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State, Federal, and Total Medicaid Cuts: New Calculations

In November the Center on Budget calculated that the conference agreement on the reconciliation bill could mean up to $420 billion in Medicaid cuts over 1996-2002. That figures included the $163 billion in federal cuts estimated by CBO and another $257 billion of cuts in state Medicaid funding. The state cuts were excessively large because the bill would have decreased the state share of Medicaid costs (increased the FMAP) for 37 states. Since the total federal payment to each state was capped, the lower state share constituted federal permission for states to reduce their funding. The Center's calculation assumed that states would in fact reduce their funding as much as they could while still receiving their maximum block grant. That is, states would "match to the cap." (We recognized that political pressures in some states might lead them to contribute unmatched dollars, but over time I think states will sink to the cap.)

In response to a small but incessant demand for updated figures, I have now made new calculations.

	Fed.	State	Total
Conference bill, Nov. estimates	163	157	420
Conference bill, Dec. estimates	133	236	369
$85 billion offer (estimate A)	85	208	293 ←
$85 billion offer (estimate B)	85	210	295

As you can see, the state and total cuts are still excessive. The Clinton Jan.18th offer, by contrast, would probably lead to total cuts of $101 billion. The reason for the great size of the Republican cuts is that (to the best of my knowledge) the Republicans have given no indication that they will revert to existing FMAPs. (I should add that the House, Senate, and Conference reports on the budget resolution each included specific legislative history saying that the existing matching rates should be maintained!)

I intend to use Version A in representing the Republican offer, and we intend to use it in published material starting tomorrow. Obviously, there is no perfectly precise figure, because we don't know how the $48 billion in federal add-backs would be distributed among states. In version A, I assumed that each state's Medigrant would be increased proportionately. In version B, I assumed that each state's funding would be cut proportionately. The similarity of these two results is reassuring.