



Myths and Facts About Medicaid and the One Big Beautiful Bill Act

The One Big Beautiful Bill Act (OBBBA) introduced notable updates to Medicaid, which have been widely discussed in the news. This explainer outlines the fundamentals of the Medicaid program and addresses some common myths with facts grounded in data.

What You Might Not Know About Medicaid

Medicaid is a public health insurance program that uses joint federal and state funds to provide health coverage for eligible individuals.

Low-income families, their children, and pregnant women are eligible, as are seniors, the blind, and the disabled if they meet certain maximum income limits. Depending on state policy, adults earning up to 138 percent of the federal poverty line (\$20,783 in 2024) are also eligible to enroll.

In 2023, federal and state governments spent \$872 billion providing Medicaid services, representing about 18 percent of all healthcare spending in America.¹

The federal government matches a certain percentage of state spending on Medicaid using a formula called the Federal Medical Assistance Percentage, or FMAP. It ranges from 50 percent for high-income states to 83 percent for low-income states and territories.

Myth: Medicaid is a minor healthcare program compared with Medicare.

FACT: Through 2023, Medicaid (and CHIP, the program that covers children) enrolled roughly 85 million people, or about one-quarter of the American population.² The Medicare program, in comparison, covered 66.7 million people in 2023 and had total expenditures of \$1.04 trillion, versus Medicaid's \$872 billion.³

Myth: Medicaid is only for people who don't work.

FACT: Among adults on Medicaid, roughly two-thirds are working full- or part-time. Those who are not working cite reasons including caregiving (12 percent); illness or disability (10 percent); school attendance (6 percent); or retirement, an inability to find work, or another reason (8 percent).⁴

Myth: The federal government pays for all of Medicaid.

FACT: Medicaid is paid for by both the federal and state governments, although the federal government provides most of the funding. In 2023, the US government paid 68 percent of Medicaid's outlays and states paid 32 percent.⁵ Even though the federal government contributes more than states, Medicaid remains one of the largest line items in most states' budgets.

Myth: Medicaid's waste and fraud levels are quite low.

FACT: The Centers for Medicare & Medicaid Services estimated that Medicaid's improper payment rates were 15.62 percent in 2022 and 8.58 percent in 2023. In 2023, that corresponded to \$50.3 billion in improper payments.⁶

Myth: New immigrants receive Medicaid the moment they arrive in the country.

FACT: Most lawfully present immigrant adults face a five-year waiting period before they are eligible for Medicaid, even if they meet the income limits. Undocumented immigrants are limited to receiving emergency care.⁷

Myth: Medicaid spending has been cut due to OBBBA.

FACT: Before the OBBBA was signed into law, CBO estimated that federal Medicaid spending would rise from \$655.9 billion to \$985.7 billion in 2034. As a result of the OBBBA, CBO estimates that spending will now rise from \$655.9 billion to \$860.5 billion in 2034.⁸ Medicaid spending will continue to grow, but at a slower rate than before.

Myth: Due to OBBBA, everyone on Medicaid is going to face work requirements to remain on the program.

FACT: Work requirements passed in OBBBA only apply to some able-bodied adults. Eligibility requirements are to work, volunteer, receive education, or participate in a work program for an average of 20 hours a week. Medicaid enrollees who are children, seniors, pregnant, or disabled are exempt from all work requirements. CBO estimates that by 2034 about 4.8 million able-bodied adults that would have enrolled on Medicaid won't do so because of the new work requirements.⁹

Myth: Medicaid provider taxes at the state level are an indispensable lifeline for rural hospitals, and rolling them back would force those facilities to shut their doors.

FACT: Provider taxes are often exploited as a financing workaround: States levy a tax on hospitals or managed-care plans, draw down extra funds available from federal matching, then return the tax right back to the same providers. Hospitals support the scheme—not the tax itself—because of the added access to federal dollars. Tightening or capping these taxes would rein in this circular, loophole-ridden transfer without automatically closing rural hospitals; states can still transparently channel general-fund dollars to vulnerable facilities when needed.¹⁰

ENDNOTES

¹ Centers for Medicare & Medicaid Services (CMS), “NHE Fact Sheet.” (national health expenditure data for 2023), page last updated June 24, 2025, <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/nhe-fact-sheet>.

² CMS, “December 2023 Medicaid and CHIP Enrollment Trends Snapshot,” December 2023, <https://www.medicaid.gov/medicaid/national-medicaid-chip-program-information/downloads/december-2023-medicaid-chip-enrollment-trend-snapshot.pdf>.

³ Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, *2024 Annual Report*, May 6, 2024, <https://www.cms.gov/oact/tr/2024>.

⁴ Jennifer Tolbert, Sammy Cervantes, Robin Rudowitz, and Alice Burns, “Understanding the Intersection of Medicaid and Work: An Update,” KFF, May 30, 2025, <https://www.kff.org/medicaid/issue-brief/understanding-the-intersection-of-medicaid-and-work-an-update/>.

⁵ CMS, “Table 3: National Health Expenditures, Levels and Annual Percent Change, by Source of Funds: Selected Calendar Years 1960–2023,” NHE Tables, available to download from CMS, “NHE Fact Sheet” (see note 1).

⁶ CMS, “Fiscal Year 2023 Improper Payments Fact Sheet,” November 15, 2023, <https://www.cms.gov/newsroom/fact-sheets/fiscal-year-2023-improper-payments-fact-sheet>.

⁷ Samantha Artiga, Drishti Pillai, Jennifer Tolbert, and Akash Pillai, “5 Key Facts About Immigrants and Medicaid,” KFF, February 19, 2025, <https://www.kff.org/racial-equity-and-health-policy/issue-brief/5-key-facts-about-immigrants-and-medicaid>.

⁸ Congressional Budget Office (CBO), “Re: Information Concerning Medicaid-Related Provisions in Title IV of H.R. 1,” memorandum to Hon. Jodey Arrington, Chairman, Committee on the Budget, US House of Representatives, and Hon. Brett Guthrie, Chairman, Committee on Energy and Commerce, US House of Representatives, June 24, 2025, <https://www.cbo.gov/system/files/2025-06/Arrington-Guthrie-Letter-Medicaid.pdf>.

⁹ CBO, “Re: Information Concerning Medicaid-Related Provisions.”

¹⁰ CBO, “Limit State Taxes on Health Care Providers,” in *Options for Reducing the Federal Deficit: 2025 to 2034*, December 2024, <https://www.cbo.gov/budget-options/60897>.



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