



Congress of the United States
House of Representatives
Washington, DC 20515-0906

May 1, 2025

Dear Colleagues,

As Congress considers the future of Medicaid, we urge our fellow Republicans to pursue meaningful reforms that address the structural and fiscal failures that worsened under the Biden administration. Real Medicaid reform must be included in reconciliation to take a step towards 1) healthcare freedom and away from a crony capitalist healthcare system that hurts taxpayers and patients while enriching special interests, and 2) getting our fiscal house in order on mandatory healthcare spending.

The Medicaid Crisis

Medicaid was created to be a safety net for qualifying low-income children, pregnant women, seniors, and individuals with disabilities. However, the program has been distorted by policies that emphasize enrollment and federal payment maximization over care, integrity, and accountability. The political abuse of this program is helping to bankrupt the federal government.

Federal Medicaid spending has surged. The Congressional Budget Office now projects that the baseline for Medicaid from 2025 to 2034 is \$1.2 trillion higher than it was in 2021. This dramatic increase isn't due to improved benefits or outcomes, but to flawed federal policies.

During the pandemic, Congress temporarily enhanced Medicaid support. The Biden administration went further and prevented states from removing *ineligible* enrollees for more than three years and discouraged proper redetermination practices. At the same time, the administration enabled an explosion of money laundering schemes—such as provider taxes and intergovernmental transfers—that allow states to generate federal matching funds without contributing real dollars.

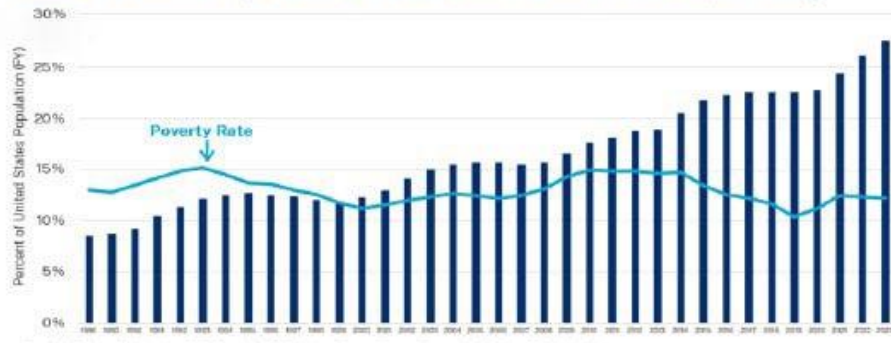
These policies derive from the ACA's Medicaid expansion. Under Obamacare's expansion, states receive a 90% federal match for **able-bodied, working-age adults**—far more than the 60% average for traditional populations like low-income children and people with disabilities. Medicaid has significantly moved beyond its 1965 intent, with able-bodied workers now making up the largest sub-group receiving Medicaid benefits (36%¹). Medicaid now serves more people living above the poverty line than below it as more people are now eligible post-expansion to qualify for Medicaid. Many states fund their 10% share for expansion enrollees using fake funds, turning \$1 of laundered money into \$9 of real federal funding. This creates a powerful incentive for states to spend carelessly—leading to bloated programs that dilute resources away from the truly needy.

¹ <https://thefga.org/research/medicaid-work-requirements-from-welfare-to-work/>



Medicaid is No Longer for the Poor

Enrollment Has Tripled over Last Three Decades as Enrollees Now Double People in Poverty



Source: MACStats - Medicaid and CHIP Databook 2024 Edition, Census Bureau, Centers for Medicare & Medicaid Services

Today, the federal government covers roughly 75% of all Medicaid costs, up from its historic 60% share. That cost shift exceeds \$100 billion annually. Meanwhile, improper Medicaid payments have totaled more than \$1.1 trillion over the last decade, driven by lax eligibility enforcement and fiscal gamesmanship.

California offers a striking example of this abuse of Medicaid policies. The state received federal approval for a massive managed care tax scheme that dramatically increased its federal Medicaid take. Rather than use this funding to improve care for vulnerable populations, California expanded Medicaid to illegal immigrants and eliminated the asset test, allowing even the wealthiest Californians to qualify for taxpayer-funded long-term care.

On the provider side, Medicaid payments in some states now approach commercial insurance rates and can be 2.5 times higher than Medicare rates. This is not a sustainable safety net—it's an increasingly inefficient and expensive entitlement that fails to prioritize those most in need while giving states a sandbox of federal funds to play with under the guise of "helping those in need."

Guiding Principles for Reform

Medicaid reform should be guided by the following principles:

1. Put the most vulnerable first.

Medicaid's current structure places able-bodied adults ahead of those with the greatest needs – paying states more to cover the non-vulnerable. That is fundamentally unjust. A state should not receive more federal support for a healthy adult who gained coverage through Obamacare expansion than a low-income child with a disability. Congress should ensure the FMAP for able-bodied adults matches everyone else.

2. Address the money laundering.

States should not be rewarded for using financial gimmicks to inflate spending and maximize federal payments. Congress must substantially limit provider taxes and other schemes that allow states to claim federal funds without real contributions.

3. Promote state accountability.

States must be held accountable for proper eligibility verification and program integrity. Today's system encourages reckless spending growth. Reforms should tie federal funding to responsible management and

oversight. Right now, high-powered consultants help states fill budget shortfalls with federal funds instead of cutting spending.

The Road Ahead

The Biden administration's policies have put an already unsustainable program on an even worse path. Without reform, Medicaid will continue to not make people healthier while raising healthcare costs for every tax payer – including those in states that didn't expand. Someone in Texas should not be helping to pay the Medicaid fund of someone in California.

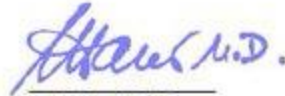
Now is the time to act. By addressing discrimination against the vulnerable, ending money laundering, and restoring accountability, we can make sure Medicaid does not bankrupt the federal government. We have to give states better incentives to reduce spending and not further expand Medicaid.

If the House budget reconciliation package does not include structural Medicaid reform that achieves desired Republican outcomes, we will be setting up massive tax increases and benefit cuts in the future. For once, Congress should stop procrastinating, using excuses, and finally fulfill the Republican agenda.

Sincerely,



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Member of Congress



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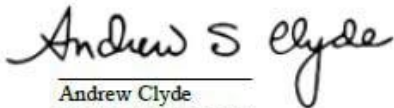
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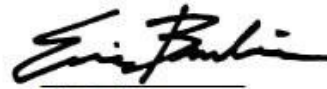
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