What Will Happen To Medicaid?

The 7/4/25 press release sent by LWVUS in response to the "One Big Beautiful Bill Act" (OBBBA) stated:

The budget reconciliation bill…will kick millions of people off Medicaid- the single largest source of health coverage in our country….Now, all Americans- particularly seniors, Americans with disabilities, low-wage workers, pregnant people, veterans, and children- will suffer.

Here is a quick snapshot of the Medicaid program, and the risks that the OBBBA's newly-legislated changes represent for the 80 million people who rely on it for their health care.

What is Medicaid?

Medicaid is a joint federal and state health program. Federal matching funds are given to states to help provide health care for the "medically needy." Thirty years after Franklin D. Roosevelt signed the Social Security Act of 1935, **the Social Security Act Amendments** establishing Medicare (Title XVIII) and Medicaid (Title XIX) were passed in 1965, as part of President Lyndon B Johnson's Great Society plan.

Who qualifies for Medicaid?

Medicaid coverage is provided for children, pregnant women, low-income individuals and families, "dually eligible" seniors needing help with costs not covered by Medicare, seniors needing long-term care, and people with disabilities. There are certain federal Medicaid rules, but each state determines its own eligibility requirements.

What services does Medicaid cover?

Federal law mandates coverage for routine medical services usually covered by other payers, such as hospital and physician care, lab, radiology, and home health visits. **But it also includes additional benefits for comprehensive children's services** not typically included in other plans, such as Early and Periodic Screening, Diagnostic, and Treatment (EPSDT), ensuring that children receive monitoring and early intervention for physical, developmental, and behavioral health problems. EPSDT children's benefits also include dental care, vision and hearing services, and mental health screening and treatment.

Medicaid also covers family planning services, is the primary payer for two-thirds of nursing home residents, and for almost all people with disabilities living in intermediate care facilities. States can also choose to add certain optional (i.e. not federally mandated) benefits to their Medicaid programs.

What optional services does MARYLAND Medicaid cover for eligible beneficiaries?

These are some of the very important optional health benefits Maryland has elected to include in its Medicaid program:

- Prescription drugs
- Dental care for adults
- Physical, Occupational, Speech and Language therapies
- Hospice
- Doula services- providing support before, during, and after childbirth
- Home and Community Based Services (HCBS). This program provides the assistance with bathing, dressing, and eating that enables older adults and people with disabilities to stay in their homes and avoid nursing home placement

How is Medicaid financed?

Medicaid financing is shared between the states and the federal government. The federal government matches at least 50% of each state's Medicaid costs, with no pre-set limits**.** This is called the Federal Medical Assistance Percentage, or **FMAP.** States with a lower average per capita income get a higher federal matching rate for Medicaid. For example, Maryland's FMAP is 50%, but Mississippi has a 77% FMAP.

How many people are covered by Medicaid in the U.S?

In 2024, **almost 80 million people** were enrolled in Medicaid and CHIP (Children's Health Insurance Program), or **about one fifth of the U.S. population**.

How many people in MARYLAND are covered by Medicaid?

In 2025, over 1.5 million Marylanders were enrolled in Medicaid and CHIP, or about **one quarter of the state's population**. This includes **almost half of all Maryland children and 64% of our state's nursing home residents.**

How much money does Medicaid spend on health care in the U.S.?

Medicaid costs are about one-fifth of total U.S. healthcare spending. Medicaid expenditures in 2023 were $872 billion, of which one third went to pay for hospital care. Such a high percentage of total Medicaid costs go to hospitals because of maternity care. Medicaid covers about **40% of total births in the U.S.** On the other end of the age spectrum, Medicaid contributes more than half of the $415 billion spent on long-term care costs in the U.S.

How much money does Medicaid spend on health care in MARYLAND?

Yearly Medicaid spending in Maryland is $17 billion, of which almost two-thirds, or $10.8 billion, is funded by the federal government. People ages 65+ and those with disabilities

represent 16% of Maryland Medicaid enrollees, but account for almost half of the state's Medicaid spending. **Almost 80% of all Maryland nursing home revenue is paid by Medicaid**.

What is Medicaid Expansion?

To reduce the number of uninsured residents, the 2010 Affordable Care Act (ACA, also called "Obamacare") eased income requirements via the **ACA's Medicaid expansion,** allowing more lower-income working-age residents to become eligible for Medicaid. Pre-ACA, Medicaid was generally never available to non-disabled adults under age 65 unless they had minor children, so many people without employer-subsidized health insurance used to fall into the "coverage gap" of making too much money to qualify for Medicaid, but not enough to afford private health insurance.

Twenty million people gained health insurance coverage because of the ACA's Medicaid expansion, which at present is about one-quarter of total Medicaid enrollment. For Medicaid expansion enrollees, states receive a 90% federal matching rate. Maryland participates in Medicaid expansion, and covers 331,577 adults in that program.

But not all states have participated in Medicaid expansion. While the ACA's plan was to broaden financial eligibility in ALL states, in 2012 the Supreme Court ruled that states could not be forced to expand their Medicaid programs. So at present there are still 10 states (AL, FL, GA, KS, MS, SC, TN, TX, WI, WY) that have chosen not to.

What is the Medicaid provider tax?

In the 1980's and 1990's, states started using provider taxes to help fund their Medicaid programs . Forty-nine states currently use them. Maryland charges its Medicaid Managed Care Organizations (MCO's), hospitals, and nursing facilities provider taxes, and, in turn, Maryland increases the Medicaid payment rates to them. Thus, most of the provider taxes are returned to the providers, but because the payment rate is inflated, the federal government's percentage of that payment (the FMAP) is increased**.** This works to lessen states' share of their Medicaid costs.

What is Medicaid's new work requirement in the OBBBA?

The OBBBA imposes a new work requirement of at least 80 hours per month for those adults aged 19-65 who gained coverage with the ACA's Medicaid expansion. This will go into effect on Dec 31, 2026- AFTER the mid-term elections.

In Maryland, these requirements will apply to the almost 350,000 adults who qualified under Medicaid expansion. But 72% of those adults are already working: 48% work full-time, and 24% work part-time. Of the remaining 28%, most face barriers to work, such as care-giving responsibilities, illness or disability, school attendance, or inability to find work.

Many working Medicaid enrollees work in the agricultural or service sector, or in small businesses where employer-sponsored insurance is not offered. Or they have low-wage jobs and cannot afford health insurance, even if it IS offered through work. **Medicaid coverage, therefore, is their only option.** Other enrollees are indeed disabled, but do not meet the criteria to receive Social Security disability benefits, and so don't qualify for that exemption to work requirements.

But even if you are working, it doesn't mean you will meet the OBBBA's rigid, red-tape-laden work requirement.

Arkansas imposed a work requirement for Medicaid beneficiaries in June 2018, which ended 9 months later when a federal court ruled it unlawful. This mandate resulted in 25% of the state's enrollees losing coverage- **including those who were already working**- primarily due to **confusing work reporting requirements and red tape, compounded by lack of internet access and low computer literacy.**

Work requirements do not result in increased employment; they lead to more job losses. If people working in primarily low-income, physically demanding jobs lose their Medicaid coverage due to administrative barriers too difficult to overcome, they lose access to basic medical care and medications to treat their asthma, COPD, diabetes, behavioral health problems, arthritis, etc. Being in poor health without access to medical care leads to an increased risk of job loss.

Moreover, unemployed, uninsured people are more likely to delay medical care until small problems become emergencies, needing treatment in hospital ERs. These high uncompensated care costs strain state budgets, increase the cost of care for everyone, and can lead to hospital closures-especially small, rural facilities.

What effect will the reduction in federal contributions to Medicaid have on states?

With less federal money available to help cover states' Medicaid costs, each state will face difficult choices. State budgets will be unable to make up for the shortfall, and so enrollment and benefits will need to be reduced, or taxes raised.

States may also decide to cut payment rates to providers, hospitals and nursing homes. They may eliminate outpatient prescription drug coverage and other high-cost optional benefits, such as dental or mental health services. (Pharmacy coverage is an optional benefit under federal Medicaid law, but all states currently provide it.)

Another optional Medicaid benefit is **Home and Community-Based Services** (HCBS), providing the assistance with bathing, dressing, and eating that enables older adults and people with disabilities to stay in their homes and avoid nursing home placement.

What financial impact will the OBBBA have on the MARYLAND Medicaid program? How many Marylanders will lose coverage?

"Maryland will lose up to ~$2.7 billion in federal funding annually when all bill provisions are implemented."

The provisions have varied enactment dates between FY26 and FY34, with most losses occurring between July 2026 and June 2028.

An estimated 175,000 Maryland Medicaid enrollees are expected to lose coverage. And due to immigrant eligibility changes in the OBBBA, effective 10/1/2026, at least 60,000 Maryland participants currently covered, including refugees and asylees, will lose benefits.

In Maryland, 40,000 people receive HCBS services. This program already has a long wait-list due to funding constraints. (The wait for acceptance onto Maryland's HCBS Medicaid Waiver program can be several years). Further cuts would be devastating.

And effective July 4, 2025, the OBBBA made changes in provider tax regulations, limiting states' ability to use these taxes to finance their Medicaid programs. Maryland may be at risk of losing $1.17 billion in federal funding annually because of these changes.

In addition, within a very tight budget, Maryland will have to spend tens of millions of dollars to implement and administer the new work requirement program and the more frequent eligibility renewals. And as of October 1, 2028, ACA expansion adults will have to pay increased co-pays for services: up to 5% of their total income. Currently, co-pays for prescriptions cost participants $1 to $3. Increased cost-sharing will place financial stress not only on patients, but also on the state, as it will need to track every co-pay to ensure they don't add up to more than 5% of a covered individual's income.

In conclusion…

…Medicaid cuts are expected to lead poorer health outcomes for the 175,000 Maryland residents projected to lose coverage. But Medicaid cuts will impact ALL Marylanders, even those with insurance. Because hospital ER's are healthcare's site of last resort, more uninsured people will be forced to turn to them for care, straining capacity and leading to longer ER wait times for all. More uncompensated care costs will put a financial strain on Maryland's entire health care system, raising costs for all. More non-paying patients will result in more hospital closures- especially in rural areas- and thus lead to both new healthcare deserts and higher unemployment, as hospitals are often major employers in rural areas.

To make matters worse, Congress has allowed enhanced premium tax credits (the ACA program that has helped 190,000 Marylanders buy health insurance through the Health Benefit Exchange) to expire on Dec 31, 2025. Because many young, healthy people will opt

out of buying this more expensive, non-subsidized health insurance, the risk pool will destabilize, driving prices higher for everyone. Indeed, health insurers offering plans on Maryland's ACA marketplace (impacting 500,000 Marylanders) have already requested premium increases **averaging over 17%.**

In Maryland, the administration and the Maryland General Assembly will have to figure out how to respond to the federal changes and protect as many Marylanders as possible, while still protecting the budget. Stay tuned for how this struggle plays out in the next legislative session.