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Why many Republicans think shrinking Medicaid will make it better

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TRADEOFFS

FROM

By

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From left: U.S. Vice President JD Vance, Senator Tom Cotton, a Republican from Arkansas, Senator John Barrasso, a Republican from Wyoming, President Donald Trump, Senator Shelley Moore Capito, a Republican from West Virginia, and Senate Majority Leader John Thune, a Republican from South Dakota, speak to the media on Jan. 8, 2025.

Valerie Plesch/Bloomberg/Getty Images

Congressional leaders are looking to make big reductions to federal spending to pay for President Trump's priorities, and they've [singled out Medicaid](#) as a program where they could find significant savings.

Trump said last month that he would [not make cuts](#) to the country's public health insurance program for low-income and disabled Americans. But the White House and Republicans in Congress are [considering](#) a menu of options that could add up to [\\$2.3 trillion](#) in potential cuts to Medicaid over the next decade.



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Conservative Medicaid experts noted that some of the cuts [would likely overlap](#), making it misleading to simply add them all up. Other experts said some of the proposals could reduce Medicaid spending even more than congressional leaders estimate, meaning they could still amount to more than \$2 trillion in cuts — and could potentially push [millions of people](#) off the program.

Medicaid provides health insurance to [80 million](#) low-income and disabled Americans and, in 2023, cost taxpayers [\\$870 billion](#) in 2023.

Many conservatives and libertarians have long believed that a smaller Medicaid program that covers fewer people would be a better Medicaid program.

"Medicaid is not working for Americans," said Robert F. Kennedy Jr. last week at his [confirmation hearings](#) to become Trump's secretary of health and human services.

"We're spending [\\$900 billion](#) and our people are getting sicker every single year," he added later. (In other parts of the hearings, Kennedy showed [minimal understanding](#) of the basics of Medicaid.)

The health podcast *Tradeoffs* interviewed 13 experts who collectively have decades of experience working on Medicaid for conservative think tanks, Republican presidents, members of Congress or state Medicaid programs. They did not agree on everything, but a few themes emerged that illustrate why many Republicans want to shrink the program.

Questioning whether Medicaid makes people healthier

Some conservatives cite the highly regarded [Oregon Medicaid Experiment](#) that found Medicaid does little to improve people's physical health.

"Every member of Congress should be asking questions on both sides of the aisle about, hey, we're spending hundreds of billions of dollars [on Medicaid]. What are we getting for it?" said [Josh Archambault](#), a senior fellow at the Cicero Institute.

Archambault and others place a lot of value on the Oregon experiment because it's the only randomized study (the gold standard in research) of the impacts of Medicaid.

In 2008, Oregon used a lottery to expand its Medicaid program, which allowed researchers to compare outcomes after two years for people who received Medicaid and those who didn't.

They [found](#) that people on Medicaid were more likely than those without health insurance to get preventive care and to report being in better health. Those on Medicaid were also less likely to be depressed or get hit with big medical bills. But the researchers turned up no differences between the two groups on three specific measures of physical health: cholesterol levels, blood pressure and keeping diabetes under control.

"I think that should raise some very big questions in our mind about the effectiveness of Medicaid," Archambault said.

Many Medicaid experts — including several who served as state Medicaid directors under Republican governors — told [Tradeoffs](#) Medicaid is effective, pointing to the [many studies](#) that have found significant health benefits to the program, including [saving lives](#). One study showed a [5% reduction in childhood mortality](#) for kids on Medicaid, and another showed a [9% reduction in adult mortality](#) over the first four years of Medicaid expansion after the Affordable Care Act.

"Medicaid can help people be healthier," said Kevin Bagley, who ran Nebraska's Medicaid program from 2020 to 2023. "A lot of kids especially have better access to care and better health outcomes as a result [of being on Medicaid]."

'It's almost free money' for states

The most common concern conservative experts brought up was that states have a strong financial incentive to grow their Medicaid programs.

States and the federal government [share](#) program costs, with the federal government matching between 50 and 90 cents of every dollar states spend, depending on several factors including the wealth of the state.

Tom Scully, who ran the Centers for Medicare and Medicaid Services for President George W. Bush, said it's too easy for states to draw down federal dollars.

"It's almost free money for the states, and there's no accountability for it," he said.

Scully compared the dynamic to an allowance: If you give your kid \$20 a week, they're going to be more thoughtful about spending it than if you give them your credit card.

In particular, Scully and other conservatives take issue with what's known as a [provider tax](#) which allows states to raise revenue from hospitals and nursing homes for their programs.

Under this provision, for example, if a state wants to increase Medicaid spending by \$1 million, it could assess a \$500,000 tax on hospitals, and then spend that money on Medicaid services. The federal government would, in response, cut a \$500,000 check to match.

Critics like Scully deride provider taxes as "[money laundering](#)" because states often return those provider tax dollars to the hospitals in the form of higher reimbursement rates. As a result, hospitals break even or better, and the states, like the kid with the credit card, have more money and can spend it with less fiscal responsibility.

These arrangements are legal, and many experts note they are [particularly useful](#) to states during tough economic times when other state funds dry up; losing the provider tax would require states to find other ways to fund their programs or shrink them.

Some Medicaid recipients could get health insurance elsewhere

Several conservative Medicaid experts shared the belief that some people on Medicaid could afford private insurance.

"Medicaid is forcing taxpayers to pay for things that people could provide for themselves," said Cannon, from the libertarian Cato Institute.

Health economists generally agree that some people on Medicaid could get coverage through their employer or via the Obamacare exchanges, but how many is [less clear](#). [Some studies](#) suggest that it could be as many as [several million people](#).

Some experts worry that efforts to remove people with other coverage options from the program would inevitably lead to many people without other insurance choices also losing coverage and ending up uninsured.

Most conservative reforms would cut federal Medicaid funding

Republicans have floated [numerous](#) proposals to reform Medicaid. While they have yet to release any detailed proposals, they almost all pursue the same goal.

"Ultimately, you have to cap the amount of federal funding that states are able to get," said Chris Pope, a senior fellow at the conservative Manhattan Institute.

One option would be for Washington to pay states less to cover the [21 million people](#) added to Medicaid under Obamacare. The federal government currently picks up 90% of the costs to cover low-income adults who make up to \$45,000 in a family of four.

A [proposal](#) by the conservative Paragon Health Institute would gradually reduce the federal government's share over the next decade to the rate Washington pays for traditional Medicaid enrollees — between [50% and 77%](#), depending on each state's per capita income. Paragon estimates the move would save the federal government \$250 billion over the next decade, though it would increase the uninsured population by 3 million people.

The nonpartisan Congressional Budget Office [estimated](#) that a similar proposal would save the federal government \$561 billion over 10 years; the CBO assumes some states would choose to "un-expand" their Medicaid programs, potentially kicking millions of people out of the program. At least [nine states](#) have so-called trigger laws that would quickly end their expansions if the federal contribution to Medicaid funding was reduced, though the states could change those laws.

A few other ideas conservatives mentioned to Tradeoffs: requiring some people to [work](#) to receive Medicaid, limiting or banning provider taxes, setting a cap on how much the federal government would send states for each person enrolled in Medicaid, or giving a state a lump sum of federal dollars each year for its entire Medicaid program, known as a block grant. The CBO [estimates](#) these proposals would cut hundreds of billions from the federal budget over the next 10 years and cause states to reduce enrollment and the services provided to patients, and shrink payments to providers.

Cutting Medicaid spending comes with tradeoffs

Many conservatives agree that shrinking federal spending on Medicaid will have two major benefits. One is cost savings — less Medicaid spending could free up cash to spend on other priorities like schools, public safety or curbing the national debt.

Liz Matney, who ran Iowa's Medicaid program from 2021 to 2024, also argues that sending states less money would encourage them to narrow their focus to the original Medicaid population.

"Medicaid's original purpose was to provide medical services to individuals with disabilities and low-income families," Matney said. "It's a challenge for states to focus on making solid improvements in these areas when their focus is continuously shifted to shinier priorities."

Many [studies](#) show expanding Medicaid has improved access to care for low-income people. But some conservatives point to a handful of [papers](#) showing people on Medicaid had to wait longer to get appointments, [ambulances took longer](#) to respond to medical emergencies, and spending on kids and seniors [grew more slowly](#) than in non-expansion states.

Several former state Medicaid directors from Republican-led states said they would welcome the increased flexibility to run their programs as they see fit — a flexibility that is often a part of proposals that would reduce federal Medicaid spending. But several are also concerned about the potential health and financial consequences to patients if Washington imposes severe cuts and millions of people lose their Medicaid coverage.

Barbara Roshon Sears, who ran Ohio's Medicaid program from 2016 to 2018, said state Medicaid programs and hospitals are incredibly reliant on federal funding. She said she worries especially about older Americans, who rely on Medicaid to pay for things Medicare doesn't like nursing home care, and people with disabilities. These two groups account for [most of Medicaid spending](#).

"Those are the populations that get hit if I run out of [federal] dollars," Sears said.

Brian Blase, a former top health policy advisor to President Trump and current president of the Paragon Health Institute, said he believes most coverage losses from the Republican proposals would hit low-income adults who were added to the program by the Obamacare expansion. He sees few downsides to this group losing Medicaid.

Blase believes some would find coverage through their work or via the Obamacare exchanges. For those who would end up uninsured, he refers back to the Oregon experiment and questions [how much of a difference](#) it would make to people's physical health. Any state worried about people losing Medicaid, Blase said, can keep people enrolled by using state funds.

"States will have to make decisions. States will have to engage in tradeoffs," he said.

"We want states to have programs that provide value."

Can Republicans get any of these cuts passed?

Even many Republicans eager to cut Medicaid believe it will be difficult to make sizable changes to the program in 2025, despite full control of Congress and the White House.

Democrats are expected to oppose any Medicaid reductions, and hospitals have historically done the same because Medicaid payments make up [one-fifth of hospital revenue](#) in the U.S. Some congressional Republicans are already [pushing back](#).

"It's very easy to propose these fixes. It is very hard to get them passed," said Tom Scully, whose efforts to reform Medicaid date back 35 years.

Case in point, Republicans [failed to pass](#) similar Medicaid fixes during President Trump's first administration, the last time the party had full control in Washington.

The Trump administration, on its own, could encourage states to add work requirements or turn their federal subsidies into block grants. Any [executive action](#), however, would have far less impact than if Congress passed changes to the fundamental shape of the program.

"Something should have been done to fix this 40 years ago. And 30 years ago and 20 years ago and 10 years ago," Scully said. "But it's never happened because the local and state politics are too brutal, and it's too complicated — people back off and surrender."

Ryan Levi is a reporter and producer for [Tradeoffs](#), a nonprofit news organization that reports on health care's toughest choices. You can also sign up for Tradeoffs' [weekly newsletter](#) to get the latest stories in your inbox each Thursday morning.

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