Project 2025 & Medicaid

Carrie Knapp

This piece takes a deep dive into the impact of Project 2025 on Medicaid.

Short on time? Here are some key points for quick reference:

How would the Project 2025 plan cut Medicaid?

- It proposes fundamental changes to the financing of Medicaid - all of which would reduce funding.
- It would make it harder for people to qualify for, apply for, enroll in, and maintain their Medicaid coverage.
- It would "add targeted time limits" and impose "lifetime caps on benefits", both of which are now prohibited. (468)
- It would encourage states to "Add work requirements" and "Clarify that states have the ability to adopt work incentives". (468)
- It would, essentially, allow states to charge beneficiaries more for Medicaid, by clarifying that states have "the ability to broaden the application of targeted premiums and cost sharing." (468)
- It would allow states to eliminate mandatory and optional benefits in Medicaid.
- It would allow states to use Medicaid funds to provide private health insurance via some kind of voucher or flexible account that "rewards healthy behaviors".
- It would nearly eliminate federal oversight of state Medicaid programs.

**Just a quick note before we get started… As I've been researching Project 2025 for NOVA Blue Squad, I have found myself often writing statements about the overall lack of specific details provided in the document. One place I am beginning to find some answers is in the Republican Study Committee (RSC) fiscal year 2025 budget plan. A recent Heather Cox Richardson "Politics Chat" gave me this idea! Fun Fact - The plan is titled Fiscal Sanity to Save America."

In the last newsletter we focused our exploration of Project 2025 on how its proposals would impact Medicare. This time we'll turn our attention to Medicaid, the joint federal and state program that gives health coverage to some people with limited income and resources. The program provides federal funds to states for health care services to beneficiaries, contingent upon states agreeing to meet specific federal requirements for eligibility, benefits, and financing.

Unlike the damaging proposals in Project 2025 for Medicare, the proposals to radically restructure and deeply cut Medicaid have, it seems, largely flown under the radar. I'm sure we all have some thoughts about why that is. Without editorializing too much, I will just say that it appears to me that many elected officials find it more politically palatable to say they are going to protect seniors and people with disabilities than to say they are going to fight for people facing poverty. Those dealing with economic instability are, statistically, less likely to vote. My cynical side then asks, how many politicians don't much care about pitching to the poor?And, if

the poor are less likely to vote, they have a lower probability of having their interests and preferences reflected in public policy.

Project 2025 asserts that Medicaid is “a cumbersome, complicated, and unaffordable burden on nearly every state,” and “is a prime target for waste, fraud, and abuse; and is consuming more of state and federal budgets.” (466) [All page numbers that are notated like this are the page numbers in the current document available online here.]. Though they begin by describing this as an evolution over the past 45 years, only a few sentences later the authors blame the increase in Medicaid expenditures on the Affordable Care Act (ACA) and the pandemic. (The ACA mandated that states must expand their Medicaid eligibility standards to include all individuals at or below 138% of the federal poverty level. For a family of 4 in 2024 that would be $43,056. During the pandemic, the Families First Coronavirus Response Act prevented states from disenrolling individuals from Medicaid, effectively halting routine eligibility reviews. Those emergency measures expired on April 1, 2023 at which point states could end Medicaid coverage for people who did not meet the pre-pandemic eligibility requirements, which are based primarily on income.)

Project 2025 contends that “Improper payments within Medicaid are higher than those of any other federal program” and asserts that this is “evidence of the inappropriateness of Medicaid’s expansion.” (466) Though lacking specifics on how the causal relationship was determined, this is at least part of the basis of their rationale for an overall shrinking of the scope and scale of Medicare that could result in millions of the most vulnerable Americans losing access to healthcare.

How would the Project 2025 plan cut Medicaid?

- **It proposes fundamental changes to the financing of Medicaid - all of which would reduce funding.** Medicaid is currently funded through a combination of federal and state resources where the federal government pays a fixed percentage of states’ Medicaid costs, whatever those costs are. Project 2025 proposes that a new “system should include a more balanced or blended match rate, block grants, aggregate caps, or per capita caps.” (466)
    - If federal Medicaid funding were converted to block grants, aggregate caps, or per capita caps, states would face a fixed limit on their Medicaid funding from the federal government. This means that regardless of the actual costs required to support their Medicaid recipients, states would receive only a predetermined amount of funding.
        - Though Project 2025 does not specify how such grants/caps would be set, historically such systems fail to keep pace with the growth in expected enrollment or increased health care costs. This would result in deep cuts to federal Medicaid spending over time, relative to current law. The caps would also fail to account for other unforeseen increases in costs such as those resulting from a recession, natural disaster, public health emergency, etc..

    - Though Project 2025 doesn't provide any further details, its plan for a “more balanced or blended” federal Medicaid matching rate (FMAP) would apparently replace “the enhanced match rate with a fairer and more rational match rate.”(466-467) To try to understand what this proposal even meant, I turned to summaries of the recent Republican Study Committee’s (RSC) budget plan. What this would likely mean in plain language is to cut the current matching rate, which is based on the average per-capita income on a state-by-state basis, to a uniform percentage for all states. If the RSC budget is any indicator, this rate would most likely be the current minimum matching rate of 50%. Currently only ten states receive the minimum 50%, so if a proposal like this were put in place right now, 40 states would receive less federal Medicaid funding. If such a plan were put into place *in addition to* the caps described above, it would mean that the federal government will also require states to pay a much larger share of Medicaid costs below such caps.

- **It would make it harder for people to qualify for, apply for, enroll in, and maintain their Medicaid coverage.** Overall, it would encourage the federal government and states to impose more red tape in the whole process. Ironically, but not at all surprisingly, the proposals for reform to “Improve Medicaid eligibility standards to protect those in need.” (467) would seem to have the effect of reducing participation among people actually eligible for and most in need of Medicaid.
    - Again, while there is no detail, the plan calls for “Improv[ing] Medicaid eligibility standards” by holding states “accountable for improper eligibility determinations” and requiring “more robust eligibility determinations.” (467)
    - The plan also calls for Centers for Medicare and Medicaid Services (CMS) to “strengthen asset test determinations within Medicaid.” (467) It is unclear if this means just more paperwork and red tape associated with counting assets, or if new asset tests would be put in place for those not currently subject to such asset eligibility requirements. Another concern here is that it appears to allow states to eliminate coverage of nursing homes and other long-term care services for some of those who now “spend down” their assets to become eligible under current law.

- **It would “add targeted time limits” and impose “lifetime caps on benefits”, both of which are now prohibited. (468)**
    - According to the authors this would “**disincentivize permanent dependence**.” and “**incentivize personal responsibility**” (467-468, emphasis added). In reality, it would likely mean millions would lose healthcare coverage even if they still need it and would otherwise still qualify under the other eligibility requirements.

- **It would encourage states to ”Add work requirements” and “Clarify that states have the ability to adopt work incentives”. (468)** Such requirements raise multiple concerns:

    - Individuals who cannot find a job or lose their job will lose their Medicaid coverage and healthcare will be unaffordable.
    - Recent studies have shown that work requirements are often ineffective at increasing employment and economic self-sufficiency, but do still drive down enrollment. (Here is just one study related to SNAP, but the beneficiaries of the two programs often overlap)
    - Work requirements become insurmountable roadblocks to self-sufficiency for many families, especially those with very young children and single parent families wherein the parent(s) would be required to work, but unlikely to be able to afford childcare.
    - Such requirements have been successfully challenged in court. Trump's administration approved requests from several states to require certain enrollees to work. This resulted in thousands of people losing coverage in Arkansas, the only state that implemented it for a short time before being stopped in federal court.
        - Needing to deal with such legal challenges strains state and federal monetary and human resources.

- **It would, essentially, allow states to charge beneficiaries more for Medicaid, by clarifying that states have "the ability to broaden the application of targeted premiums and cost sharing." (468)** Currently, Medicaid generally does not have premiums for most beneficiaries. Instead, it primarily provides free or low-cost healthcare coverage. Under specific circumstances, others are subject to premiums and cost-sharing.
    - Presumably, it would also impose premiums and cost-sharing on beneficiaries like low-income children and pregnant people who are now exempt.
    - According to Project 2025, "CMS should **allow** states to ensure that Medicaid recipients have a stake in their personal health care" by highlighting that states can increase premiums and cost-sharing above current limits because "Medicaid recipients, like the rest of Americans," should be given "the responsibility to contribute to their health care costs at a level that is appropriate **to protect the taxpayer**." (467-468, emphasis added)

- **It would allow states to eliminate mandatory and optional benefits in Medicaid. Project 2025 calls for CMS to "increase flexible benefit redesign without waivers." and to allow states to "eliminate mandatory and optional benefit requirements…" (468)** Currently, the federal government has a set of benefits that states are required to adopt in order to receive federal Medicaid funds. Under this proposal, many people who are currently eligible for Medicaid would no longer be able to receive certain healthcare services.
    - Though the plan is not specific about which benefits would be eliminated, as they are clearly trying to shift more control to the states, some mandatory benefits include coverage of nursing home care, home health care, medical transport, family planning service and supplies, tobacco cessation counseling and

prescription drugs for pregnant women, and the Early Periodic Diagnostic Screening and Treatment (EPSDT) benefit for children.

- **It would allow states to use Medicaid funds to provide private health insurance via some kind of voucher or flexible account that "rewards healthy behaviors".** "Congress should allow states the option of contributing to a private insurance benefit for all members of the family." (468)
    - Such coverage would likely be more costly to both the government and Medicaid recipients
    - It would also likely provide a much less generous benefits package than what Medicaid provides today.
    - It is likely that the private insurance available in such a program would not offer comparable, comprehensive benefits that Medicaid does, including EPSDT (Early and Periodic Screening, Diagnostic, and Treatment), LTSS (Long Term Services and Support) and a prescription drug benefit that guarantees an open formulary - such benefits are needed more by the most vulnerable Medicaid recipients compared to the general population.

- **It would nearly eliminate federal oversight of state Medicaid programs.** Project 2025 asserts that "the federal government's role should be oversight on broad indicators like cost effectiveness and health measures like quality, health improvement, and wellness and should give the balance of responsibility for Medicaid program management to states." (468-69)
    - Giving more control to the states will likely mean an even more uneven patchwork system and puts recipients at risk of the whims of state legislatures. who could more easily make unfair/unjust requirements and/or disrespect the civil rights of recipients.
    - Giving more control to the states would also decrease the ability of the federal government to protect individuals from unfair, discriminatory policies by states. This is especially worrisome in light of recent SCOTUS decisions that seem to show less concern for the protections of Section 1 of the 14th Amendment.
    - When considered together with the push for more privatization of both Medicare and Medicaid, this shift of control away from the federal government and towards the states raises red flags about the financial motivation that may be involved. Who is really benefiting? If we follow the money, where does it lead?

While doing some reading about the RSC's fiscal year 2025 budget plan, I came across an article from the Georgetown University Center for Children and Families titled "Latest House Republican Study Committee Budget Plan Again Includes Draconian Medicaid Cuts". I think the conclusion of this article, by Edwin Park is worth sharing in its entirety and is also a fitting conclusion here:

> Facing such drastic reductions in federal Medicaid funding, states will have no choice but to institute truly draconian cuts to eligibility, benefits and provider reimbursement rates. That would likely drive tens of millions into the ranks of the uninsured and severely

reduce access to health care and long-term services and supports needed by low-income children, families, seniors, people with disabilities and other adults. Moreover, because Medicaid is the largest source of federal funding for states, block granting Medicaid would also likely lead to deep budget cuts to other state spending such as K-12 education.

Sources not already linked:
Poverty Guidelines
https://aspe.hhs.gov/sites/default/files/documents/7240229f28375f54435c5b83a3764cd1/detailed-guidelines-2024.pdf
Federal Medical Assistance Percentages (FMAP)
https://www.federalregister.gov/documents/2023/11/21/2023-25636/federal-financial-participation-in-state-assistance-expenditures-federal-matching-shares-for