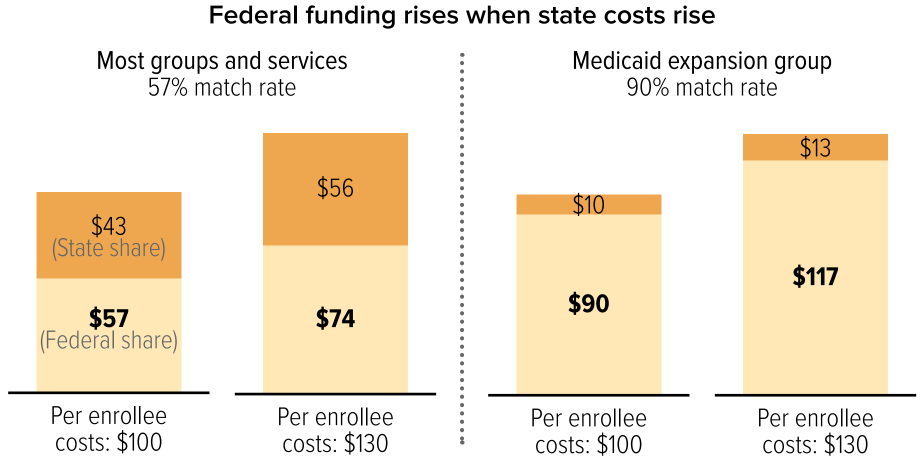
Medicaid Per Capita Cap Shifts Costs to States

Current Law

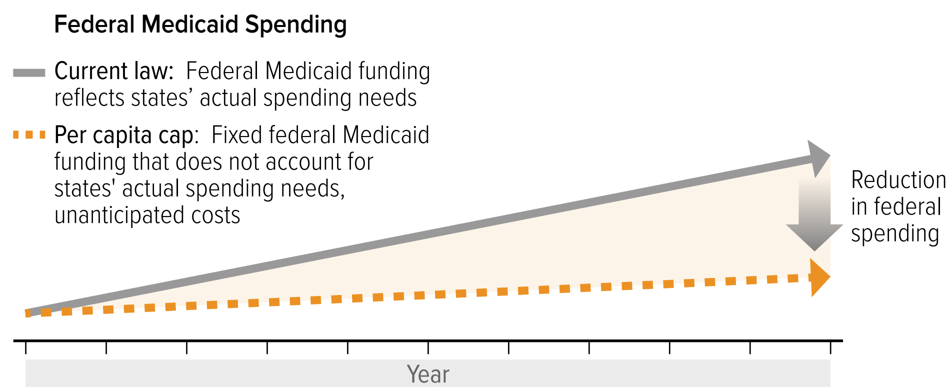
The federal government picks up a fixed share of states' Medicaid costs, averaging 57% across the states. Each state's share is based on its residents' average incomes, relative to the nation's, though certain population groups and services receive higher matching rates. For Medicaid beneficiaries who enrolled under the Affordable Care Act's Medicaid expansion, the federal share is 90%.

If a state's costs go up, federal Medicaid spending automatically increases to cover part of those added costs.



Per Capita Cap Reduces Federal Medicaid Spending

A per capita cap sets an annual cap on federal Medicaid funding per beneficiary for each state — a cap that grows more slowly than expected growth in per beneficiary costs. Federal funding would not rise above that capped amount.



Per Capita Cap Squeezes State Budgets

Current Law

Federal government pays fixed share of Medicaid spending to cover both expected and unexpected costs.

Per Capita Cap

Federal government pays fixed *amount* of Medicaid spending, so states facing federal funding shortfalls due to the cap would have to boost their own funding or cut eligibility, benefits, or provider payments. If Medicaid costs rise due to a public health emergency or new breakthrough drug, the state would have to shoulder all of these added costs or cut Medicaid even more deeply.