

Congress of the United States

Washington, DC 20515

April 25, 2025

The Honorable Phillip Swagel
Director
Congressional Budget Office
United States Congress
Washington, D.C. 20201

Dear Director Swagel:

Nearly 80 million Americans rely on Medicaid and the Children’s Health Insurance Program (CHIP) for their health coverage and care.¹ Medicaid is a lifeline for families, seniors, children, people with disabilities, people who are working and walking an economic tightrope, and those with chronic illness that make them unable to work. Medicaid is the largest source of federal funding for states, accounting for 56 percent of all federal dollars going to the states in 2024—and in some states, it represents as much as 77 percent of all federal funding.² Medicaid covers regular checkups for children, in-home care and nursing home care for seniors and people with disabilities, and prescription drugs to treat chronic illnesses, among many other services Americans rely on to be healthy, go to school, and thrive at work.

States rely on the federal government’s promise to cover the federal share of Medicaid costs to continue providing health care to all Medicaid beneficiaries and ensure state budget sustainability for other core government services, like education and public safety. At a time when states across the country—including red and blue states alike—are struggling to balance their budgets and experiencing slow revenue growth, cuts to federal Medicaid funding would be devastating.^{3,4}

Yet, despite Medicaid’s essential role in tens of millions of Americans’ lives, President Trump and Congressional Republicans are considering drastic policies that threaten to cut nearly a trillion federal dollars from the program to pay for the extension of tax cuts for billionaires and

¹ “November 2024 Medicaid & CHIP Enrollment Data Highlights,” Centers for Medicaid & CHIP Services (November 2024) <https://www.medicaid.gov/medicaid/program-information/medicaid-and-chip-enrollment-data/report-highlights/index.html>.

² “2024 State Expenditure Report: Fiscal Years 2022 – 2024,” National Association of State Budget Officers (2024) https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/2024_SER/2024_State_Expenditure_Report_S.pdf.

³ Elizabeth William, Anna Mudumala, Elizabeth Hinton, and Robin Rudowitz, “Medicaid Enrollment & Spending Growth: FY 2024 & 2025,” KFF (Oct. 23, 2024) <https://www.kff.org/medicaid/issue-brief/medicaid-enrollment-spending-growth-fy-2024-2025/>.

⁴ Josh Goodman, “Lawmakers Face Budget Crunches, Tough Decisions to Close Expected Shortfalls,” The Pew Charitable Trusts (Jan. 13, 2025) <https://www.pewtrusts.org/en/research-and-analysis/articles/2025/01/13/lawmakers-face-budget-crunches-tough-decisions-to-close-expected-shortfalls>.

wealthy corporations.⁵ The recently passed House and Senate budget resolutions include cuts, overwhelmingly to Medicaid, of *at least* \$880 billion.⁶

While Congressional Republicans have not yet publicized the specific combination of policies that they will pursue to cut Medicaid, President Trump and Congressional Republicans have asserted that any reforms to Medicaid will not cut people's benefits. House Speaker Mike Johnson said, "We're going to be very careful not to cut a benefit for anyone who is eligible to receive it and relies upon it."⁷ When asked if he vowed to not "touch" Medicaid, President Trump stated, "We aren't going to touch it. Now, we are going to look for fraud."⁸ Yet, none of the myriad proposals Republicans are considering decrease federal spending by reducing fraud.

In reality, any cuts to federal Medicaid spending would leave states with tough choices about who to strip of their health coverage, what benefits to cut and for whom, and what providers' payments to slash. We know that states will not be able to wholly offset the loss of federal funds with new taxes or reductions in other state spending.⁹

State Behavioral Responses to Medicaid Cuts

Like the analysis that the CBO conducted on the budgetary effects of Medicaid work requirements under the Limit, Save, Grow Act of 2023,¹⁰ to understand the impact of the Medicaid cuts that Republicans are considering and the effects of shifting costs onto states, we request CBO provide the following information:

- What state behavioral responses does CBO anticipate states would take as a result of reductions in federal funding resulting from the below-listed policy changes (e.g., reduced payments to providers, cuts and/or restrictions to optional benefits, and reductions in enrollment)? Does CBO assume states will absorb any of the reductions in federal funding through increases in state spending (and if so, what share)?

⁵ Benjamin Guggenheim, "GOP Budget Menu Outlines Sweeping Spending Cuts," *Politico* (Jan. 17, 2025) <https://subscriber.politicopro.com/article/2025/01/reconciliation-menu-reveals-wide-ranging-gop-policy-priorities-00198940>.

⁶ Phillip L. Swagel, "Mandatory Spending Under the Jurisdiction of the House Committee on Energy and Commerce," The Congressional Budget Office (March 5, 2025) <https://www.cbo.gov/system/files/2025-03/61235-Boyle-Pallone.pdf>.

⁷ Phil Galewitz, "House Speaker Johnson Is Eyeing Big Cuts to Medicaid. In his Louisiana District, It's a Lifeline," *CBS News* (April 7, 2025) <https://www.cbsnews.com/news/house-speaker-mike-johnson-medicaid-cuts-louisiana-district/>.

⁸ "Trump Says House Budget Plan Will Not Cut Medicaid Benefits," *CBS News* (Feb. 26, 2025) <https://www.cbsnews.com/video/trump-says-house-budget-plan-will-not-cut-medicaid-benefits/>.

⁹ Robin Rudowitz and Elizabeth Williams, "Follow the Money: How Medicaid Financing Works and What That Means for Proposals to Change It," KFF (Oct. 29, 2024) <https://www.kff.org/policy-watch/follow-the-money-how-medicaid-financing-works-and-what-that-means-for-proposals-to-change-it/>.

¹⁰ Phillip L. Swagel, "CBO's Estimate of the Budgetary Effects of Medicaid Work Requirements Under H.R. 2811, the Limit, Save, Grow Act of 2023," The Congressional Budget Office (April 26, 2023) <https://www.cbo.gov/system/files/2023-04/59109-Pallone.pdf>.

- For each of the policies listed below:
 - What is CBO’s estimate of the effect of the policy on federal outlays over the budget window (in \$ billion)?
 - What percentage of the reduction in federal outlays, based on CBO’s assumptions, are attributed to reductions in Medicaid enrollment?
 - What number of individuals does CBO anticipate will lose Medicaid coverage?
 - What percentage of the reduction in federal outlays, based on CBO’s assumptions, are attributed to reductions in provider payments?
 - What percentage of the reduction in federal outlays, based on CBO’s assumptions, are attributed to reductions in covered benefits?

Please include all of this information for the following policies described in the CBO’s publication, [Options for Reducing the Deficit: 2025 to 2034 | Congressional Budget Office](#) (with any updates necessary to reflect CBO’s current baseline and assumptions):

- Per capita caps for all eligibility groups using a growth rate of CPI-U
- Per capita caps for the expansion population using a growth rate of CPI-U
- Reduction in the Newly Eligible FMAP (from 90 percent to regular FMAP)
- Reduction in the Provider Tax “Safe-Harbor” Threshold (from 6 percent to 0 percent)

Impact of Repealing or Delaying Final Medicaid Rules

The “Streamlining the Medicaid, CHIP, and Basic Health Program Application, Eligibility Determination, Enrollment, and Renewal Processes” and the “Streamlining Medicaid; Medicare Savings Program Eligibility Determination and Enrollment” final rules (together referred to as the Eligibility and Enrollment final rule) established important safeguards for children, older adults, and people with disabilities related to eligibility, enrollment, and renewal processes. As examples, the rule prohibits states from imposing waiting periods and annual or lifetime benefit limits on kids enrolled in CHIP and prevents states from requiring eligibility checks more than once a year or in-person interviews for older adults and people with disabilities. Additionally, the rule streamlines and standardizes enrollment processes for Medicare beneficiaries who are eligible for Medicaid to help cover the cost of Medicare premiums and cost-sharing.

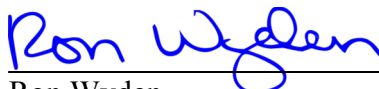
It is our understanding that repealing the Medicaid Eligibility and Enrollment rule results in federal savings by reducing the number of eligible people enrolled in Medicaid who would otherwise gain coverage under the final rule and thereby would prevent eligible people from accessing benefits. To understand the impact of repealing the Medicaid Eligibility and Enrollment final rule, we request CBO provide the following information:

- What is CBO’s estimate of the effect of rescinding the Eligibility & Enrollment rule on federal outlays over the budget window (in \$ billion)?

- What number of individuals does CBO anticipate will lose Medicaid coverage because of such rescission?
- What percentage of the reductions in federal spending, based on CBO's assumptions, are attributable to reductions in the number of people who would otherwise enroll in Medicaid under the final rule?

Thank you in advance for your attention to this request. We look forward to your prompt response to our questions.

Sincerely,



Ron Wyden
United States Senator
Ranking Member, Committee
on Finance



Frank Pallone, Jr.
Ranking Member
Committee on Energy and
Commerce