



Yardstick for Medicaid Budget Targets: What Potential Numbers Mean

JANUARY 13, 2025 – JEANNE LAMBREW

Yardstick for Medicaid Budget Targets: What Potential Numbers Mean

JANUARY 13, 2025 – JEANNE LAMBREW

The incoming [Trump administration](#) and [Congress](#) have foreshadowed large spending [cuts to Medicaid spending](#) as part of an even [larger budget bill](#) to fund a major tax cut. Given the complicated [budget process](#), members of Congress may vote on the target for Medicaid spending reductions before specifying policies to meet that target. This process of “numbers first” makes it challenging to appreciate their magnitude. While [budget options](#) on paper can reduce federal Medicaid spending by over \$100 billion over ten years, as this analysis suggests, such large numbers would come at a human as well as dollar cost.

To inform the fiscal year (FY) 2026 budget development, this analysis translates potential federal Medicaid budget reduction targets—\$100 billion, \$250 billion, and \$500 billion over ten years—into various metrics for lawmakers, state officials, health care providers, and the public. These targets are chosen purely based on speculation, informed by the large federal spending cuts being floated (for example, [\\$4 trillion over ten years](#) to pay for tax cuts; [\\$2 trillion annually](#) to downsize government). These three hypothetical targets and their equivalent metrics can serve as a yardstick for smaller or larger proposed federal Medicaid spending reductions

The analysis does not assume any policy or programmatic changes. Instead, it converts the possible ten-year Medicaid

budget targets into average annual amounts and then their equivalents in terms of numbers of enrollees, percents of current-law services and supports, and state support and revenue (see Table 1). To the extent possible, these estimates are based on [projections](#) from the nonpartisan Congressional Budget Office (CBO) for FYs 2025 to 2034.¹

Proposals that improve Medicaid efficiency, value, program integrity, or health outcomes could avert coverage loss, service reductions, or negative state budget impacts. That said, it is unlikely that such proposals could fully achieve even this analysis’s lower-bound budget target (\$100 billion), since Medicaid has long been considered the [leanest](#) of all health coverage programs.

Translating Budget Targets Into People and Services Covered by Medicaid

Medicaid is a state-run program that pays for health care for low-income individuals, with the federal government paying between 50 percent and 90 percent of qualifying state expenditures. From FY 2025 to 2034, [CBO](#) projects that the federal government will spend \$7.5 trillion on Medicaid, an average annual amount of \$746 billion, to cover an average of 82 million people each year.

This commentary can be found online at: [tcf.org/content/commentary/yardstick-for-medicaid-budget-targets-what-potential-numbers-mean/](https://www.tcf.org/content/commentary/yardstick-for-medicaid-budget-targets-what-potential-numbers-mean/)

TABLE 1: Converting Potential Medicaid Budget Targets Into Program Metrics: Average Annual Estimates, FY 2025–2034

		Potential Medicaid Budget Target		
		-\$100 Billion / 10 Years	-\$250 Billion / 10 Years	-\$500 Billion / 10 Years
Medicaid Program Metrics		-\$10 Billion / Year On Average	-\$25 Billion / Year On Average	-\$50 Billion / Year On Average
Equivalent Number of Enrollees ¹				
	Children	-3,709,199	-9,272,997	-18,545,994
	People ages 65 and older	-540,599	-1,351,497	-2,702,995
	Adults with disabilities	-415,093	-1,037,732	-2,075,464
Equivalent Percent of Services and Supports ¹				
	Medicare premiums	-41%	-102%	-203%
	Home- and community-based care	-9%	-23%	-45%
	Administrative costs	-37%	-93%	-186%
Equivalent Number of States for Which Target Equals All Federal Support ²				
	Number of states (counted from lowest federal support)	6	11	17
Equivalent Number of States for Which Target Equals Significant Increase in State Revenue ³				
	Number of states where replacing federal Medicaid reduction ≥ 2% revenue increase	0	19	45
	Number of states where replacing federal Medicaid reduction ≥ 5% revenue increase	0	0	10

Notes:

The analyses generally used average spending and enrollment over the budget window (FY 2025–2034) consistent with recent CBO analyses (for example, impact of not extending premium tax credits, June 24, 2024).

(1) Estimates calculated by dividing the average target by the projected average spending per enrollee group and spending on services and supports from the Congressional Budget Office (CBO) June 2024 baseline.

(2) Estimates calculated by distributing the average annual CBO federal Medicaid spending minus administrative spending for FY 2025–2034 by the state (including DC) share of the same expenditures from KFF FY2023 state-level spending.

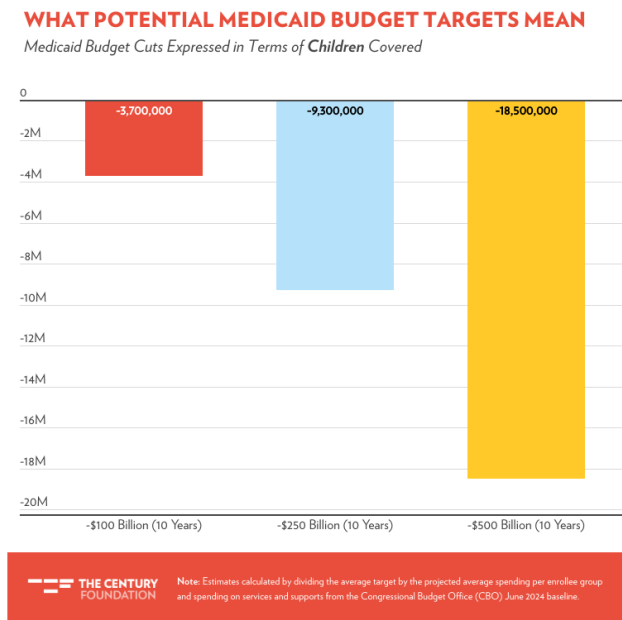
(3) Estimates calculated by trending the National Association of State Budget Officers (NASBO) FY 2025 revenues by the June 2024 CBO projected ten-year budget projection’s growth in revenue from FY 2025–2034 and then dividing that projection by the average reduction in federal Medicaid spending by state, assuming all states have the same percent reduction under the Medicaid budget target.

Children

Many Medicaid enrollees are children whose eligibility for coverage is more inclusive than that of any other group. Over the next decade, the projected average annual number of children covered by Medicaid is 31 million. In 2023, Medicaid was the primary source of health coverage for 39 percent of all children in the United States.

The potential budget targets of cutting \$100 billion, \$250 billion, and \$500 billion translate into the average annual Medicaid cost of covering 3.7 million, 9.3 million, and 18.5 million children, respectively (see Figure 1). For context, according to the U.S. Census Bureau projections for 2030, the number of children covered by Medicaid at the low end of the potential budget targets is equal to the total number of births (3.7 million) and at the high end is about the same as the total number of children under age 5 (18.4 million).

Figure 1

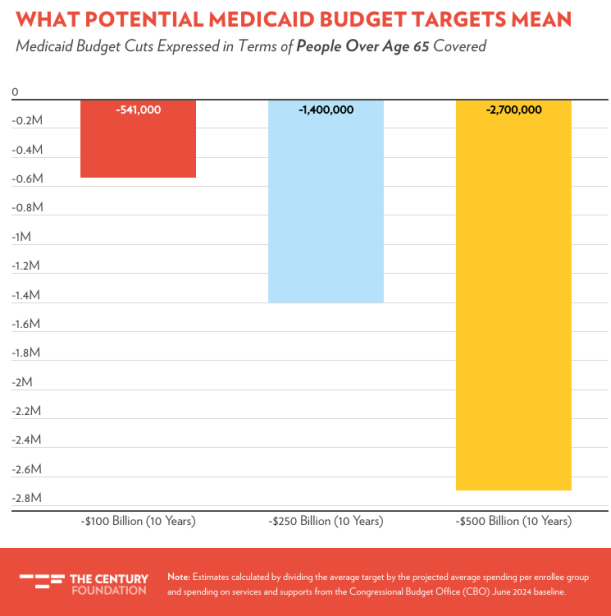


People Ages 65 and Older

Medicaid supplements Medicare coverage for its low-income enrollees, paying for Medicare premiums and out-of-pocket costs and, for some, uncovered services. The potential budget targets of \$100 billion, \$250 billion, and

\$500 billion over ten years translate into the federal Medicaid cost of covering 541,000, 1.4 million, and 2.7 million Medicaid enrollees ages 65 and older respectively (see Figure 2).

Figure 2



Another way to size up the budget targets is to compare them to Medicaid-funded services rather than enrollee groups. The \$100 billion budget target translates into 41 percent of average annual federal Medicaid spending on Medicare premiums. The \$250 billion target is about equal to the federal cost of the entire Medicaid premium payment program and the \$500 billion target is twice as large as it. Over 10 million people's Medicare premiums are financed today by Medicaid.

People with Disabilities

Medicaid offers eligibility to various groups of individuals with disabilities and covers benefits that support independent living. The potential budget targets of \$100 billion, \$250 billion, and \$500 billion over ten years translate into the federal Medicaid cost of covering 415,000, 1.0 million, and 2.1 million Medicaid enrollees with disabilities, respectively (see Figure 3).

Figure 3

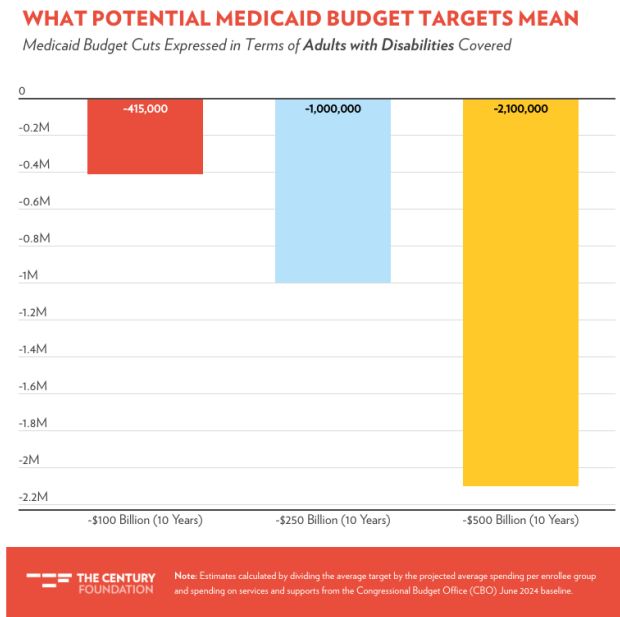
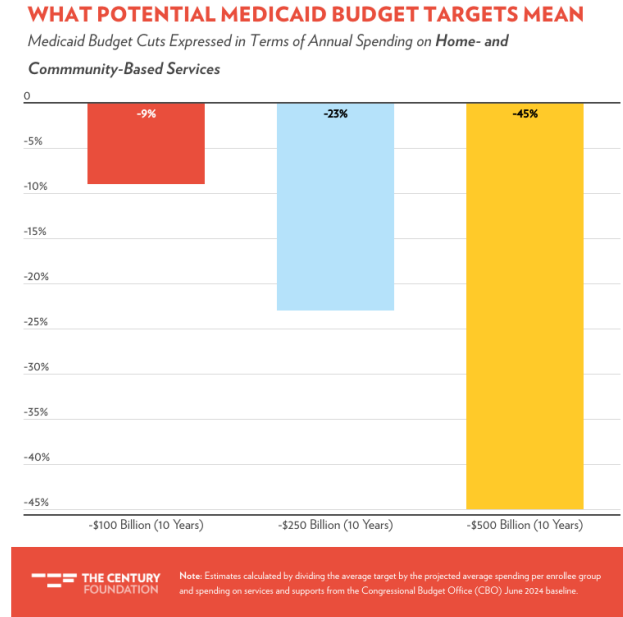


Figure 4



The number of enrollees with disabilities equal to potential budget targets is less than that of children or older people because of their relatively high cost per person, in part because of their use of long-term services and supports. Budget targets of \$100 billion, \$250 billion, and \$500 billion over ten years are equivalent to 9 percent, 23 percent, and 45 percent of average annual federal Medicaid spending on home- and community-based services, which are critical to individuals with disabilities (see Figure 4).

Translating Medicaid Budget Targets Into State Funding and Revenue

States partially fund and fully administer Medicaid coverage, and so federal spending cuts could result in some states finding it more challenging not only to pay for but also to run their health care systems.

Federal Payments for State Administrative Costs

Administration of Medicaid involves creating and updating state plans for eligibility, services, and payment methodologies; determining and renewing eligibility for individuals; and enrolling and paying health and long-term care providers. The potential budget targets of \$100 billion,

\$250 billion, and \$500 billion, on an average annual basis, equal 37 percent, 93 percent, and 186 percent, respectively, of federal support for the Medicaid administrative costs of states. As such, reducing administrative costs (for example, by cutting staff or spending less on administrative systems) alone would not be sufficient to meet these Medicaid budget targets.

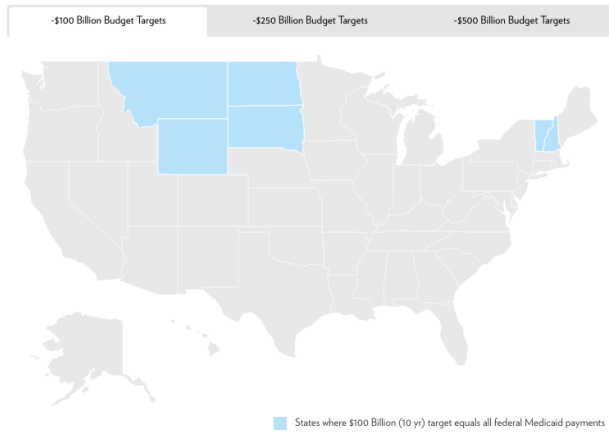
Full Federal Support for a Subset of States

The impact of most policy proposals varies by state given their different sizes, needs, federal matching rates (based in part on per-capita income), and other factors. Comparing potential budget targets to total federal Medicaid payments for given states is another way to gauge magnitude.² The potential \$100 billion target equals all federal Medicaid payments in six states, the \$250 billion target equals all federal payments in eleven states, and the \$500 billion target equals all federal payments in seventeen states (see Figure 5).

Looking at large rather than small states, for comparison, the potential nationwide budget targets (\$100 billion, \$250 billion, and \$500 billion), on an average annual basis, equal roughly all federal Medicaid payments to Tennessee (\$10.9

Figure 5A

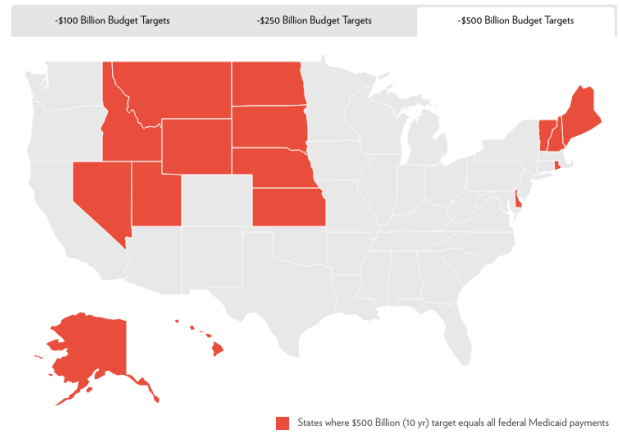
IN SOME STATES, POTENTIAL CUTS TO MEDICAID FROM BUDGET TARGETS EQUAL ALL FEDERAL MEDICAID PAYMENTS



THE CENTURY FOUNDATION
 Note: Estimates calculated by distributing the average annual CBO federal Medicaid spending minus administrative spending for FY 2025–2034 by the state (excluding DC) share of the same expenditures from KFF FY2023 state-level spending. States counted beginning with the lowest federal support.

Figure 5C

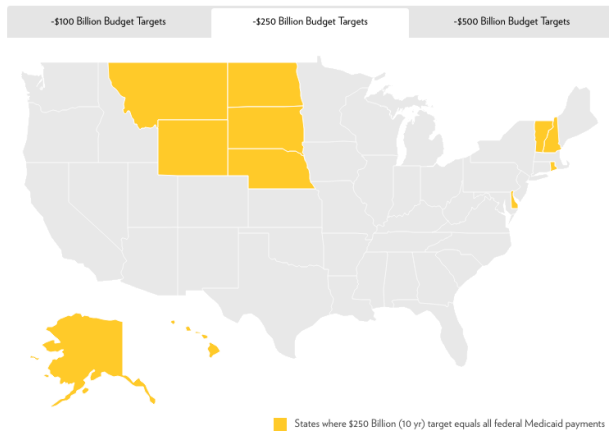
IN SOME STATES, POTENTIAL CUTS TO MEDICAID FROM BUDGET TARGETS EQUAL ALL FEDERAL MEDICAID PAYMENTS



THE CENTURY FOUNDATION
 Note: Estimates calculated by distributing the average annual CBO federal Medicaid spending minus administrative spending for FY 2025–2034 by the state (excluding DC) share of the same expenditures from KFF FY2023 state-level spending. States counted beginning with the lowest federal support.

Figure 5B

IN SOME STATES, POTENTIAL CUTS TO MEDICAID FROM BUDGET TARGETS EQUAL ALL FEDERAL MEDICAID PAYMENTS



THE CENTURY FOUNDATION
 Note: Estimates calculated by distributing the average annual CBO federal Medicaid spending minus administrative spending for FY 2025–2034 by the state (excluding DC) share of the same expenditures from KFF FY2023 state-level spending. States counted beginning with the lowest federal support.

billion), Florida (\$27.5 billion), and Texas (\$46.0 billion) (see Table 2).

State Revenue

Congress could meet potential Medicaid budget targets through across-the-board cuts to each state’s federal Medicaid payments, which would equal 0.7 percent, 1.6 percent, and 3.3 percent for \$100 billion, \$250 billion, and \$500 billion, respectively (see Table 2). These amounts, while small in the abstract, could be significant for states with high federal shares of Medicaid or low state revenue bases. The potential target of \$250 billion in federal Medicaid spending equals an estimated 2 percent or more of state revenue in nineteen states. The \$500 billion target equals an estimated 2 percent or more of state revenue in forty-five states, with ten of those states having to increase state revenue by 5 percent or more if they sought to replace the lost federal funds (see Figure 6).

TABLE 2: Illustrative Impact of Potential Medicaid Budget Targets on States: Average Annual Estimates, FY 2025–2034

State	Average Annual Federal Medicaid Spending	Potential Medicaid Savings Target			Target as Percent of Average Revenue		
		-\$100 Billion / 10 Years	-\$250 Billion / 10 Years	-\$500 Billion / 10 Years	-\$100 Billion / 10 Years	-\$250 Billion / 10 Years	-\$500 Billion / 10 Years
United States	\$738,900,000,000	-\$10,000,000,000	-\$25,000,000,000	-\$50,000,000,000	-0.7%	-1.6%	-3.3%
Alabama	\$7,455,000,715	-\$100,893,229	-\$252,233,073	-\$504,466,147	-0.6%	-1.5%	-3.1%
Alaska	\$2,433,739,815	-\$32,937,337	-\$82,343,342	-\$164,686,684	-0.9%	-2.4%	-4.7%
Arizona	\$21,824,475,183	-\$295,364,395	-\$738,410,989	-\$1,476,821,977	-1.5%	-3.8%	-7.6%
Arkansas	\$8,511,218,931	-\$115,187,697	-\$287,969,242	-\$575,938,485	-1.3%	-3.3%	-6.5%
California	\$99,163,501,797	-\$1,342,042,249	-\$3,355,105,623	-\$6,710,211,246	-0.5%	-1.3%	-2.7%
Colorado	\$10,047,678,373	-\$135,981,572	-\$339,953,931	-\$679,907,861	-0.6%	-1.5%	-3.0%
Connecticut	\$8,057,281,029	-\$109,044,269	-\$272,610,672	-\$545,221,345	-0.4%	-0.9%	-1.9%
Delaware	\$2,933,021,996	-\$39,694,438	-\$99,236,094	-\$198,472,188	-0.5%	-1.2%	-2.5%
District of Columbia	\$3,963,438,990	-\$53,639,721	-\$134,099,303	-\$268,198,605	-0.3%	-0.8%	-1.6%
Florida	\$27,540,485,772	-\$372,722,774	-\$931,806,935	-\$1,863,613,870	-0.6%	-1.5%	-3.1%
Georgia	\$13,902,289,444	-\$188,148,456	-\$470,371,141	-\$940,742,282	-0.4%	-1.1%	-2.2%
Hawaii	\$2,709,025,220	-\$36,662,948	-\$91,657,370	-\$183,314,739	-0.3%	-0.7%	-1.4%
Idaho	\$3,486,623,222	-\$47,186,672	-\$117,966,681	-\$235,933,362	-0.7%	-1.7%	-3.3%
Illinois	\$25,662,639,842	-\$347,308,700	-\$868,271,750	-\$1,736,543,500	-0.5%	-1.3%	-2.6%
Indiana	\$15,950,267,833	-\$215,865,040	-\$539,662,601	-\$1,079,325,202	-0.8%	-1.9%	-3.8%
Iowa	\$6,126,860,415	-\$82,918,668	-\$207,296,671	-\$414,593,342	-0.7%	-1.8%	-3.6%
Kansas	\$4,127,788,664	-\$55,863,969	-\$139,659,922	-\$279,319,845	-0.5%	-1.1%	-2.3%
Kentucky	\$16,248,388,173	-\$219,899,691	-\$549,749,228	-\$1,099,498,455	-1.1%	-2.8%	-5.6%
Louisiana	\$15,867,631,233	-\$214,746,667	-\$536,866,668	-\$1,073,733,336	-1.4%	-3.6%	-7.1%
Maine	\$3,681,430,883	-\$49,823,127	-\$124,557,818	-\$249,115,637	-0.7%	-1.9%	-3.7%
Maryland	\$13,153,699,423	-\$178,017,315	-\$445,043,288	-\$890,086,576	-0.6%	-1.4%	-2.9%
Massachusetts	\$17,331,685,492	-\$234,560,637	-\$586,401,593	-\$1,172,803,187	-0.4%	-1.0%	-1.9%
Michigan	\$21,659,445,381	-\$293,130,943	-\$732,827,358	-\$1,465,654,715	-1.7%	-4.3%	-8.6%
Minnesota	\$14,349,955,067	-\$194,206,998	-\$485,517,494	-\$971,034,989	-0.5%	-1.3%	-2.5%
Mississippi	\$6,384,950,805	-\$86,411,569	-\$216,028,922	-\$432,057,843	-0.9%	-2.3%	-4.6%
Missouri	\$15,249,692,356	-\$206,383,710	-\$515,959,276	-\$1,031,918,552	-1.3%	-3.1%	-6.3%
Montana	\$2,300,607,432	-\$31,135,572	-\$77,838,931	-\$155,677,861	-0.8%	-2.0%	-4.1%

TABLE 2: Illustrative Impact of Potential Medicaid Budget Targets on States: Average Annual Estimates, FY 2025–2034

State	Average Annual Federal Medicaid Spending	Potential Medicaid Savings Target			Target as Percent of Average Revenue		
		-\$100 Billion / 10 Years	-\$250 Billion / 10 Years	-\$500 Billion / 10 Years	-\$100 Billion / 10 Years	-\$250 Billion / 10 Years	-\$500 Billion / 10 Years
Nebraska	\$3,197,205,662	-\$43,269,802	-\$108,174,505	-\$216,349,009	-0.5%	-1.3%	-2.7%
Nevada	\$5,264,957,512	-\$71,253,993	-\$178,134,981	-\$356,269,963	-1.0%	-2.5%	-4.9%
New Hampshire	\$1,835,861,532	-\$24,845,873	-\$62,114,682	-\$124,229,363	-1.1%	-2.6%	-5.3%
New Jersey	\$17,695,142,174	-\$239,479,526	-\$598,698,815	-\$1,197,397,630	-0.4%	-0.9%	-1.8%
New Mexico	\$8,204,545,831	-\$111,037,296	-\$277,593,241	-\$555,186,482	-0.7%	-1.7%	-3.4%
New York	\$76,051,250,598	-\$1,029,249,568	-\$2,573,123,921	-\$5,146,247,841	-0.8%	-2.0%	-3.9%
North Carolina	\$17,264,603,646	-\$233,652,776	-\$584,131,941	-\$1,168,263,882	-0.5%	-1.4%	-2.7%
North Dakota	\$1,226,385,575	-\$16,597,450	-\$41,493,625	-\$82,987,250	-0.6%	-1.6%	-3.1%
Ohio	\$28,734,571,146	-\$388,883,085	-\$972,207,712	-\$1,944,415,425	-1.0%	-2.6%	-5.2%
Oklahoma	\$9,544,526,704	-\$129,172,103	-\$322,930,258	-\$645,860,516	-1.1%	-2.7%	-5.4%
Oregon	\$13,616,201,798	-\$184,276,652	-\$460,691,629	-\$921,383,259	-1.0%	-2.4%	-4.9%
Pennsylvania	\$34,056,462,295	-\$460,907,596	-\$1,152,268,991	-\$2,304,537,982	-0.8%	-2.0%	-4.0%
Rhode Island	\$2,797,517,522	-\$37,860,570	-\$94,651,425	-\$189,302,850	-0.6%	-1.4%	-2.8%
South Carolina	\$8,190,649,841	-\$110,849,233	-\$277,123,083	-\$554,246,166	-0.7%	-1.7%	-3.4%
South Dakota	\$988,716,622	-\$13,380,926	-\$33,452,315	-\$66,904,630	-0.4%	-1.1%	-2.2%
Tennessee	\$10,860,768,236	-\$146,985,630	-\$367,464,076	-\$734,928,152	-0.5%	-1.3%	-2.5%
Texas	\$45,594,292,107	-\$617,056,328	-\$1,542,640,821	-\$3,085,281,642	-0.6%	-1.5%	-2.9%
Utah	\$4,201,545,083	-\$56,862,161	-\$142,155,403	-\$284,310,805	-0.4%	-1.0%	-2.0%
Vermont	\$1,600,438,156	-\$21,659,740	-\$54,149,349	-\$108,298,698	-0.8%	-2.0%	-4.0%
Virginia	\$17,733,303,526	-\$239,995,988	-\$599,989,969	-\$1,199,979,938	-0.6%	-1.6%	-3.2%
Washington	\$24,553,868,651	-\$332,303,000	-\$830,757,499	-\$1,661,514,999	-0.8%	-2.1%	-4.1%
West Virginia	\$5,459,487,150	-\$73,886,685	-\$184,716,712	-\$369,433,425	-1.1%	-2.8%	-5.6%
Wisconsin	\$9,586,284,853	-\$129,737,243	-\$324,343,106	-\$648,686,213	-0.5%	-1.2%	-2.4%
Wyoming	\$518,590,294	-\$7,018,410	-\$17,546,024	-\$35,092,049	-0.4%	-0.9%	-1.8%

Notes: See notes from Table 1 for methodology.

Figure 6A

IN MANY STATES, POTENTIAL MEDICAID BUDGET TARGETS EQUAL TWO PERCENT OR MORE OF STATE REVENUE

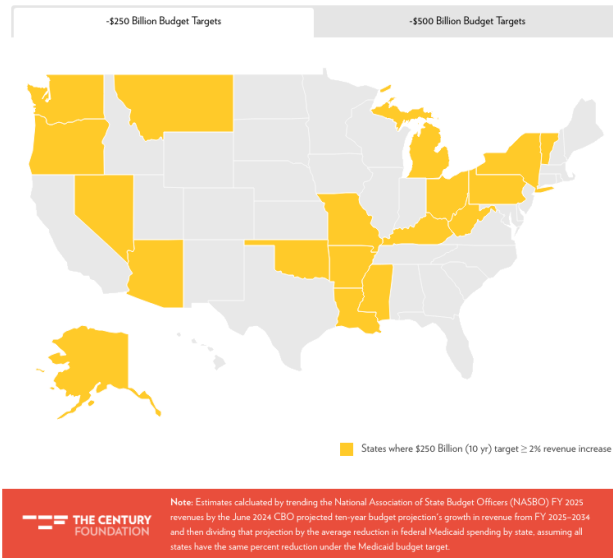
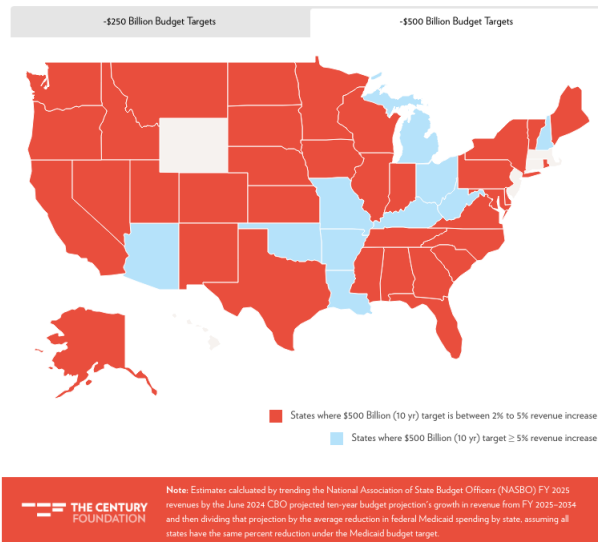


Figure 6B

IN MANY STATES, POTENTIAL MEDICAID BUDGET TARGETS EQUAL TWO PERCENT OR MORE OF STATE REVENUE



Looking Ahead

Large numbers can be difficult to grasp. This is why teachers often use analogies, such as: a million miles equals the distance to the moon and back—twice.

In the coming weeks, members of Congress and the incoming Trump administration will be debating the big numbers to put into a ten-year budget resolution. As estimates in this analysis indicate:

- A federal Medicaid budget target of \$100 billion equals the coverage cost of 3.7 million children, which itself is the same as the total number of babies born in the United States each year.
- A \$250 billion Medicaid budget target is the equivalent of all federal Medicaid spending on Medicare premiums for over 10 million seniors and individuals with disabilities, or all federal Medicaid spending, including long-term care, for 1.4 million Americans ages 65 and older.
- A \$500 billion Medicaid budget target is the equivalent of 45 percent of federal home- and community-based care spending, seventeen states' total Medicaid payments, or 2 percent or greater of state revenue in forty-five states.

While a budget resolution is abstract, the legislation to comply with it is real—and could cause deep harm to health coverage and states if Medicaid budget targets are excessively large.

Notes

- 1 Consistent with recent analyses by the Congressional Budget Office (CBO) (such as this [letter](#) on premium tax credit extension, June 24, 2024), this analysis uses averages over the fiscal year (FY) 2025 to 2034 budget window. Note that the 119th Congress will use the FY 2026 to 2036 budget window; however, the CBO projections that are the basis for most of this analysis have not yet been updated for that period of time. The methodology for this analysis is described in the notes for Table 1.
- 2 This comparison is purely illustrative since Congress could not single out states to end their federal Medicaid matching payments.