Easy Read Edition

A Self-Advocate's Guide to Medicaid

Part 4: Medicaid Funding

4. Medicaid Funding

How is Medicaid Paid For?

Federal matching

The **federal government** shares the cost of **Medicaid** with each state. This is called **federal matching**.

The federal government “matches” the money that states spend on Medicaid. In general:

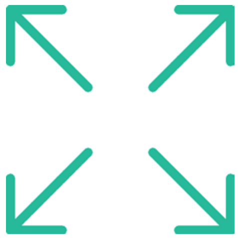
- Every time a state spends $1 on Medicaid, the federal government gives that state another $1 for their Medicaid program.

The federal match can be different depending on the state or the Medicaid program. The federal government also gives more money to states where more people need help.

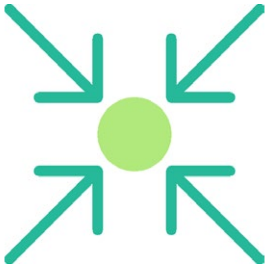
If a state pays more for Medicaid, the federal government pays more for Medicaid. If a state pays less, the federal government pays less.

States need federal matching for Medicaid. Without federal matching, states would not have enough money for their Medicaid programs.

If states didn't have federal matching, the states wouldn't have enough money to give services to everyone who gets services now. States would have to get rid of some services that Medicaid covers. Or, states would have to cover fewer people under Medicaid.



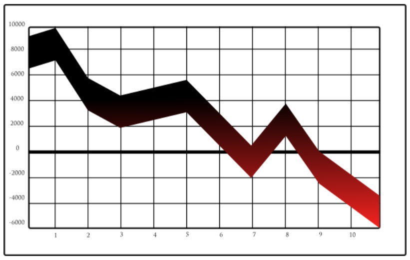
Why is Federal Matching Important?



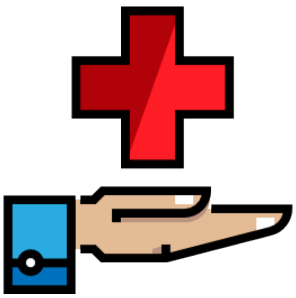
One important thing about Medicaid is that Medicaid can get bigger or smaller depending on how many people need it.

Medicaid can do this because of federal matching.

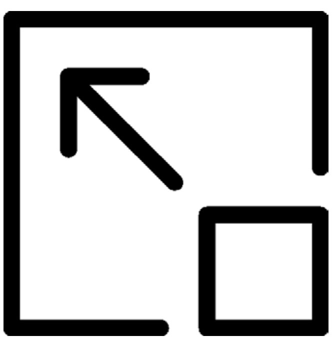
The economy affects Medicaid



If the economy is bad, fewer people have jobs and more people may need Medicaid.



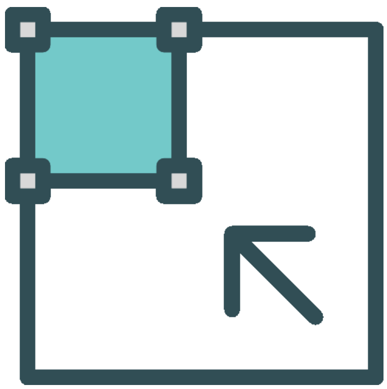
When the economy is bad, not as many people can afford to buy **health insurance**. They need Medicaid.



So when the economy is bad, Medicaid gets bigger. Medicaid gets bigger because more people need it.

The state can afford to make Medicaid bigger because the federal government is helping them pay for it.

If the economy gets better, some people will start making more money again. They can get health insurance on their own again. They won't need Medicaid anymore.

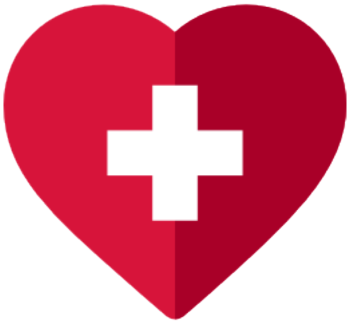


So when less people need Medicaid, Medicaid gets smaller again.

Medicaid can grow based on each state's needs

Medicaid can grow based on needs in each state. This helps states to deal with health problems that they may not have expected.

Example #1



There could be an unexpected disease that makes many people in a state sick. Medicaid would pay more money to cover the services that people need to get better.

Example #2

A new medicine is created. The medicine costs more money. Medicaid can spend more money to pay for the new medicine.

Medicaid is able to grow in these ways because of federal matching.

Federal matching is important because Medicaid is a partnership. When one partner pays less, the other partner has to pay more.

The federal government has more money than states do. The federal government has extra money to spend on surprise costs. States do not have extra money to spend on surprise costs.[1]

Without federal matching, states could not spend more money on Medicaid when they need to, like when there are unexpected health problems.

1 https://www.whitehouse.gov/omb/budget

Glossary

federal government

The government that is charge of the entire country and is based in Washington. D.C.

federal matching

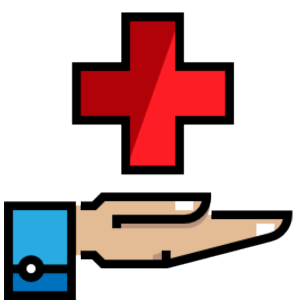
The federal government "matches" the money that states spend on Medicaid. In general:

Every time a state spends $1 on Medicaid, the federal government gives that state another $1 for their Medicaid program.

health insurance

A program that lets you pay a certain amount of money each month to an insurance company. Then, the insurance company will pay for part of your medical costs.

Medicaid



A health care program in the United States.

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