

Removing the Middlemen from Medicaid

A Blueprint for Better Care and Lower Costs

Background: Medicaid is a joint federal and state health insurance program for people with low incomes. As of April 2025, Medicaid insured 71 million people, including people with disabilities, children and families, pregnant women, the elderly, and working adults without affordable insurance. In addition, Medicaid supports the overall health infrastructure, funding safety-net and rural hospitals, as well as long-term care facilities that serve a large proportion of low-income individuals. In these ways, Medicaid stabilizes healthcare for entire communities.

Issue: The 2025 Budget Reconciliation Act supported by President Trump and Republicans in Congress slashes federal Medicaid funding by \$1 trillion over the next decade. A cut of this magnitude puts enormous pressure on states to end optional Medicaid benefits, cut eligibility, reduce provider payments, and/or raise taxes.

Solution: States that rely on corporations like Cigna and UnitedHealthcare to administer their Medicaid programs can substantially offset federal cuts if they stop using these middlemen and instead directly administer benefits. **We estimate that if states shifted to direct payment of Medicaid providers, they could reduce their Medicaid expenditures by up to \$34 billion per year.** Savings stem from reduced administrative costs and improved care coordination.