

Proposed Medicaid cuts would take health care away from Iowans and strain state finances

Politico last week published a leaked document from the U.S. House outlining possible budget cuts they could enact to pay for tax cuts skewed to the wealthy. Unsurprisingly, Medicaid — health insurance for low-income children, low-wage workers, people with disabilities and older adults in nursing homes — was the biggest target. Although the ideas are cloaked in opaque language, their aims are clear.

Medicaid cuts floated in leaked House document:

- Per Capita Caps - up to \$918B
- Equalize Medicaid Payments for Able Bodied Adults - up to \$690B
- Limit Medicaid Provider Taxes - \$175B
- Lower FMAP Floor - \$387B
- Special FMAP Treatment for DC - \$8B
- Repeal American Rescue Plan FMAP Incentive - \$18B
- Medicaid Work Requirements - \$120B

Boost red tape to cut enrollment

We all agree on helping people get good jobs, but what work reporting requirements do best is waste resources and create barriers to care. In Georgia, where the state has expanded Medicaid for some low-income adults with reporting requirements, 90% of expansion spending has gone to hiring pricey consultants like Deloitte and creating complex reporting systems — and only a few thousand people have successfully enrolled. When Arkansas implemented similar requirements in 2018, over 18,000 eligible people lost coverage because they couldn't jump the required bureaucratic reporting hurdles, and the state saw no increase in employment.

Push costs onto states

Several House proposals would change the formula that determines the share of Medicaid costs covered by the federal government (FMAP) so states pay more. The move would strain budgets in all states, but it would be especially challenging in states like Iowa that have aggressively cut taxes and will see shrinking revenue over the next years.

Make large structural program cuts

Per capita caps would fundamentally restructure and shrink the program. Instead of receiving federal matching funds that adjust based on need and economic conditions, Iowa would receive a fixed amount of federal Medicaid funding per enrollee, regardless of actual costs. The result? Substantially lower federal funding over time, forcing states to cut services, cut people off the program or reduce already low reimbursement to health providers, which would likely cause some to stop seeing Medicaid patients.

Slash Medicaid expansion

House Republicans want to reduce the federal contribution to Medicaid expansion, the option adopted by most states, including Iowa, to cover low-income adults. Cutting federal funding for expansion — which covers people working low-wage jobs without benefits, caregiving for loved ones, or dealing with health challenges that keep them from working — would force Iowa to either drastically increase its Medicaid budget or, more likely, drop coverage for this group altogether.