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Spending

Combined federal and state expenditures for Medicaid accounted for about 17 percent of U.S. health care spending in calendar year (CY) 2016, the most recent year for which historical data are available. In comparison, Medicare accounted for about 20 percent and private insurance accounted for about 34 percent of U.S. health care spending (MACPAC 2018).

For certain types of care, Medicaid accounts for a larger portion of total U.S. spending than any other type of payer. National Health Expenditures (NHE) data compiled by the Centers for Medicare & Medicaid Services Office of the Actuary show that in CY 2016, Medicaid financed 31 percent of nursing home care and 58 percent of the category of other health, residential, and personal care that includes a variety of home and community-based services (table 4 in CMS 2018). Another analysis that broke NHE data into different categories found that Medicaid accounted for 61 percent of all long-term services and supports (LTSS) spending in CY 2012, \$134 billion out of a total \$220 billion (O'Shaughnessy 2014). Medicaid pays for about one quarter (24 percent) of all spending on mental health services and about one fourth (24 percent) of all spending on substance abuse treatment (SAMHSA 2019).

Medicaid and CHIP have increased as a share of U.S. health care spending over time, along with Medicare and private insurance; in contrast, the out-of-pocket and other third-party payer shares of spending have decreased (table 3 in CMS 2018). In addition, as health care has consumed a growing share of the nation's economy, so have Medicaid and CHIP. Between CYs 1970 and 2016, total U.S. health care spending increased from 6.9 percent of gross domestic product (GDP) to 18.0 percent; over the same period, Medicaid and CHIP spending increased from 0.5 percent of GDP to 3.0 percent (CMS analyses of national health expenditures here).

Similarly, the programs represent a growing portion of the federal budget, having increased from 1.4 percent of federal outlays in FY 1970 to 9.4 percent in FY 2017; in comparison, Medicare increased from 3 percent of federal outlays to 14.9 percent. (See analyses by the Office of Management and Budget, tables 8.1 and 8.5 2016.) Unlike Medicare, for which a substantial portion of federal spending is financed by dedicated revenue sources that include payroll taxes and enrollee premiums, federal spending for Medicaid and CHIP is financed by general revenues.

Medicaid accounts for a large share of state budgets, 36 percent of state and local government spending on health care, and nearly half of state spending from federal funds (table 1 in CMS analysis of national health expenditure data and Figure 8 in analysis by the National Association of State Budget Officers.) However, Medicaid's share of state budgets varies substantially depending on how it is measured. Looking at total state budgets for state fiscal year (SFY) 2016 (including funds from all state and federal sources), Medicaid accounted for 28.7 percent of those budgets nationally. However, looking at the state-funded portion of state budgets for SFY 2014 (i.e., the portion that states must finance on their own through taxes and other means), Medicaid accounted for only 15.9 percent (MACStats table on state budgets).

For more information on Medicaid spending, see the following:

Medicaid Enrollment and Spending

Annual Growth in Medicaid Enrollment and Spending

Total Medicaid Benefit Spending by State and Category

Medicaid Benefit Spending per Full-Year Equivalent Enrollee by State and Eligibility Group

Medicaid Benefit Spending by State, Eligibility Group, and Dually Eligible Status

Distribution of Medicaid Benefit Spending by Eligibility Group and Service Category

Medicaid Spending by State, Category, and Source of Funds

Medicaid as a Share of States' Total Budgets and State-Funded Budgets

Historical and Projected National Health Expenditures by Payer

National Health Expenditures by Type and Payer

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About MACPAC

The Medicaid and CHIP Payment and Access Commission is a non-partisan legislative branch agency that provides policy and data analysis and makes recommendations to Congress, the Secretary of the U.S. Department of Health and Human Services, and the states on a wide array of issues affecting Medicaid and the State Children's Health Insurance Program (CHIP).

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