



In this chart Mercatus Center Senior Research Fellow Veronique de Rugy shows that based on the Congressional Budget Office's (CBO) long-term projections, Medicaid spending will reach levels far above any amount ever experienced in U.S. history.

State and federal spending on Medicaid is projected to grow from roughly \$465 billion today to about \$1 trillion 30 years from now. Medicaid is now the single-largest item in state budgets (constituting around 21 percent) and in most states, it has doubled as a share of state spending over the past few decades. If this spending trend persists, by 2080 Medicaid spending will be \$4.3 trillion in real dollars - nearly 7% of GDP in 2080.

As the retirement of the baby-boom generation is a well-known factor in the nation's long-term fiscal outlook, the increase in the share of the population receiving Medicaid benefits is also attributed to states dramatically expanding eligibility. Before the recession began, from 2000 to 2008, 24 states expanded their Medicaid eligibility requirements. Medicaid enrollment grew four times as fast as the general population from 2000 to 2007 and once the recession hit, enrollment growth jumped to 8.5% in fiscal year 2010.

While Medicaid's original mission was to provide health care for the poor, elderly, disadvantaged members of society, the largest beneficiaries of the program seem to be states. State Medicaid spending is supplemented by matching federal grants; therefore, for each dollar a state adds to its Medicaid budget, the federal government will spend 1 to 3 additional dollars to match. With this incentive structure, it is expected that states will continue to expand the eligibility for Medicaid. Why not spend more money, when most of the cost is paid for by the federal government?

Veronique de Rugy blogs about [How to Save Medicare](#) at NRO's The Corner.

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