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Cutting Through the Noise on Congressional Medicaid Cuts

Five things to keep in mind as Congress seeks to cut a critical program

Introduction

Republicans in Congress are moving ahead rapidly with efforts to cut nearly \$880 billion from Medicaid. Confusingly, however, Republicans have also promised to *protect* Medicaid for those who really need it. House Speaker Mike Johnson has committed to protecting Medicaid “for people who are legally beneficiaries of those programs... young single mothers down on their fortunes at the moment, the people with the real disabilities, the elderly.”¹ Thirteen House Republicans, including New York representatives Mike Lawler, Nicole Malliotakis, Nick LaLota and Andrew Garbarino, wrote a letter to Republican Congressional leadership last week committing to a similar line: Medicaid must be protected for “those who [*sic*] the program was intended to help.” These statements appear to imply that large-scale Medicaid cuts are off the table.

Yet all of these representatives voted for a budget package involving \$880 billion in targeted Medicaid cuts. Indeed, Mike Lawler recently published an article endorsing Medicaid work requirements and onerous eligibility checks and suggesting that 3 million of New York’s 7 million Medicaid beneficiaries shouldn’t be on the program.² What explains the gap between Congressional Republicans’ rhetoric on protecting the vulnerable and their votes?

Republicans have argued that they can cut Medicaid without cutting services to vulnerable populations by cutting “waste, fraud and abuse”; by targeting people who are not, or in their view should not be, eligible for the program; and by reforming complex state financing mechanisms like provider taxes. Given the complexity of the Medicaid program, it can be hard to evaluate these claims. Below, we offer five principles to help policymakers cut through the noise and understand how changes to Medicaid at the federal level may impact New Yorkers.

¹ <https://thehill.com/homenews/house/5247051-house-speaker-johnson-medicaid-cuts/>

² <https://lawler.house.gov/news/documentsingle.aspx?DocumentID=4100>

1. A cut is a cut is a cut – and if history is any guide, any cut will hit elderly and disabled people hardest.

Republicans have suggested that any cuts they enact will be targeted in a way that avoids impacting the most vulnerable Medicaid beneficiaries. But research shows that regardless of how you make cuts to Medicaid, the people who are most impacted are the elderly and the disabled. Money is fungible, so when the program from one side, that impacts services across all program areas and tends to reduce services most for those who are *most* vulnerable.

For example, some have proposed reducing federal matching funds for the “ACA expansion” population, able-bodied adults who earn between 100 percent and 138 percent of the federal poverty line and who were offered Medicaid access through the Affordable Care Act. This cut could save the federal government up to \$690 billion over the next 10 years.³ Republicans have argued that reducing funding for these able-bodied adults won’t impact the most vulnerable Medicaid recipients.

What would this mean for New York? A recent analysis showed that 2.3 million of New York’s 7 million Medicaid beneficiaries fall into the Medicaid expansion population; changing the funding formula as Republicans have proposed would cost New York State \$4.4 billion per year.⁴

We’ll return in a moment to the question of whether able-bodied adults need Medicaid. Regardless, however, the argument that this cut wouldn’t affect elderly and disabled Medicaid beneficiaries doesn’t hold water. Reducing federal funding for able-bodied adults will leave New York with a multi-billion-dollar hole in its Medicaid budget – and that will squeeze *all* Medicaid beneficiaries, including the elderly and people with disabilities, who account for 59 percent of New York’s Medicaid spending.⁵ It is theoretically possible that the state could find savings by eliminating coverage entirely for millions of able-bodied adults, but it is far more likely that a budgetary squeeze will be felt throughout the whole program, as states reduce services and provider reimbursements across the board. In those conditions, elderly and disabled recipients are likely to be hit hardest, since states have more flexibility to limit services for these groups and since they account for most Medicaid spending. A recent study in *Health Affairs* showed that such federal Medicaid cuts have historically impacted elderly and disabled beneficiaries most.⁶

The same logic holds for any other reduction in federal Medicaid spending – such as the Republican proposal to limit state use of “provider taxes,” a financing mechanism used by virtually every state in the country to increase federal Medicaid reimbursements. The CBO estimates that this could save the federal government \$612 billion over 10 years.⁷ The mechanics of provider taxes are complex, but the impact is simple: States will have \$612 billion fewer dollars to support Medicaid programs, which

³ https://www.axios.com/pro/health-care-policy/2025/03/05/house-gop-eyes-medicaid-expansion-moves?utm_source=newsletter&utm_medium=email&utm_campaign=pro_policy_healthcare_subs&stream=top

⁴ <https://www.cbpp.org/research/health/medicaid-threats-in-the-upcoming-congress>. This analysis assumes that the change would be instituted immediately; a different analysis, by the right-leaning Paragon Institute, proposes a more gradual phase-in but still suggests that New York would lose \$13 billion in funding over 10 years. https://paragoninstitute.org/wp-content/uploads/2024/07/Medicaid-Financing-Reform_FOR-RELEASE_V1.pdf

⁵ <https://files.kff.org/attachment/fact-sheet-medicaid-state-NY>

⁶ <https://www.healthaffairs.org/content/forefront/history-repeats-faced-medicaid-cuts-states-reduced-support-older-adults-and-disabled>

⁷ <https://www.politico.com/news/2025/02/27/republicans-medicaid-plan-00206540>

will force them to make tough choices about reducing coverage and eligibility, and the impact of those choices will fall on the most vulnerable.

2. Work requirements are a failed policy – they’re expensive to administer, they kick sick people off Medicaid, and they don’t save much money.

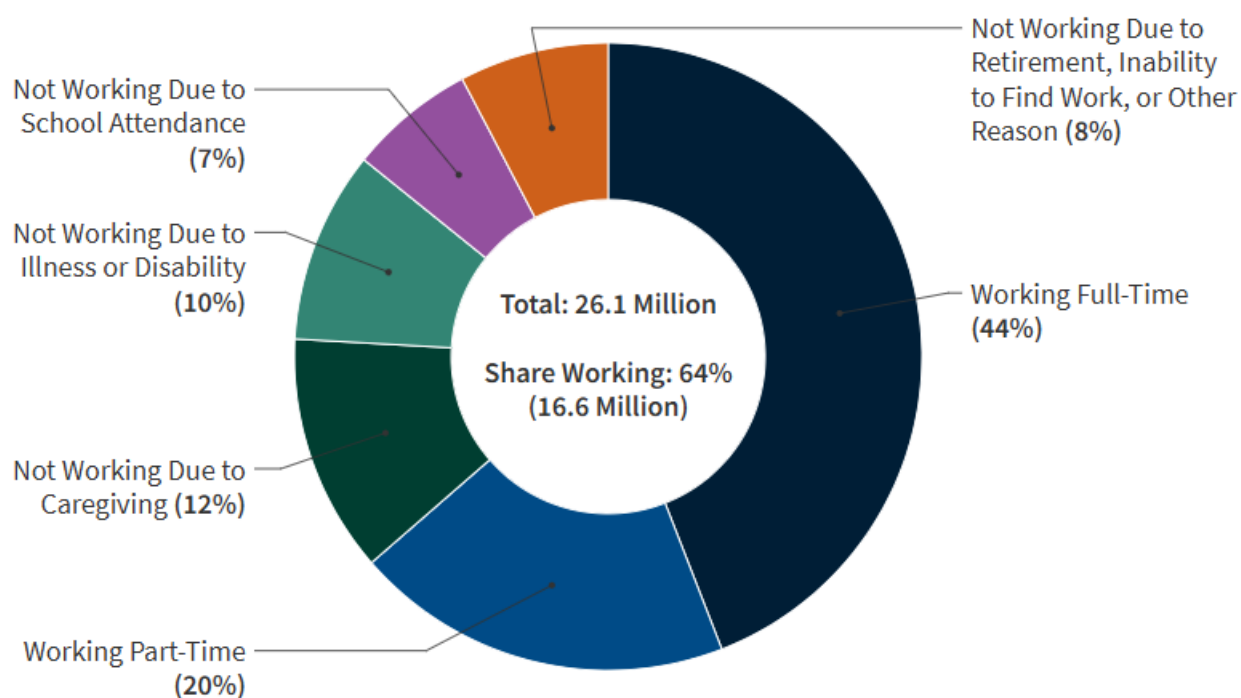
Another Republican proposal involves forcing states to impose work requirements for able-bodied adults. Representative Mike Lawler, for example, has endorsed “work requirements for able-bodied adults without dependents, [and] shifting eligibility verification to a quarterly review from the current annual review system.”⁸ This idea has an intuitive appeal to many Americans: Medicaid should guarantee healthcare to the poor and sick, but why should the public pay for healthcare for healthy adults who could get a job?

Unfortunately, this idea makes little sense, for several reasons. First, most non-disabled adults on Medicaid are *already* working – or else qualify for one of the exemptions from proposed work requirements. Republicans appear to be under the misapprehension that millions of Medicaid beneficiaries are able to work but are choosing not to do so – but the data just don’t show that.

Figure 1: Work status of adult non-SSI, non-SSDI Medicaid enrollees.

Work Status & Barriers to Work Among Medicaid Adults, 2023

Includes Medicaid covered adults (age 19-64) who do not receive benefits from Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI) and are not also covered by Medicare.



Source: [Kaiser Family Foundation](#) analysis drawn from Current Population Survey data.

⁸ <https://lawler.house.gov/news/documentsingle.aspx?DocumentID=4100>

The fact that most people already meet the work requirement doesn't mean that many people won't lose coverage. In fact, the Urban Institute recently estimated that millions of people would lose Medicaid under Republican work requirement proposals – including as many as 850,000 in New York State alone.⁹ Why?

Anyone who has experience navigating a government bureaucracy can tell you the answer: Requiring working-class people to prove that they're working every three months to retain healthcare will lead to a huge number of arbitrary disenrollments. People working low-wage jobs change jobs a lot and may struggle to prove employment; they may change addresses and miss a letter; they may not understand the requirements, or miss deadlines for filing because they are busy with other responsibilities. Ironically, of course, these erroneous disenrollments will have the largest impact on people who face the most challenging and unstable work situations. The work requirements proposed by Lawler will require every state in the country to set up an expensive, clunky, invasive bureaucracy – but the result will be arbitrary and erroneous loss of benefits for millions of people. What it certainly *won't* do is encourage people to work. Research shows that work requirements in Arkansas didn't increase employment at all.¹⁰

Will all this arbitrary disenrollment at least save taxpayer dollars? Not really. The CBO has projected that work requirements would save the federal government just \$109 billion over 10 years – less than 1.3 percent of total federal Medicaid spending. That's not surprising, since able-bodied adults are cheap to insure (and those who become seriously ill will wind up back on Medicaid). Republican proposals will generate a lot of red tape for state governments, a lot of stress for beneficiaries and a higher uninsurance rate for the population as a whole – but they won't save much money.

3. Republicans don't have a plan to reduce Medicaid fraud – and cutting funding won't succeed in reducing fraud.

Republicans have suggested that Medicaid cuts will focus on “waste, fraud and abuse,” rather than eliminating services and reducing eligibility. It is not always entirely clear what kind of fraud they have in mind, but they appear to be thinking primarily of eligibility fraud – people enrolling in Medicaid who shouldn't be on the program.

This reflects a misunderstanding of how healthcare fraud works. Anyone who is familiar with the issue knows that most healthcare fraud is committed by *providers*, not beneficiaries.¹¹ The typical healthcare fraud isn't a beneficiary lying about their income to get Medicaid to pay for their annual checkup; it's a crooked doctor billing for services they never performed, or a for-profit hospital system bilking Medicare by misreporting patient diagnoses, or a major insurance company “upcoding” Medicare Advantage enrollees to draw down more money. (Congressional Republicans ought to be familiar with this kind of fraud; one of their own, Florida Senator Rick Scott, founded the for-profit hospital chain Columbia/HCA, which paid \$2 billion to settle Medicare and Medicaid fraud claim in 2003.¹²) Healthcare fraud is typically a form of corporate white-collar crime, not a matter of eligibility.

⁹ <https://www.urban.org/research/publication/state-state-estimates-medicaid-expansion-coverage-losses-under-federal-work>

¹⁰ <https://www.thirdway.org/memo/why-work-requirements-in-medicaid-wont-work>

¹¹ <https://ccf.georgetown.edu/2025/01/10/the-truth-about-fraud-against-medicaid/#:~:text=Fraud%20against%20Medicaid%20is%20mostly,who%20the%20bad%20actors%20are.>

¹² <https://www.justice.gov/sites/default/files/opa/legacy/2010/03/08/doj-accomplishments.pdf>

No one really knows how much fraud there is in Medicaid – fraud, after all, is hard to detect, otherwise it wouldn't be effective. Certainly, however, any system as large as Medicaid contains some amount of fraud. In principle, one could imagine attempting to reduce Medicaid spending by more effectively policing fraud. That would require investment at both the state and the federal level – in better IT systems and data mining, in more investigators to check up on provider billing, in more civil servants to oversee spending.

Not only have Republicans proposed no plans to do this, but the proposals they have made will be counterproductive. The Trump administration has undertaken mass layoffs at the federal Department of Health and Human Services; meanwhile, proposed cuts at the state level may force similar layoffs by state governments.¹³ Republican claims to cut Medicaid spending by rooting out fraud are likely to go the way of Elon Musk's promise that DOGE would find \$2 trillion in federal savings. Those claims turned out to be wildly exaggerated.¹⁴

4. People kicked off Medicaid won't find another source of coverage – they'll most likely just become uninsured.

Some commentators on the right appear to believe that reducing Medicaid rolls will encourage low-income people to seek out employer-sponsored insurance. New York healthcare expert Bill Hammond, for example, worries that New York's generous Medicaid program is eroding the employer-sponsored insurance market.¹⁵

This hope reflects an out-of-date understanding of the employer-sponsored insurance market. A recent study by the Kaiser Family Foundation showed that the average premium for an employer-sponsored family plan was \$25,572 in 2024; even an employee-only plan now costs \$8,951. For an employer, paying for family coverage for a full-time employee is the equivalent of paying \$12.79 per hour in higher wages. Most employers of low-wage workers simply can't afford to do that – and requiring them to try would result in lower employment overall. Even when workers do get health insurance through an employer, it often doesn't make healthcare affordable: The average deductible for an employer-sponsored family plan is nearly \$5,000.¹⁶

Employer-sponsored coverage is simply not a realistic option for low-income workers. If workers can't access Medicaid, they will likely become uninsured. The Affordable Care Act reduced the number of uninsured – from nearly 12 percent in 2008 to less than 5 percent today, in New York's case – primarily by allowing states to expand Medicaid; shrinking Medicaid will reverse that progress.

¹³ <https://www.politico.com/newsletters/politico-pulse/2025/03/04/health-agency-morale-wanes-amid-mass-firings-00209032>

¹⁴ <https://www.nytimes.com/2025/04/13/us/politics/doge-contracts-savings.html>

¹⁵ <https://www.empirecenter.org/publications/medicaid-overdose/>

¹⁶ <https://files.kff.org/attachment/Employer-Health-Benefits-Survey-2024-Annual-Survey.pdf>

5. Medicaid is the most efficient way we have of delivering healthcare – and cutting it will just shift the burden of rising costs.

While employer-sponsored healthcare costs have spiraled, Medicaid costs have remained far more moderate. Insuring an individual through their employer in New York costs over \$9,000 today – but the average cost of insuring an adult through Medicaid is less than \$7,000. Medicaid also provides far more comprehensive coverage than employer-sponsored insurance, with no deductibles or copays. Medicaid has controlled cost growth far more efficiently than employer-sponsored insurance or Medicare in recent years (Figure 2). If the US is going to provide healthcare to low-income people, Medicaid is by far the most efficient way to do that.

This is easy to miss in debates over federal spending. Republicans' goal in cutting Medicaid, after all, is to create fiscal room to cut taxes on the wealthy. This leads to a narrow focus on federal budgetary savings – the savings that can be used to fund tax cuts. But a more responsible way to think about healthcare spending would take a broader view of costs – not just to the federal budget but to states, counties, small businesses, individuals, safety-net providers, and society as a whole.

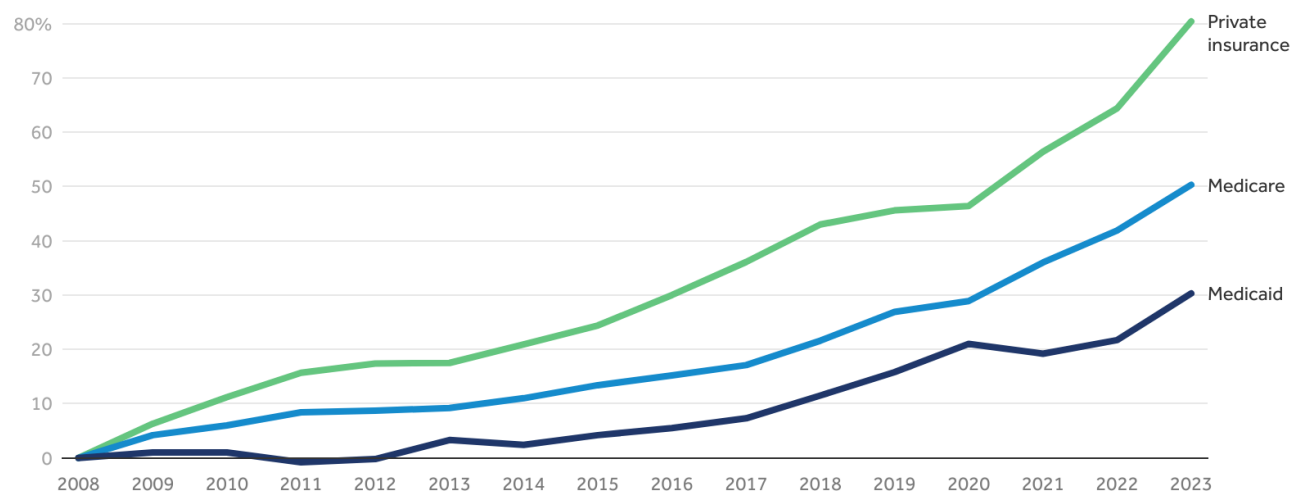
If we cut Medicaid spending and more Americans become uninsured, how will that impact private-sector budgets? To analyze the question it's important to recognize that most healthcare spending goes to the sick. Keeping a healthy adult on the Medicaid rolls and paying for their annual checkup doesn't cost much; what drives spending is when that individual gets cancer and needs chemotherapy, or gets into a car accident and needs surgery, or develops Alzheimer's disease and needs home care. Society as a whole could save money by denying care to sick individuals – but we're unlikely to do that, since Americans share a deep sense that everyone has a right to healthcare. One way or another, we will find a way to pay.

Right now, we are paying through Medicaid and CHIP. If Republicans succeed in cutting the rolls of those programs, how will we pay? Individuals will pay more, certainly, as when low-income people with diabetes pay out of pocket for insulin. In some instances, employers may take up the burden by offering health insurance to more employees – burdening small businesses and likely lowering aggregate employment. In other cases, taxpayers at the state level will make up the difference, paying higher taxes or reducing spending on other programs to maintain Medicaid. When people do become uninsured, safety-net providers may step in to provide charity care – creating a burden on those providers and on the state and local governments that support them. If an Alzheimer's patient requires home care and Medicaid won't pay for it, his family members may leave their jobs to take care of him. All of these options cost money. Cutting Medicaid spending doesn't eliminate healthcare costs – it just moves them off the federal government's books. And – since Medicaid is, again, the most efficient way we have of paying for healthcare – overall costs are likely to increase if Medicaid gets cut.

Viewed in this light, Medicaid cuts don't look particularly fiscally responsible.

Figure 2: Cumulative growth in per-enrollee spending, by payer

Cumulative growth in per enrollee spending, by private insurance, Medicare, and Medicaid, 2008-2023



Source: KFF analysis of National Health Expenditure (NHE) data

Peterson-KFF
Health System Tracker

Source

Conclusion

Republicans have attempted to claim that their Medicaid cuts won't impact vulnerable beneficiaries – but those claims should be met with skepticism. Any policy that reduces federal Medicaid outlays is likely to reduce access to healthcare for people who need it, raise the uninsurance rate, and increase the burden of healthcare costs on society as a whole. There's no reason to believe Republicans can achieve their spending reduction goals through burdensome work requirements or vain searches for beneficiary fraud. Medicaid is a crucial source of healthcare for 80 million Americans, including 7 million New Yorkers – and cuts to the program will hurt.