PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

EQUALIZE MEDICAID'S FMAP PAYMENTS

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TOPLINE: The federal government shouldn't pay states more for able-bodied, working age adults enrolled in Medicaid than it pays for traditional enrollees—children, pregnant women, the disabled, and low-income seniors.

BACKGROUND: Medicaid was established to provide health insurance to vulnerable populations: low-income children, pregnant women, individuals with disabilities, and lower-income elderly. As a joint federal-state program, the federal government reimburses states for a percentage—the federal medical assistance percentage, or FMAP—of Medicaid costs, with the FMAP averaging 57% historically across the states. When Obamacare was enacted, Congress allowed and incentivized states to expand Medicaid to able-bodied working age adults with incomes below 138% of the federal poverty level by providing a 90% FMAP. Thus, for every dollar states spend on traditional enrollees, the federal government pays states about $1.33, versus $9 for every dollar states spend on expansion enrollees.

The expansion now includes 20 million enrollees and has contributed to the doubling of Medicaid costs, from $477 billion in 2013 to $957 billion in 2024—an amount equal to $7,000 for every household in the United States. Because Medicaid providers haven't kept up with the expansion, and because states receive higher reimbursements for expansion enrollees, traditional Medicaid enrollees often face restricted access to care, and hundreds of thousands of individuals with disabilities wait years for home- and community-based care. Medicaid's expansion has also fueled fraud and a near quadrupling of Medicaid's improper payments. A Paragon Health Institute analysis estimated that 46% of all Medicaid expansion enrollees were ineligible for the program in 2024.

Action Items (Congress):

- **Phase down the FMAP for able-bodied expansion enrollees to match the traditional FMAP for vulnerable Medicaid recipients**.

How It Would Make Life More Affordable:

- The CBO estimated that setting the FMAP expansion rate at the same level as the traditional population would reduce deficits by a net $561 billion over 10 years.
- This would reduce waste and abuse and expand access to care for the vulnerable.

Related Legislation: Ending Medicaid Discrimination Against the Most Vulnerable Act (H.R. 3321).

BOTTOMLINE: The federal government shouldn't pay more for health care for able-bodied individuals than for vulnerable individuals.