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S&P Medicaid Diagnosis: U.S. States' Growing Caseloads Come With Rising Costs

Key Takeaways

- Medicaid is a unique driver of state expenditures during economic downturns, given states' limited remedies to counter rising costs of the co-funded federal-state program, which challenges their ability to sustain balanced-budget requirements.
- Federal spending has stepped in to fill the state Medicaid spending gap, including \$33 billion through June 30, 2020 and \$49 billion across the entire federal fiscal year 2020. States are estimated to have spent \$10.2 billion from state-only resources, or 4.4%, above their fiscal 2019 levels.
- Medicaid enrollment surged between February and July. As spending and utilization catch up they will consume a greater share of state budgets.
- Slow economic growth and a premature federal fiscal austerity could compound Medicaid pressures and cloud state budget forecasts.

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