservatives only supported the Senate amendment after receiving a commitment from leadership to reduce projected spending by \$1.5 trillion over 10-years out of \$89.3 trillion

Here's how Conservatives can reform Medicaid to better steward taxpayer dollars:

1. Curb Waste, Fraud, and Abuse:

- Invest in robust oversight and audit programs to identify and prevent waste, fraud and abuse in the Medicaid system.
- Medicaid [accounted](#) for \$31.1 billion in improper payments for FY24.

2. Apply Caps to All Eligibility Categories Based on the Overall Inflation Rate.

- [Capping](#) the overall spending growth saves \$761 billion over 10 years and capping the spending per enrollee saves \$907 billion over 10 years.

3. Implement Work Requirements on Food Stamps for Able-Bodied Adults:

- Millions of able-bodied adults are Medicaid-eligible and receive hundreds of dollars per month in SNAP benefits. While statute such as EMTALA makes a direct work requirement on Medicaid impractical, a SNAP work requirement could deliver [\\$100 billion](#) in welfare savings over 10 years.

4. Close the California Loophole and Other State Financing Gimmicks:

- California has essentially created a money laundering scheme where it taxes Medicaid insurers, pays them more than they taxed them, and then reports the payments to the federal government to claim matching federal dollars.
- **The result?** Your tax dollars subsidize California's liberal wish list ideas.
- **DIG DEEPER: PARAGON HEALTH INSTITUTE:** [California's Insurance-Tax Shuffle: How Federal Money Ends Up Paying for Medicaid for Illegal Immigrants](#)

Bottom Line: Congress should reform Medicaid to be more responsible with taxpayer dollars. Failure to address runaway Medicaid spending will only exacerbate America's financial crisis.

