

CSG Medicaid Leadership Academy: The Fiscal State of State Medicaid Programs

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The Who in Our Why



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THE NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

NASBO is an independent, nonpartisan, nonprofit research and educational organization. For 80 years, NASBO has been the professional membership organization for budget and finance officers across all states, territories, and DC.



States Are Managing Expectations In A Tighter Environment

State general fund revenue growth is projected to be moderate.

Revenue projections have been adjusted downward in a handful of states. Forecasters cited economic uncertainty; changes in federal spending and employment; tariffs; and decreased international tourism.

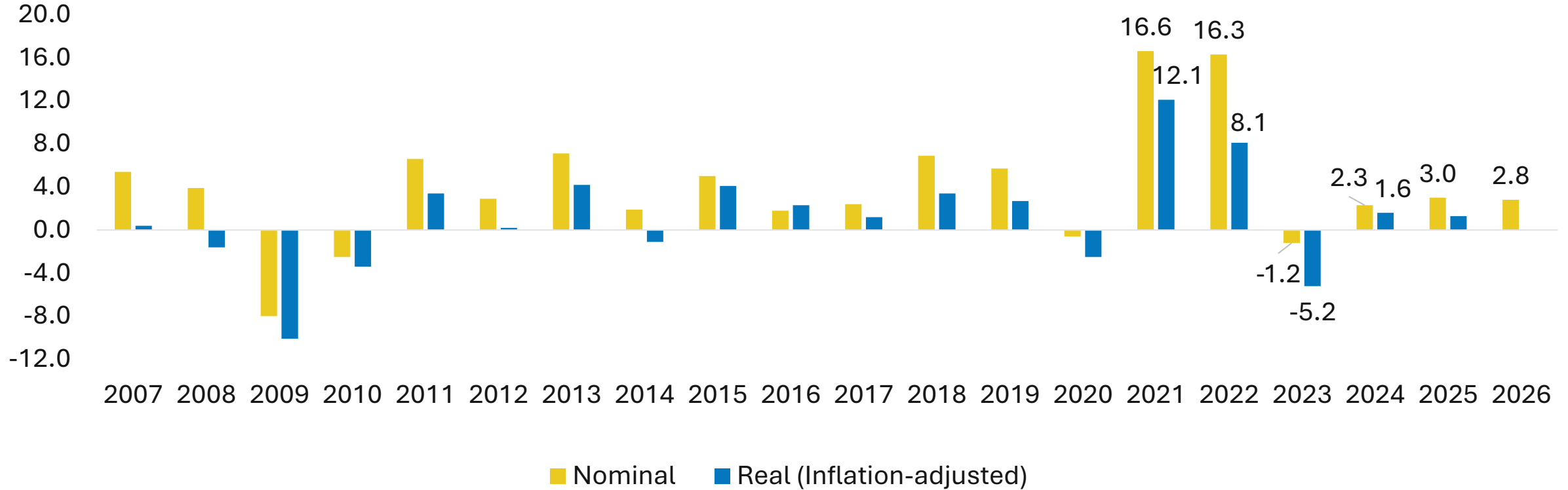
Expenditure growth is already outpacing revenue growth.

Pressures include medical inflation, school choice, housing, declining federal funds.

Declining federal funds include the end of pandemic-era federal funding and cancellation of federal grant funding, BEFORE OBBBA impacts hit budgets.

Disasters are stressing budgets and states are concerned they will shoulder a greater burden of costs in the future.

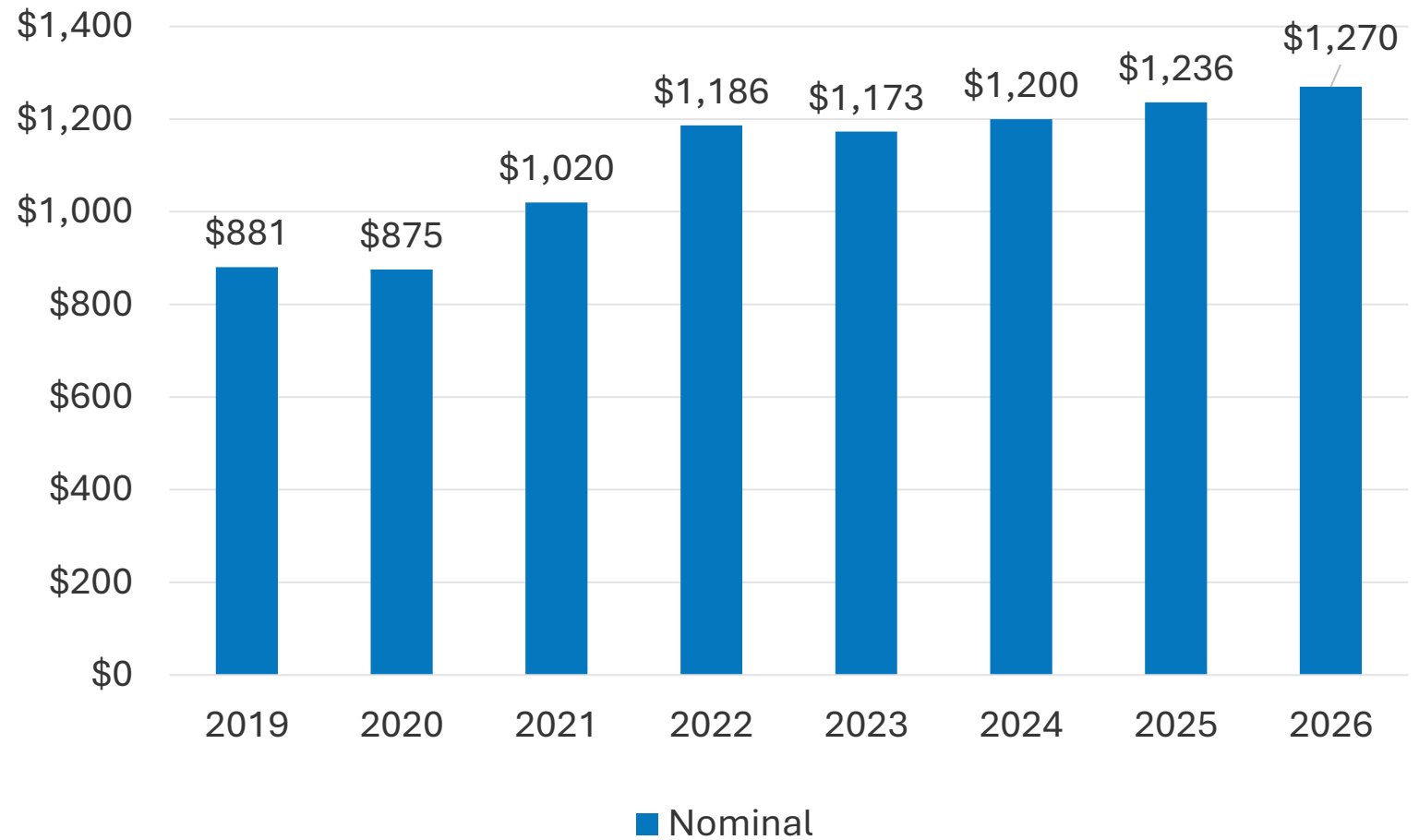
Annual General Fund Revenue Percentage Changes Fiscal 2007 to Fiscal 2026



Note: Fiscal 2025 figure is estimated and fiscal 2026 figure is projected based on governors' recommended budgets.

Annual General Fund Revenue (in Billions)

Fiscal 2019 to Fiscal 2026

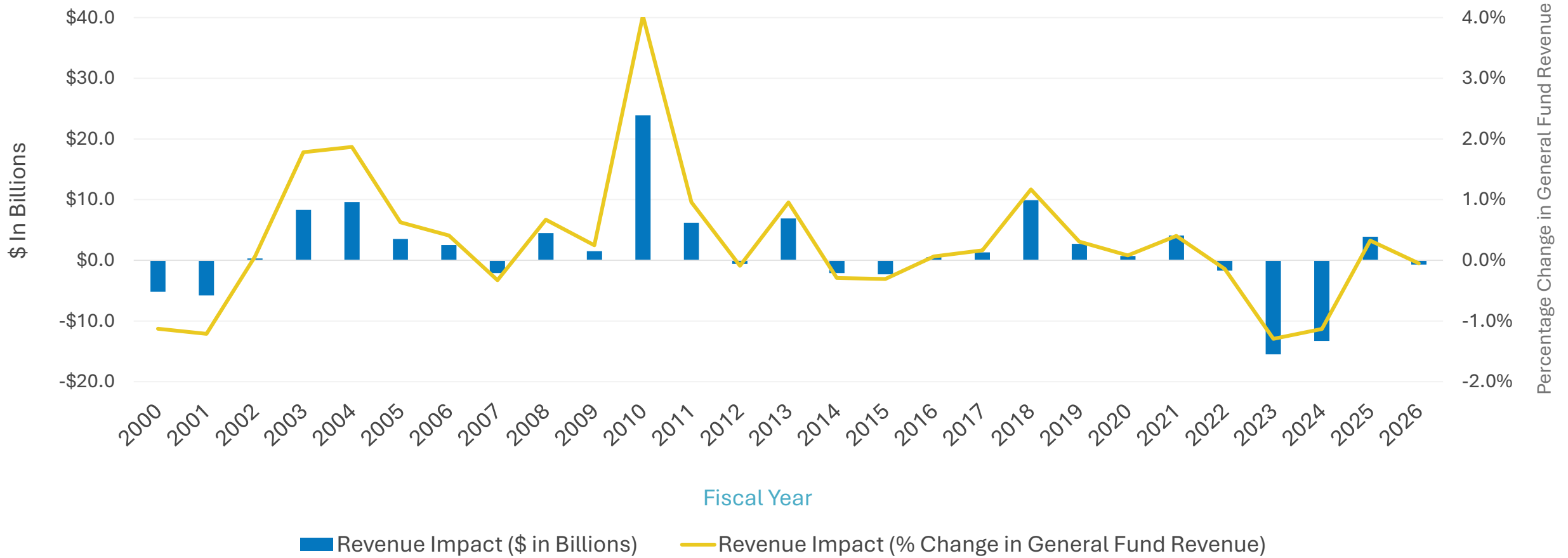


Note: Fiscal 2025 is estimated and fiscal 2026 is projected based on governors' recommended budgets.

NASBO Fiscal Survey of States

Impact of State Revenue Actions Over Time

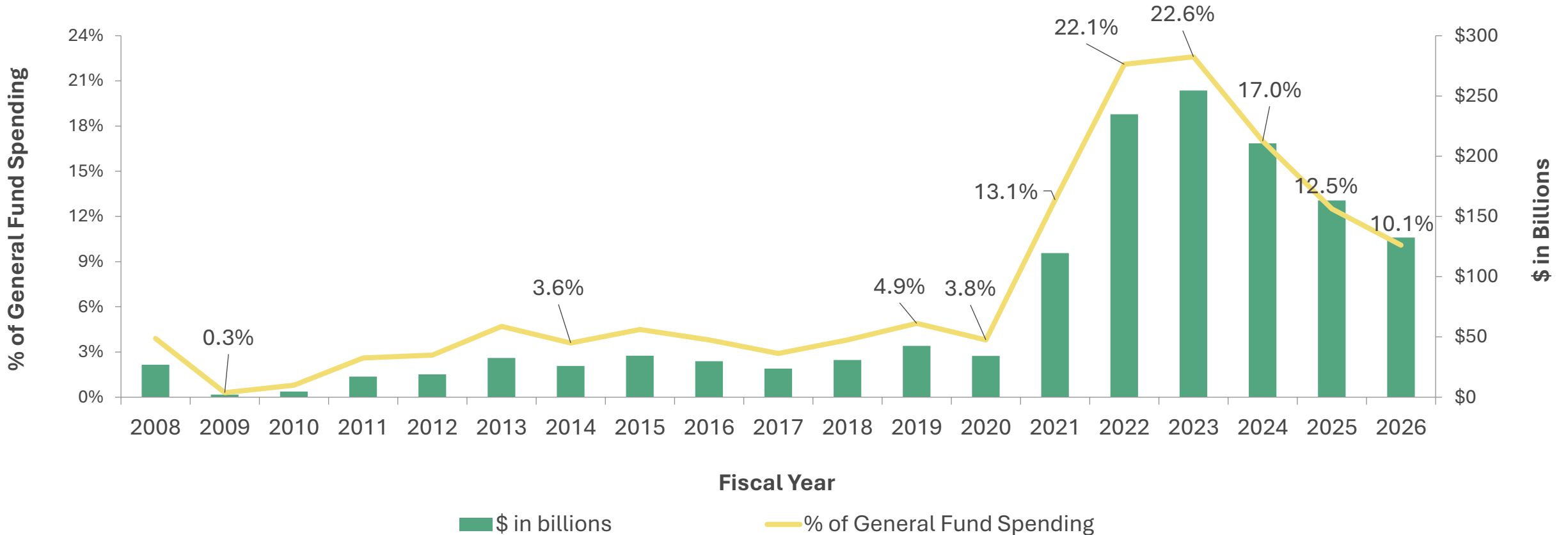
\$ in billions and % change in total general fund revenue



Note: Fiscal 2026 figure is based on governors' recommended budgets.

General Fund Ending Balances Fiscal 2008 to Fiscal 2026

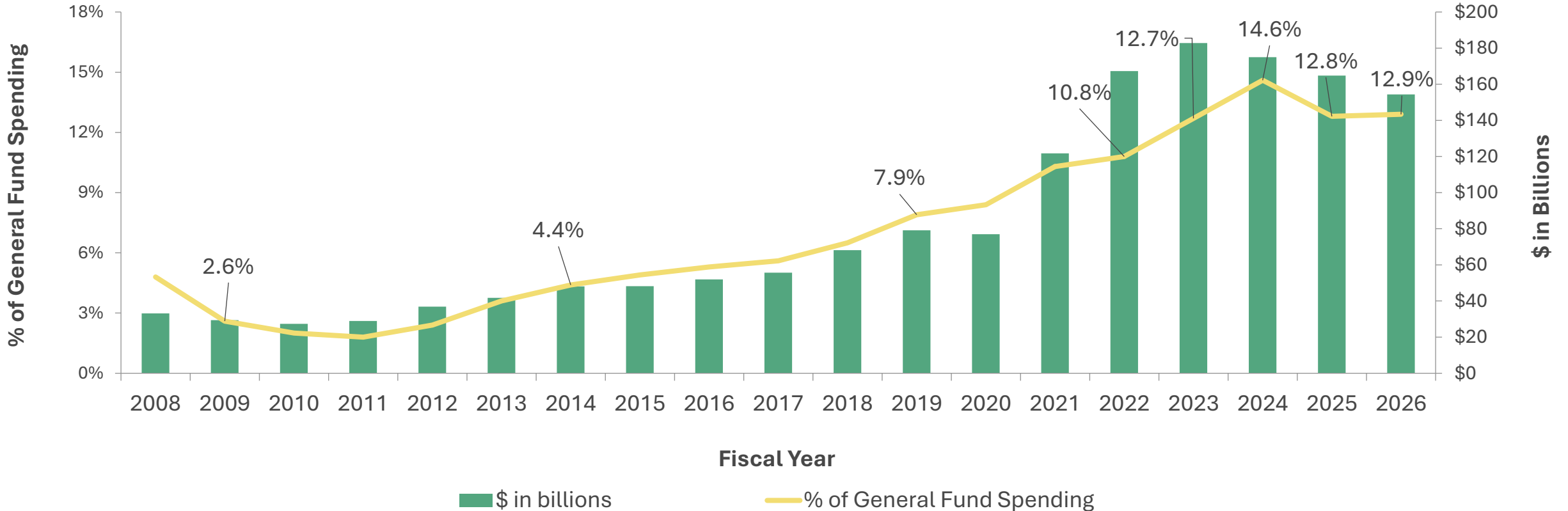
GF Ending Balances in Dollars and as a Percentage of General Fund Expenditures



Note: General fund ending balances shown here have been adjusted to exclude any designated rainy day funds held within a state's general fund. Fiscal 2025 are estimated figures and fiscal 2026 are recommended figures.

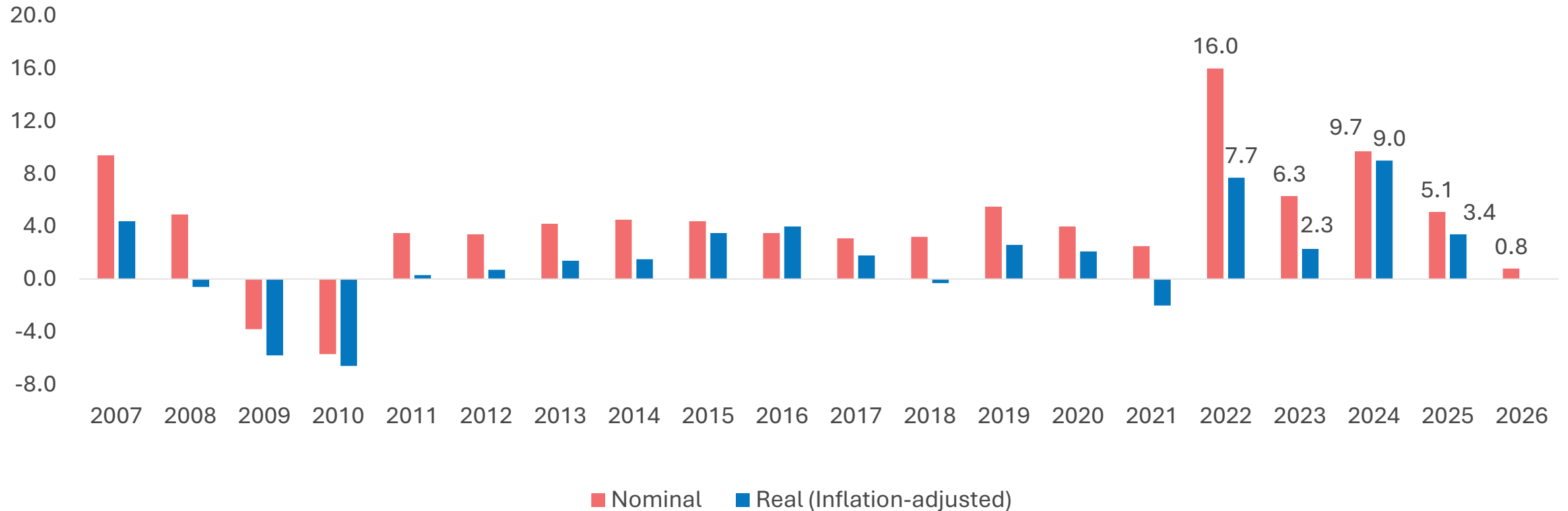
State Rainy Day Funds Fiscal 2008 to Fiscal 2026

In Dollars and as a Percentage of General Fund Expenditures



Note: Fiscal 2025 are estimated figures and fiscal 2026 are recommended figures. Total dollar amounts for fiscal 2025 and fiscal 2026 are adjusted to allow for year-over-year comparisons by including most recent rainy day fund balance figure available for states that were unable to report rainy day fund balance projections for those years.

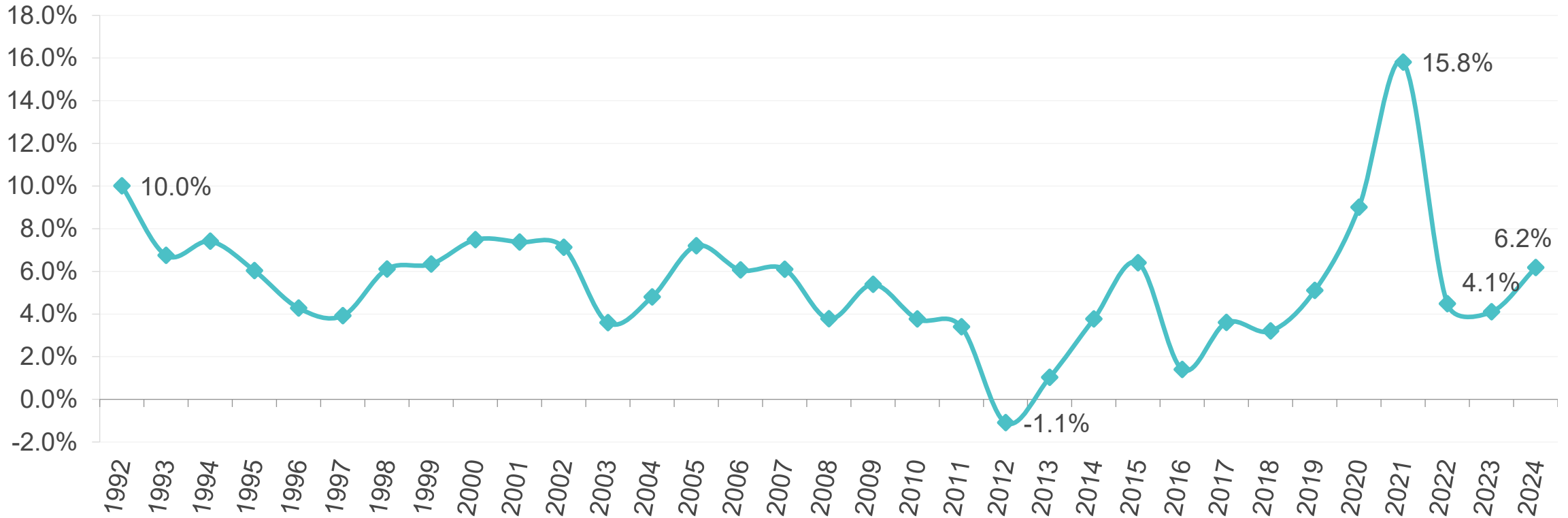
Annual General Fund Expenditure Percentage Changes Fiscal 2007 to Fiscal 2026



Note: Fiscal 2025 figure is based on current estimates; fiscal 2026 figure is based on governors' recommended budgets.

Increases In Total State Spending

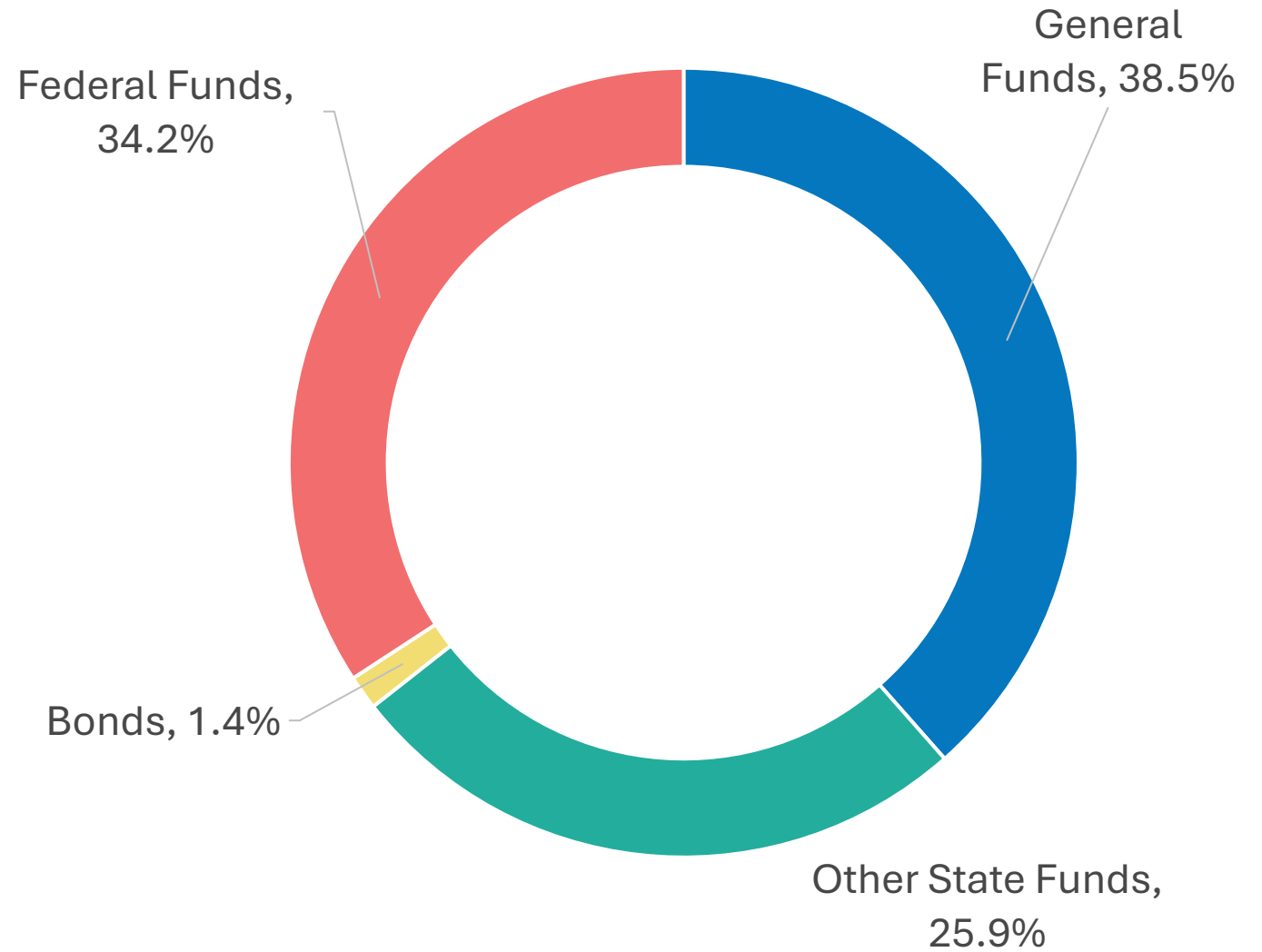
Year-Over-Year Percentage Increases in Total State Expenditures*



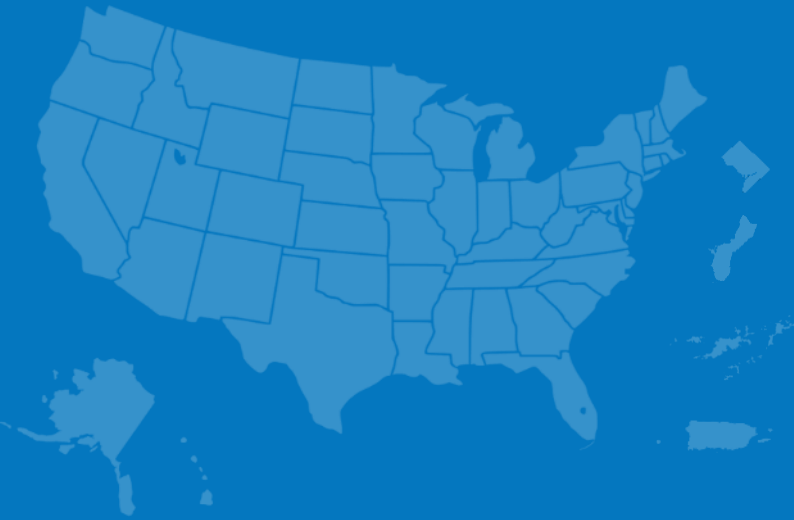
*Total state expenditures include spending from general funds, other state funds, bonds, and federal funds to states.

Total State Expenditures By Fund Source

Estimated FY2024



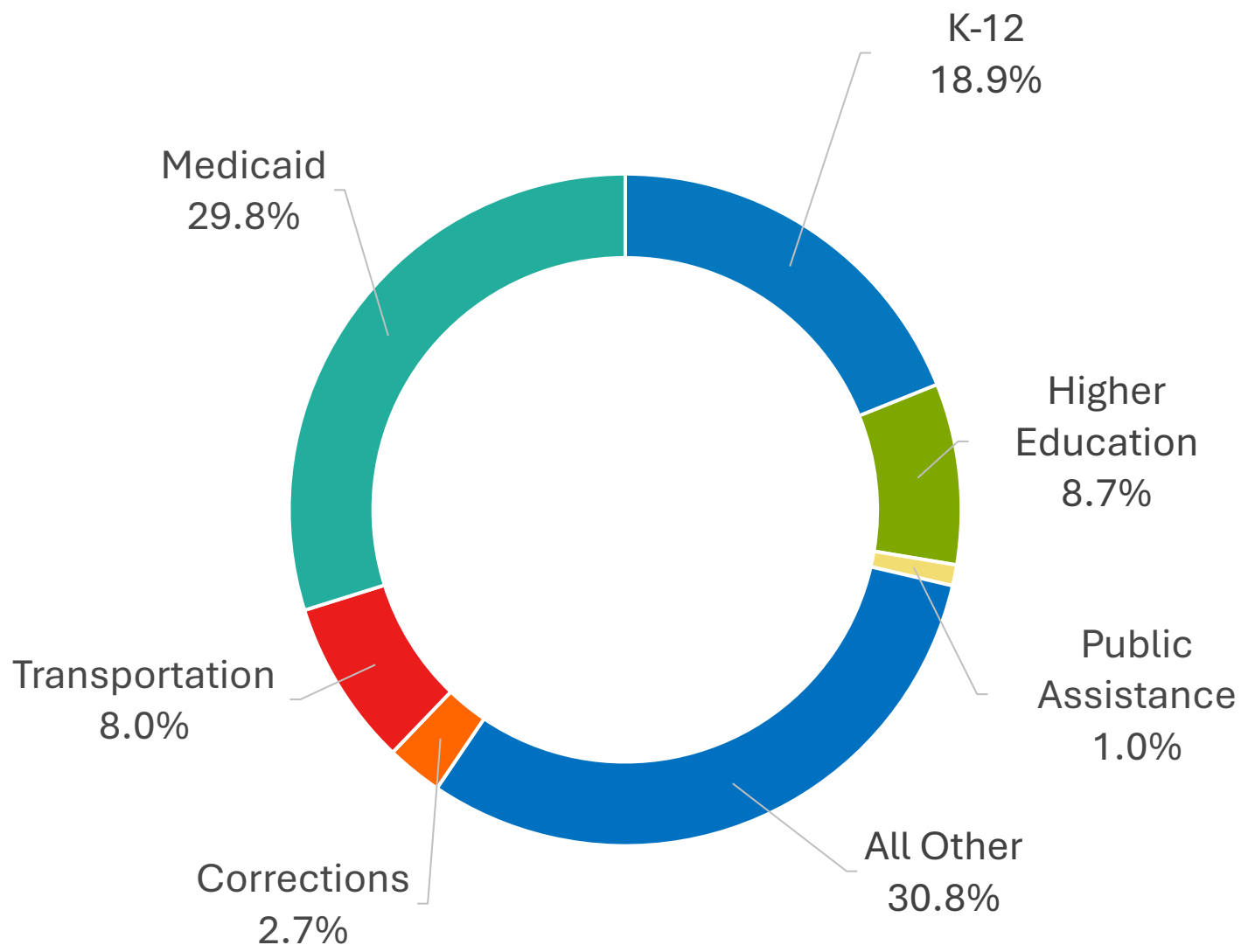
Source: NASBO State Expenditure Report



**\$3,064
Billion**

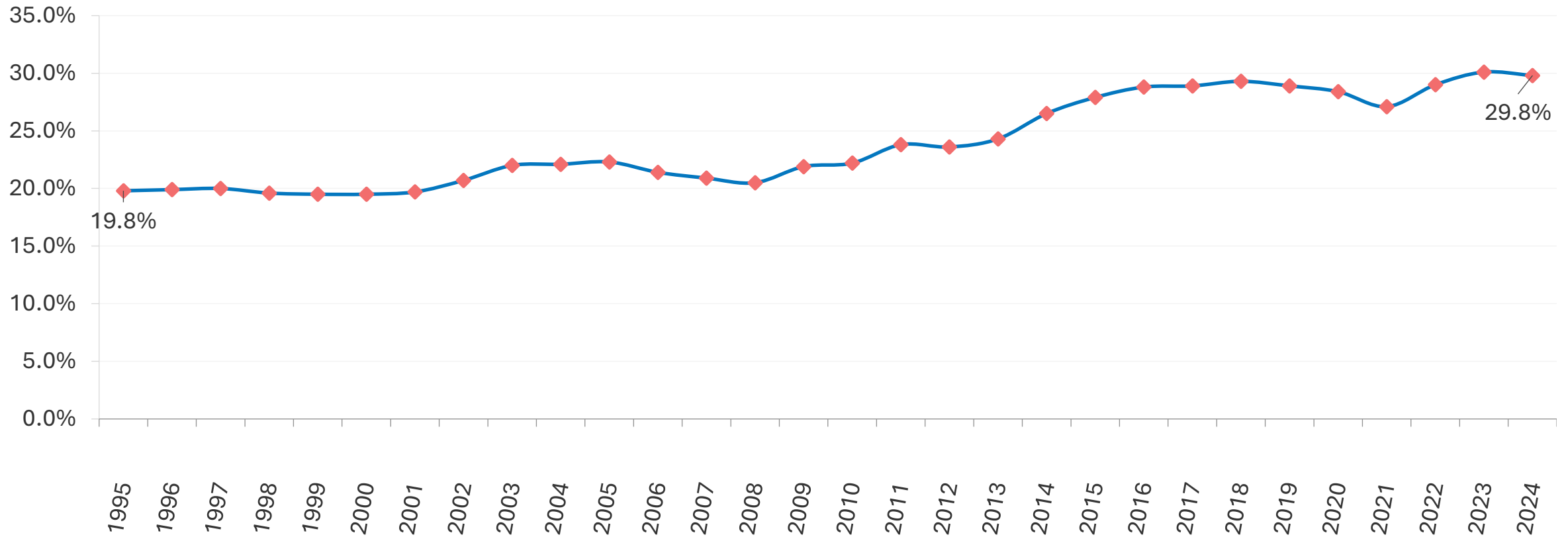
FY24

Total State Expenditures
By Function

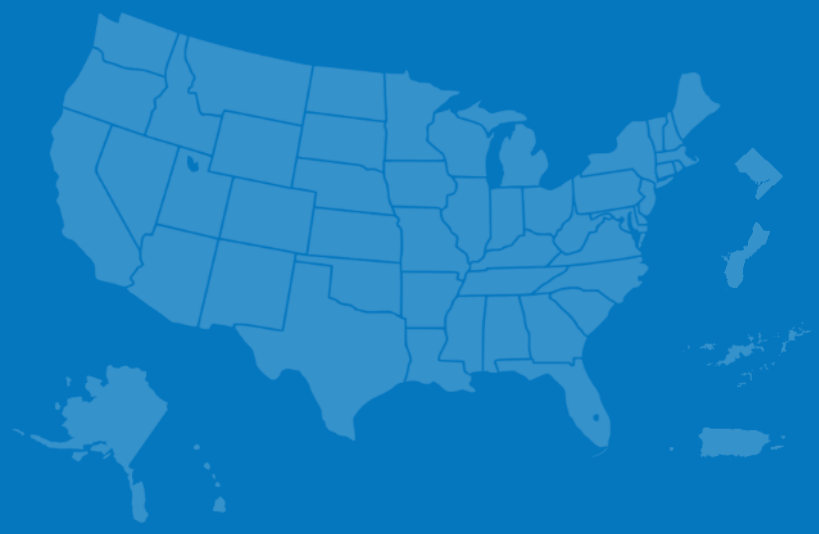


Source: NASBO State Expenditure Report

Medicaid as a Share of Total State Spending*



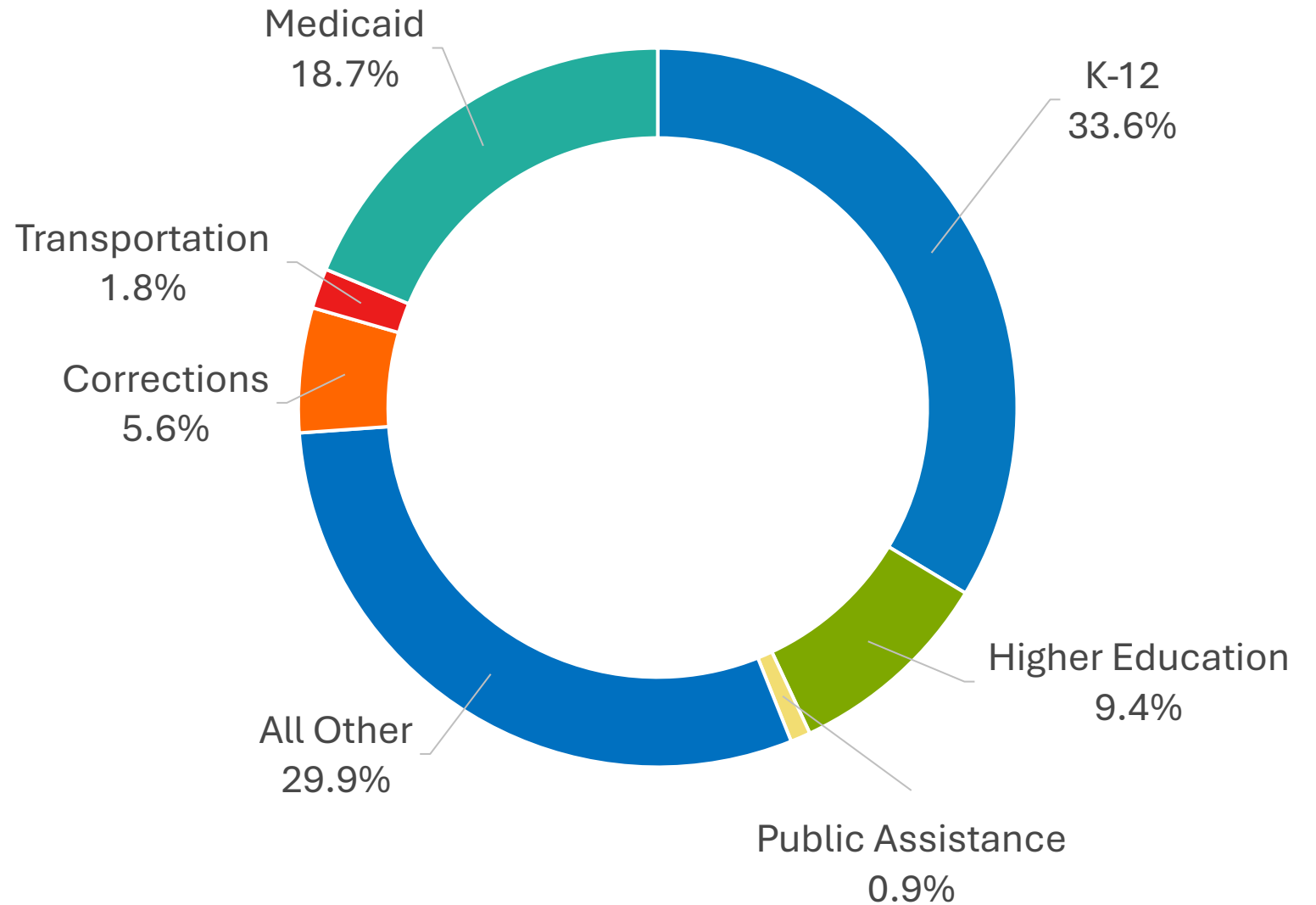
*Total state expenditures include spending from general funds, other state funds, bonds, and federal funds to states.



**\$1,181
Billion**

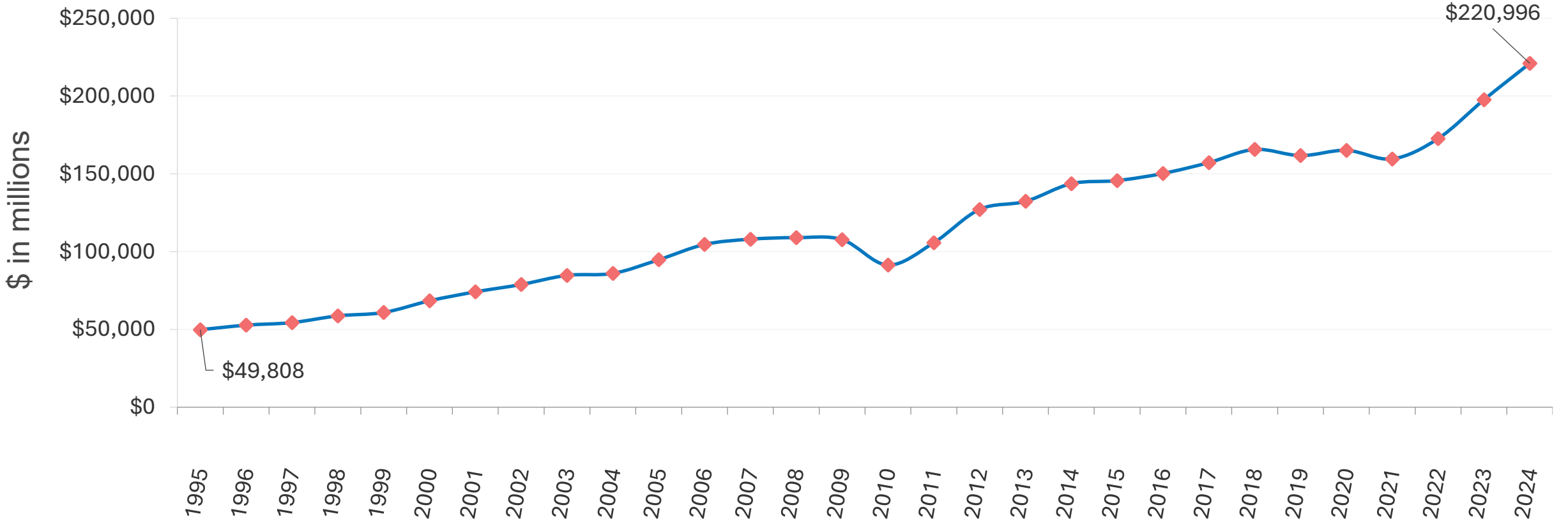
FY24

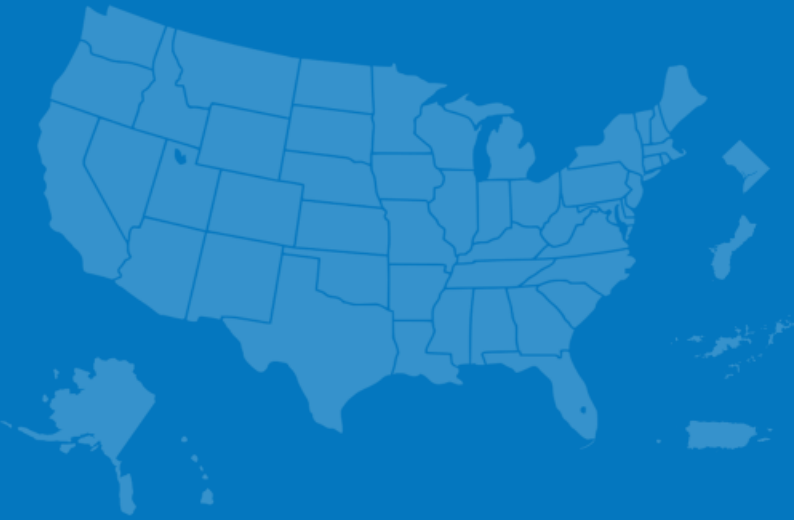
General Funds
Expenditures By Function



Source: NASBO State Expenditure Report

Medicaid General Fund Spending (\$ in millions)

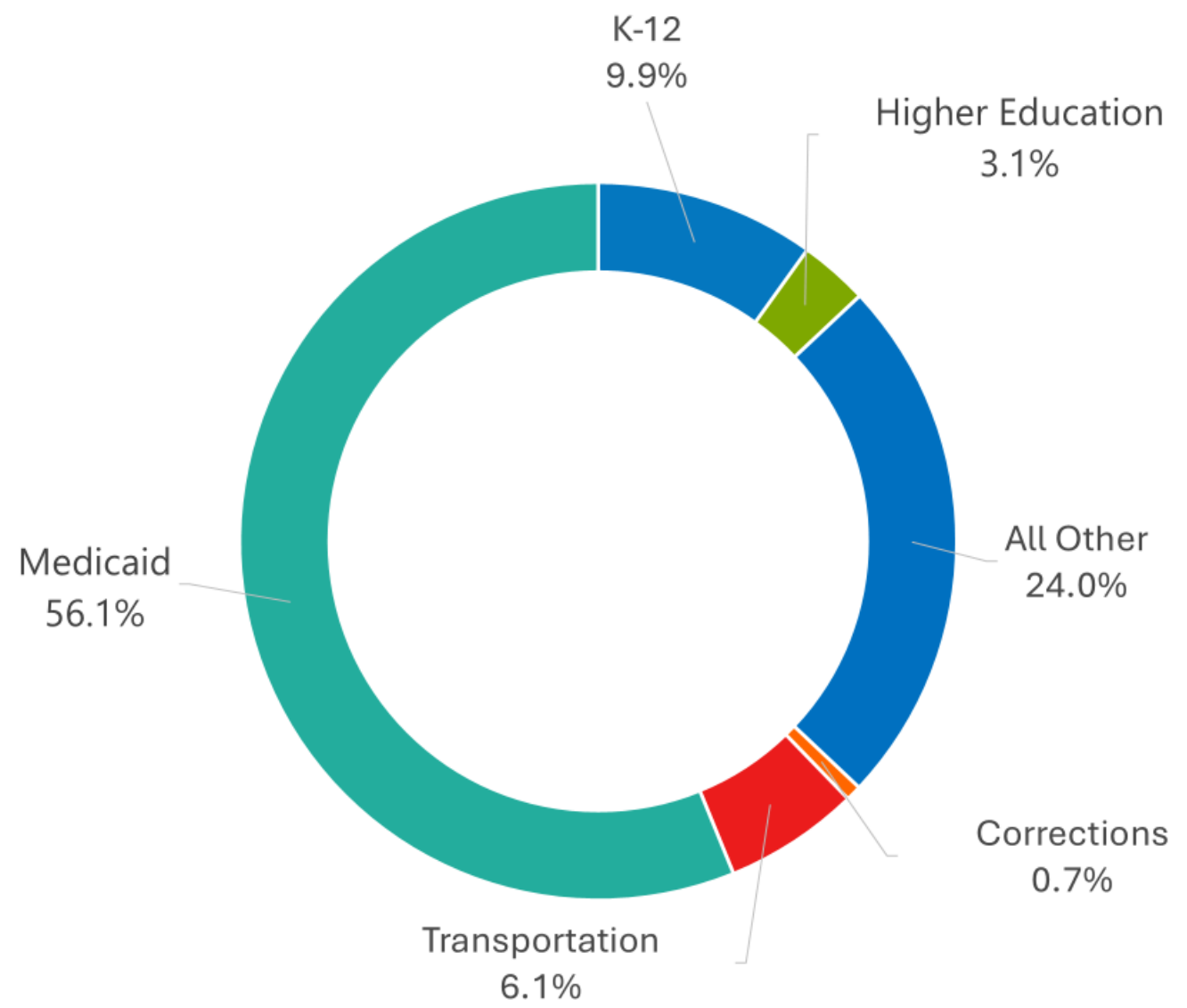




**\$1,047
Billion**

FY24

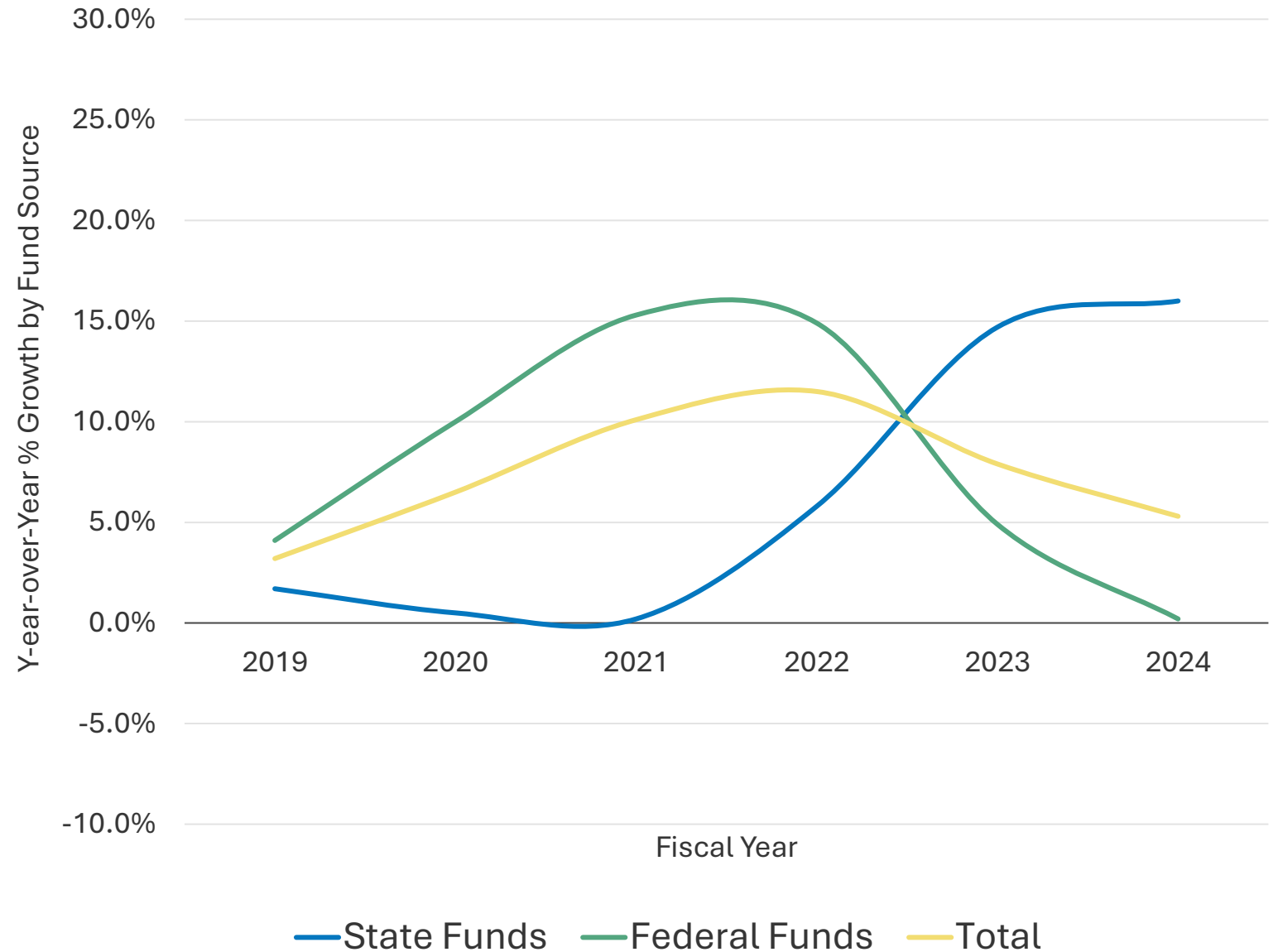
Federal Funds
Expenditures By Function



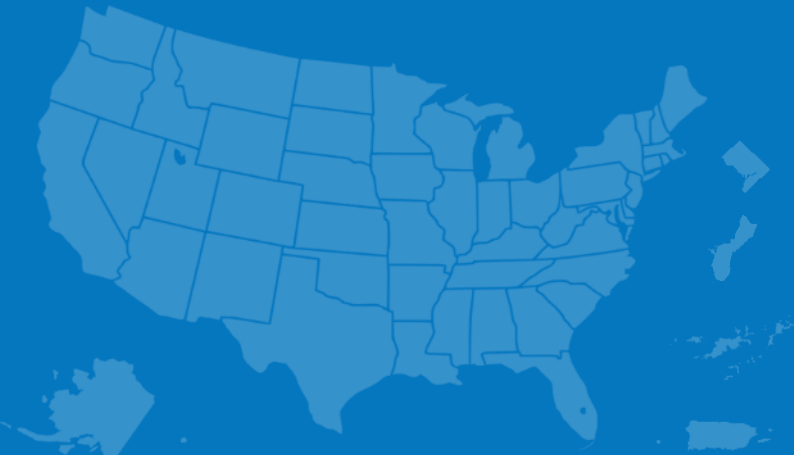
Source: NASBO State Expenditure Report

Annual Percentage Change in Medicaid Expenditures by Fund Source

Fiscal 2019 to Fiscal 2024



State funds are general funds and other state funds combined



**Select
OBBBA
Provisions
Affecting
State
Budgets**

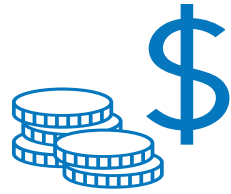
Fiscal Year 2026 (immediate) - Conforming to the federal tax code will reduce revenues in most states, some significantly.

Mid Fiscal Year 2026 - More frequent Medicaid eligibility checks (December 2026).

Fiscal Year 2027 – Medicaid Work Requirements (by January 2027); Increase the state share of SNAP administrative costs from 50% to 75%.

Fiscal Year 2028 – Medicaid Provider taxes phase-down in expansion states; State directed payments phase-down; SNAP benefit match.

Estimated Expenditure Impacts



Federal Medicaid Spending

- Federal cuts to states over 10 years would represent 14% of federal spending on Medicaid over the period. (KFF Analysis) (On an annual basis, 14% of FY 2024 federal Medicaid expenditures by states = \$82.2 billion.)



SNAP Cost Sharing

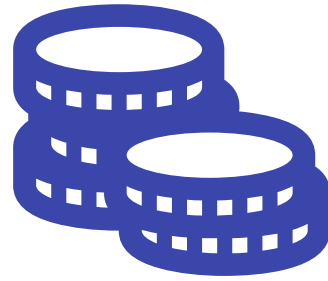
- Shifting a share of SNAP Expenditures to states based on error rates (FY 2024=\$11.6 billion) + increasing admin costs (\$3.5 billion) (FFIS Analysis)

These are in addition to

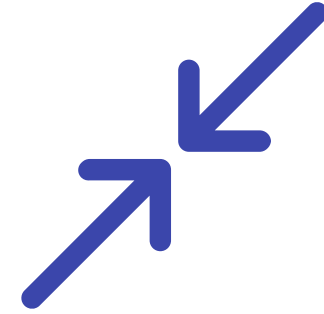
- Other cost shifts
- Cuts to Current Federal Grants
- Current Escalation in State Costs



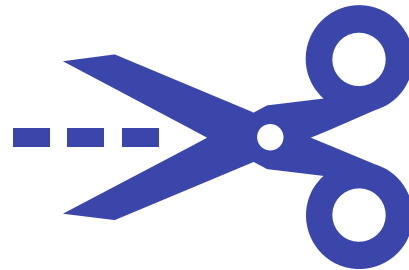
Options States Will Have to Balance Budgets In Response to Federal Actions



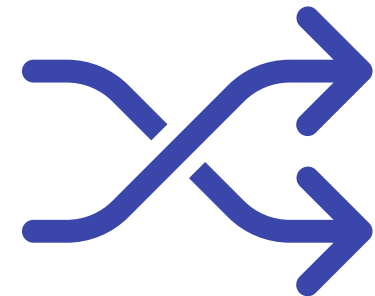
Raise revenue



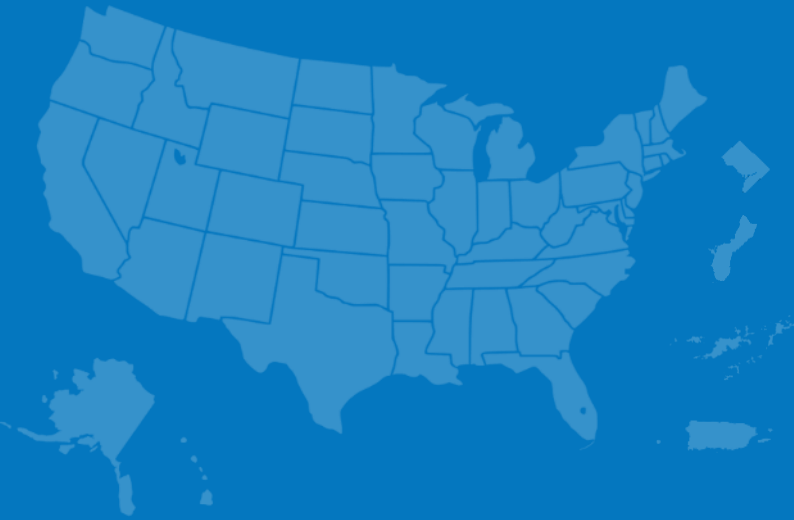
Program reductions



Cuts in other areas



A mix of all three



Take Aways

State fiscal conditions are already tight. Flat budgets, spending reductions, hiring and travel freezes, etc. are pre-OBBBA actions.

Revenue impacts from OBBBA tax provisions will reduce growth, substantially in some states.

States need to be preparing but major impacts will occur in out years.

Impacts are not uniform across states.

OBBBA changes will be part of state budgeting discussions and decisions for the coming decade.

States will see many changes in leadership before the OBBBA impacts are fully phased-in (in some cases, even before they begin).



**Thank
you**

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