THE COST OF INADEQUATE MEDICAID RATES

Medicaid Rates in a Changing Landscape

When Medicaid payment rates fail to reflect the cost of care, all consumers pay the price. Adequate payment to Medicaid managed care organizations (MCOs) ensures health plans can maintain provider networks, expand access and deliver high-quality care.

Getting rates right has never been more important. Health care costs continue to rise, Medicaid enrollees have increasingly complex health needs, state budgets are under growing fiscal pressure and policy changes are reshaping coverage across Medicaid and the individual market.

When Medicaid payment rates fall short, the entire Medicaid system suffers. States lose competition in their Medicaid markets, taxpayers face higher long-term costs, providers are subjected to greater financial strain and consumers have fewer coverage choices and reduced access to timely, high-quality care. Regional, nonprofit health plans are hit hardest when payment rates fall short, putting local care delivery and market stability at risk.

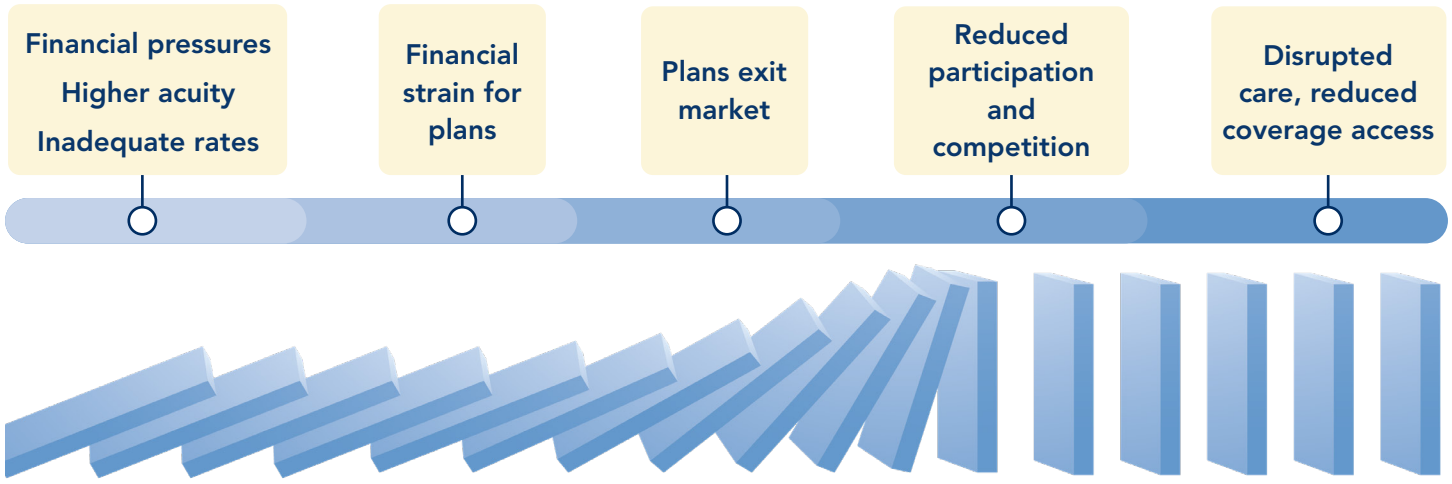
Adequate Medicaid rates are critical for:

- ☑ Stability of care
- ☑ Patient access
- ☑ Market competition

Timely data, transparent rate-setting and collaboration between states and health plans are essential to building and sustaining strong Medicaid programs.

Growing Rate Adequacy Pressure

Over the past five years, Medicaid programs have experienced unprecedented changes. The end of the pandemic-era continuous coverage requirement in 2023 saw nearly 25 million beneficiaries dropped from the Medicaid program, leaving a sicker population with greater care needs. Medical inflation, rising labor and pharmaceutical costs and patient acuity drove the cost of care to new highs. At the same time Medicaid payment rates fell short, straining providers, health plans and patient access.

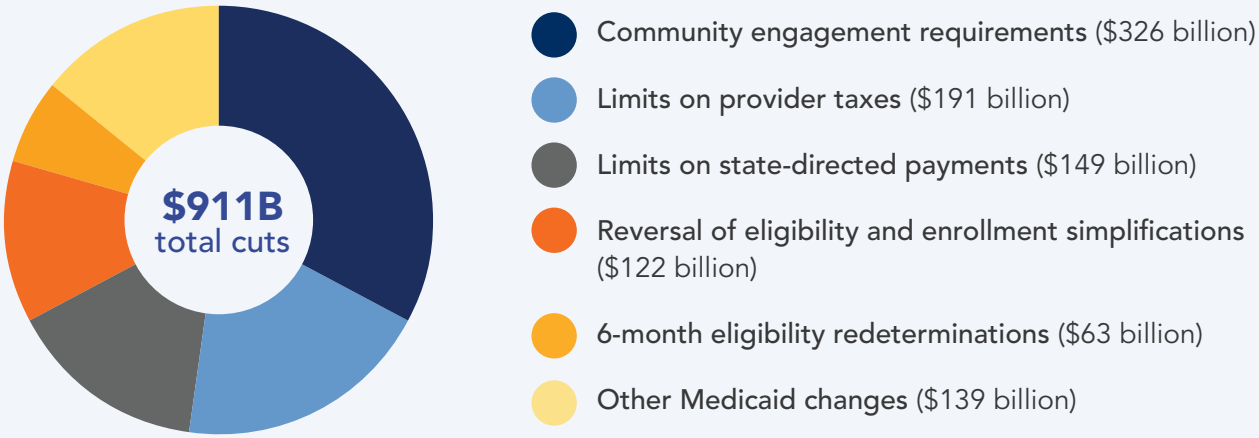


THE COST OF INADEQUATE MEDICAID RATES

New Pressures on Medicaid Rates

The One Big Beautiful Bill Act of 2025 (OBBBA) will intensify existing pressure on Medicaid rates.

Estimated 10-Year Medicaid Spending Cuts from OBBBA Implementation



Source: KFF analysis of Congressional Budget Office estimates of the enacted reconciliation package
Note: Gross reductions total $990B. Net federal Medicaid spending reduction is $911B after accounting for interaction effects.

Outsized Impact on Regional Health Plans

Inadequate Medicaid rates disproportionately impact nonprofit, regional health plans providing care in underserved and low-income communities. Unlike large national insurers that can pack up and move to new geographies, regional health plans are invested in delivering care in the local communities they have served for decades.

When payment rates consistently fall short, regional plans face an impossible choice: continue operating at a loss or withdraw from the Medicaid market. Regional plan exits weaken local health care infrastructure, disrupt longstanding provider relationships and leave communities with fewer trusted coverage options. This is a bad outcome for the Medicaid program and consumers alike.

Timely data, transparent actuarial assumptions and ongoing collaboration between states and health plans can ensure rates keep pace with a rapidly changing program and preserve a strong, competitive Medicaid market. Medicaid enrollees deserve a stable and successful program.

For more information, please contact **ACHPadvocacy@achp.org**.