**KEY FINDINGS**

**BOTTOM LINE:**
IT’S TIME TO REIN IN MEDICAID AND STOP THE MEDICAID PAC-MAN.

1. **Now:** Medicaid spending has soared to more than $603 billion.
   **Then:** Medicaid spending nationwide was $184 billion.

2. **Now:** Medicaid spending consumes nearly one of every three dollars states spend.
   **Then:** Medicaid spending accounted for one of every five dollars states spent.

3. **Now:** Medicaid spending is 50 percent higher than education spending.
   **Then:** Education spending exceeded Medicaid spending.

4. **Now:** Thirty-two states spend more than a quarter of their budgets on Medicaid.
   **Then:** Five states spent more than a quarter of their budget on Medicaid.
What is the Medicaid Pac-Man?

Medicaid is a welfare program that was originally created to provide basic medical care for individuals with nowhere else to turn. But over time, the program has grown exponentially, particularly in the last decade. Today, it is one of the largest and fastest-growing items in state budgets.

While federal taxpayers split the cost with state taxpayers, states are generally responsible for administering the program and setting eligibility levels. That is to say, while federal taxpayers may ultimately foot a sizeable portion of the bill, states are responsible for actually spending the money.

As Medicaid continues to grow, fewer dollars are left over for other important budget items, such as education, public safety, and infrastructure.

Conceptualizing state budgets as a pie graph paints a clearer picture of the nature of this problem: as Medicaid spending grows as a slice of state spending, other budget items necessarily shrink.

It is not just that Medicaid is growing faster than other items and consuming more of the pie—Medicaid is also consuming dollars that could go to other important priorities. Every dollar that is diverted to Medicaid is a dollar that cannot be spent on education or public safety or infrastructure, given that the same dollar cannot be spent twice. This is the Medicaid Pac-Man.
THEN: Medicaid spending nationwide was $184 billion

NOW: Medicaid spending has soared to more than $603 billion

Over the past several years, Medicaid spending has exploded, reaching record levels and leaving taxpayers holding the bag. This is increasingly problematic for policymakers as states grapple with infrastructure needs, prison over-crowding, and other pressing budget priorities.

In 2000, Medicaid spending nationwide was $184 billion. However, by 2009, Medicaid spending had nearly doubled, reaching $327 billion. Over the last decade, Medicaid spending has continued to skyrocket, reaching an estimated $603 billion in 2018.

Medicaid spending has grown two and a half times as fast as state revenues over that same time period: while Medicaid spending has grown by 227 percent, state tax revenue has grown by just 91 percent.

To put that in perspective, Medicaid spending in the United States is now larger than the economies of several European countries, including Sweden, Poland, and Belgium.

Unfortunately for taxpayers, Medicaid growth shows no signs of slowing down. Over the next decade, Medicaid spending is projected to outpace economic growth. By just 2026, Medicaid spending will exceed more than $1 trillion per year.
THEN: Medicaid spending accounted for one of every five dollars states spent

NOW: Medicaid spending consumes nearly one of every three dollars states spend

This explosion of Medicaid spending is even more alarming when put into the context of total state spending. In 2000, Medicaid consumed just under 20 percent of states’ budgets nationwide. That means one out of every five dollars states spent went to Medicaid.

Just five states reported that more than 25 percent of their budget went to Medicaid at that time.

At that same point, roughly 23 percent of state budgets were going to elementary and secondary education, nearly four percent went to corrections, and roughly nine percent was devoted to transportation.

Fast forward to today, and the landscape looks much different: Medicaid is now consuming 30 percent of state budgets, devouring nearly one out of every three dollars states spend.

In total, 47 states have seen Medicaid grow as a share of their budgets since 2000. Thirty-two states now have a quarter or more of their budgets devoted solely to Medicaid spending. Some states—such as Missouri, Ohio, and Pennsylvania—are nearing 40 percent.

Ultimately, this means fewer dollars are available for education, corrections, transportation, and other important budget priorities.

For example, K-12 education’s share of state budgets has dropped by 13 percent. Corrections and transportation spending have decreased as a share of state budgets as well. State spending outside of these core budget items has also dropped 12 percent.

The bottom line is simple: The Medicaid Pac-Man is growing and devouring every extra dollar it can find.
THEN: Education spending exceeded Medicaid spending

NOW: Medicaid spending is 50 percent higher than education spending

In 2000, education spending was a higher priority in state budgets than it is today, representing the largest single line item. Not only did it make up a higher share of state budgets, but it was also higher than Medicaid spending in terms of raw dollars: States spent roughly $213 billion on education compared to $184 billion for Medicaid.19

Even 10 years later, in 2009, education spending was still more of a priority in state budgets, accounting for $335 billion, compared to $327 billion for Medicaid.20

Today, the picture looks quite different: Medicaid spending is now far outpacing education spending, with states spending an estimated $603 billion on the program in 2018, compared to just $399 billion for education.21

That means that, since 2009 alone, Medicaid spending has nearly doubled while education spending has risen by just 19 percent.22

Since 2000, Medicaid spending has risen by 227 percent, more than two and a half times as fast as education spending.23
Five states where the Medicaid Pac-Man is running wild

Medicaid spending is growing virtually everywhere, even in states that did not opt to accept ObamaCare’s Medicaid expansion. It is consuming more and more resources, taking up limited dollars that could go to other important state priorities. A few states, unfortunately, stand out above the rest.

**OHIO THEN: $7.3 BILLION MEDICAID BUDGET, 19 PERCENT OF STATE SPENDING**

**OHIO NOW: $27 BILLION MEDICAID BUDGET, CONSUMING 38 PERCENT OF STATE SPENDING**

Ohio’s Medicaid program has spiraled out of control in recent years and shows no signs of slowing down.

In 2000, the Buckeye State’s Medicaid budget was roughly $7.3 billion. This represented about 19 percent of the state’s entire budget, consistent with the national average at that time.

Education spending was also roughly in line with the national average, taking up 18.2 percent of the state’s budget at just over $7 billion. In essence, Ohio was spending a dollar on education for every dollar spent on Medicaid.

By 2009, Ohio’s Medicaid spending had roughly doubled, climbing to $14 billion and 24 percent of state spending. Transportation and corrections spending both dropped as a share of the state budget.

Then, in 2014, the state opened the floodgates to ObamaCare’s Medicaid expansion which has blown the lid off of every state and third-party cost and enrollment projection.

Fast forward to 2018, Ohio’s Medicaid program is almost unrecognizable: The program now costs taxpayers nearly $27 billion per year—more than the state’s entire general revenue in 2000—and consumes 38 percent of the state budget. Two out of every five dollars the state spends must now feed the Medicaid Pac-Man.

This is an increase in total Medicaid spending of 260 percent since 2000. Over that same time period, Medicaid has grown nearly four times as fast as education.
Unlike Ohio, Florida wisely did not accept ObamaCare’s Medicaid expansion. It is good that they did not: even absent expansion, Florida’s total Medicaid spending has risen significantly in recent years, straining the budget and leaving fewer dollars for education or transportation spending.

Since 2000, Medicaid spending has more than doubled as a percentage of the state’s budget, climbing from just under 16 percent of state spending to more than 32 percent. Total Medicaid spending in the Sunshine State has more than tripled since 2000, rising from $7.7 billion to just over $27.3 billion in 2018.

The vast majority of this spending increase was driven by enrollment increases. In 2006, Florida launched a comprehensive Medicaid reform pilot to provide more choices, better care, and higher satisfaction at lower costs. In 2014, that pilot was expanded statewide. The reform has kept the state’s per-person Medicaid costs in check, having grown just 0.6 percent per year since 2014.

Despite this success, however, skyrocketing enrollment has still led the state’s Medicaid spending to increase by 227 percent since 2000.

While education and transportation spending have remained relatively constant as a share of the budget, Florida’s own Medicaid Pac-Man is preventing state policymakers from devoting even more funding to these important budget items because the Medicaid Pac-Man must be fed.
Indiana’s Medicaid budget was just under $3 billion in 2000 and accounted for less than 18 percent of their total state spending, which was under the national average at the time.\textsuperscript{40}

Unfortunately, the state’s Medicaid budget has grown considerably and is crowding out funding for other budget items.

By 2009, Indiana Medicaid spending reached $5.6 billion, almost doubling from 2000, and accounted for nearly 22 percent of state spending.\textsuperscript{41} But since 2009, the Hoosier State’s Medicaid spending has nearly doubled again.

In 2015, the state opened the door to ObamaCare’s Medicaid expansion, which has been over budget and wildly exceeded enrollment projections, leading to an even more dramatic increase in Medicaid spending.

The growth got so out of control that by 2018, Indiana’s Medicaid budget was just over $11.6 billion, an increase of 292 percent since 2000.\textsuperscript{42} Medicaid spending grew more than three times as fast as state revenues during this time period.\textsuperscript{43}

Fortunately, Indiana is trying to reverse this trend. It is one of a handful of states to receive approval from the Trump administration to implement work requirements for able-bodied adults in Medicaid to try and rein in this budget-busting program.
Louisiana’s Medicaid program has also exploded in recent years. In 2000, the state spent just $3.4 billion on Medicaid, accounting for roughly one out of every five dollars in the budget. This was roughly consistent with the national average for Medicaid spending in state budgets at the time.

By 2009, the state’s Medicaid budget had nearly doubled, climbing to $6.2 billion. This was still roughly in line with national averages for Medicaid spending as a share of state budgets.

Fast forward to 2018, after Gov. John Bel Edwards unilaterally expanded Medicaid through ObamaCare, and Louisiana’s Medicaid budget had nearly doubled again, surpassing $11 billion per year. Thirty-five percent, or more than one out of every three dollars, now goes to Medicaid.

In turn, the share of Louisiana’s budget that is devoted to education spending had dropped by 16 percent since 2000, while Medicaid spending grew three times as fast as state revenues.
In 2000, the share of Alaska’s budget committed to Medicaid was significantly below the national average. The state was spending just $486 million on the program, accounting for less than 10 percent of the budget. Today, after several years of ObamaCare expansion, Medicaid is devouring a significantly larger chunk of the state’s budget.

In 2018, 21 percent of the state’s budget was spent on Medicaid. Total Medicaid spending has nearly quintupled, increasing by a staggering 379 percent and growing 25 times as fast as state revenues.

Over that same time period, K-12 education’s share of the budget dropped by 14 percent.

As Medicaid continues to consume more resources, budget priorities suffer and fewer dollars are left to serve truly needy Alaskans such as seniors, kids, and individuals with disabilities.
How to stop the Medicaid Pac-Man

The Medicaid Pac-Man is running wild. It is devouring limited resources that could go to other important budget priorities like education, infrastructure, and public safety. Thankfully, states have some options to rein in the Medicaid Pac-Man.

**States can and should pursue Medicaid work requirements for non-disabled adults.** This is an important reform that several of the states highlighted above—including Indiana and Ohio—are already pursuing or moving toward implementing in order to rein in their out of control programs. The Trump administration has approved 10 requests for Medicaid work requirements and could approve up to a dozen more by the end of 2019. Work requirements have proven to be an effective way to move individuals from dependency to self-sufficiency, so states looking to get Medicaid costs under control would be wise to pursue them.

**States should also use every tool at their disposal to root out waste, fraud, and abuse in Medicaid.** Nationally, the federal government estimates that up to 10 percent of all Medicaid spending is improper. For states like Florida, Ohio, Indiana, and others that are being consumed by the Medicaid Pac-Man, 10 percent of potential savings represents billions of dollars. These states can attack fraud—and protect the truly needy and taxpayers—by making sure all welfare applicants are actually eligible when they apply by verifying incomes, addresses, identities, wage records, and more.

States can and should also use technology and existing data resources—like death records, lottery records, wage records, and more—to ensure enrollees maintain their eligibility throughout the year.
Finally, states must reject—or roll back—ObamaCare’s failed Medicaid expansion. States like Indiana, Louisiana, Ohio, and many more are feeling the devastating consequences of this disastrous policy. States have enrolled more than twice as many able-bodied adults as they expected and spent more than twice as much as they promised taxpayers they would spend. States that have resisted expansion should continue to do so; giving in now would be like putting the Medicaid Pac-Man on steroids.

States that are already grappling with expansion’s wrath should also be proactive and roll back their programs through an enrollment freeze. This option, which was passed by the Ohio legislature and has been utilized by other states in the past to control enrollment, would let individuals on the program stay until their incomes naturally rise above the program’s eligibility limits, but would close the front door to new enrollment in order to protect taxpayers.

Ultimately, across the board, regardless of expansion status, Medicaid is growing at an alarming rate. Even states that continue to reject ObamaCare expansion must be aggressive in reining in and reforming Medicaid before the Pac-Man devours their budgets completely.
## MEDICAID EXPENDITURES AS A PERCENTAGE OF TOTAL STATE EXPENDITURES

<table>
<thead>
<tr>
<th>STATE</th>
<th>2000</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>19.3</td>
<td>25.4</td>
</tr>
<tr>
<td>Alaska</td>
<td>9.3</td>
<td>21</td>
</tr>
<tr>
<td>Arizona</td>
<td>13.9</td>
<td>29.1</td>
</tr>
<tr>
<td>Arkansas</td>
<td>16.2</td>
<td>28</td>
</tr>
<tr>
<td>California</td>
<td>16.5</td>
<td>33.7</td>
</tr>
<tr>
<td>Colorado</td>
<td>17.1</td>
<td>26.9</td>
</tr>
<tr>
<td>Connecticut</td>
<td>26.2</td>
<td>24.7</td>
</tr>
<tr>
<td>Delaware</td>
<td>10.1</td>
<td>20.9</td>
</tr>
<tr>
<td>Florida</td>
<td>15.7</td>
<td>32.1</td>
</tr>
<tr>
<td>Georgia</td>
<td>14.3</td>
<td>20.1</td>
</tr>
<tr>
<td>Hawaii</td>
<td>8.5</td>
<td>14.1</td>
</tr>
<tr>
<td>Idaho</td>
<td>16.6</td>
<td>27.1</td>
</tr>
<tr>
<td>Illinois</td>
<td>21.5</td>
<td>33.6</td>
</tr>
<tr>
<td>Indiana</td>
<td>17.6</td>
<td>34.5</td>
</tr>
<tr>
<td>Iowa</td>
<td>13</td>
<td>21.9</td>
</tr>
<tr>
<td>Kansas</td>
<td>7.2</td>
<td>21.3</td>
</tr>
<tr>
<td>Kentucky</td>
<td>24.3</td>
<td>30.3</td>
</tr>
<tr>
<td>Louisiana</td>
<td>22</td>
<td>34.5</td>
</tr>
<tr>
<td>Maine</td>
<td>24.8</td>
<td>33.1</td>
</tr>
<tr>
<td>Maryland</td>
<td>16.5</td>
<td>25.5</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>19.3</td>
<td>28.8</td>
</tr>
<tr>
<td>Michigan</td>
<td>19.4</td>
<td>32.1</td>
</tr>
<tr>
<td>Minnesota</td>
<td>18.5</td>
<td>30.6</td>
</tr>
<tr>
<td>Mississippi</td>
<td>21.2</td>
<td>23.6</td>
</tr>
<tr>
<td>Missouri</td>
<td>18.4</td>
<td>39.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STATE</th>
<th>2000</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montana</td>
<td>15.9</td>
<td>26.4</td>
</tr>
<tr>
<td>Nebraska</td>
<td>16.8</td>
<td>17.7</td>
</tr>
<tr>
<td>Nevada</td>
<td>12.6</td>
<td>28.5</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>24.2</td>
<td>35.6</td>
</tr>
<tr>
<td>New Jersey</td>
<td>14.1</td>
<td>24.7</td>
</tr>
<tr>
<td>New Mexico</td>
<td>14.5</td>
<td>29.3</td>
</tr>
<tr>
<td>New York</td>
<td>34.5</td>
<td>34</td>
</tr>
<tr>
<td>North Carolina</td>
<td>19.4</td>
<td>28</td>
</tr>
<tr>
<td>North Dakota</td>
<td>17.3</td>
<td>20.4</td>
</tr>
<tr>
<td>Ohio</td>
<td>18.9</td>
<td>38</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>15.5</td>
<td>24.4</td>
</tr>
<tr>
<td>Oregon</td>
<td>21.4</td>
<td>22.4</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>27.9</td>
<td>38.8</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>25.8</td>
<td>28.6</td>
</tr>
<tr>
<td>South Carolina</td>
<td>16.1</td>
<td>26.4</td>
</tr>
<tr>
<td>South Dakota</td>
<td>19.4</td>
<td>20.4</td>
</tr>
<tr>
<td>Tennessee</td>
<td>28.7</td>
<td>32.2</td>
</tr>
<tr>
<td>Texas</td>
<td>22.8</td>
<td>30.9</td>
</tr>
<tr>
<td>Utah</td>
<td>11.8</td>
<td>18.9</td>
</tr>
<tr>
<td>Vermont</td>
<td>23.5</td>
<td>28.2</td>
</tr>
<tr>
<td>Virgina</td>
<td>12.2</td>
<td>18.9</td>
</tr>
<tr>
<td>Washington</td>
<td>20</td>
<td>27</td>
</tr>
<tr>
<td>West Virginia</td>
<td>21.5</td>
<td>25</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>11</td>
<td>20.4</td>
</tr>
<tr>
<td>Wyoming</td>
<td>14.1</td>
<td>14.2</td>
</tr>
</tbody>
</table>

| All States     | 19.5  | 29.7  |
REFERENCES


8. Ibid.


10. Ibid.


13. Author’s calculations based upon reported state Medicaid spending as a share of state budgets in 2000 and 2018, per NASBO. This number does not include Wyoming which did not report budget spending for fiscal year 2000.


15. Ibid.


17. According to the 2018 NASBO report, the percentage of state spending that goes to corrections has dropped from 3.8 percent to 3.1 percent since 2000. The percentage of state spending that goes to transportation has dropped from 8.8 percent to 8.0 percent over that same time period, while Medicaid spending has increased by 10.2 percentage points as a share of state budgets over that same timeframe.


22. Author’s calculations based upon the raw increase in education and Medicaid spending from 2009 to 2018, as reported by the National Association of State Budget Officers.

in 2000 and 2018, according to the National Association of Budget Officers. 

Author's calculations based upon reporting spending on elementary and secondary education for the state of Louisiana compared to 2018, as reported by the National Association of State Budget Officers.


Ibid.


Ibid.

Author’s calculations based upon data provided by the Florida Agency for Health Care Administration on total Medicaid expenditures and total enrollment in fiscal year 2014 and fiscal year 2018.


Ibid.


Ibid.

Author’s calculations based upon total education and Medicaid spending in Ohio from 2000 to 2018, according to the National Association of State Budget Officers.


Ibid.


Author’s calculations based upon data provided by the Florida Agency for Health Care Administration on total Medicaid expenditures and total enrollment in fiscal year 2014 and fiscal year 2018.


Ibid.


Ibid.


Ibid.


Ibid.


54. Ibid.


56. Author’s calculations based upon the percentage of Alaska’s budget dedicated to elementary and secondary education spending in 2000 as compared to 2018, as reported by the National Association of State Budget Officers.

57. As of October 2019, Centers of Medicare and Medicaid Services has approved Medicaid work requirements in 10 states. Section 1115 waivers have been approved in Kentucky, Arkansas, Indiana, New Hampshire, Ohio, Wisconsin, Michigan, Maine, Utah, and Arizona.


