Projecting the Costs to the State of Pennsylvania of The Trump–Republican Cuts to Medicaid and SNAP

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By Marc Stier . May 11, 2025

After a delay of a week, the Agriculture and Energy and Commerce Committees of the US House of Representatives will be meeting next week to mark up, that is write, legislation to cut Medicaid and SNAP spending. Their decisions will become part of the budget reconciliation bill the House Republican leadership hopes to pass before the Memorial Day recess begins.

Both the right-wing members of the House Republican Freedom Caucus and the budget resolution demand that the increase in the budget deficit be limited to $4.5 trillion over ten years while the 2017 Trump tax cuts—which mainly benefit the rich—are extended and other Trump-sponsored tax cuts are created. To meet that requirement, the House needs to cut spending by roughly $2 trillion over the same period. That's why the budget resolution that was passed a few weeks ago requires that the Energy and Commerce Committee cut $880 billion, the Agriculture Committee cut $220 billion over ten years, and other committees make up the rest of the $2 trillion.

No one is sure what the committees will do. It depends in part on how vigorous House Republicans who have expressed reluctance to cut Medicaid, such as Representative Rob Bresnahan of Northeast PA, are in demanding limits to cuts to that program; how insistent the Republican caucus is on enacting all of the tax cuts President Trump has endorsed; and how demanding the House Freedom Caucus is to limit deficit increases.

In this paper we give a rough and ready projection of the costs to Pennsylvania of what we think, as of today, are the likely changes these two committees will make to Medicaid and SNAP to get close to the reductions required by the budget resolution as described in our updated blog posts devoted to Medicaid and SNAP. As those blog posts point out, if cuts of the magnitude being considered by congressional Republicans lead directly to program cuts, they will have a devastating impact on the people of Pennsylvania who desperately need these safety net programs. (And because people move on and off safety net programs, the number of people who are likely to take advantage of them over a five-year period can be anywhere from two to four or five times the number of people who are on them at any given moment.)

Here, however, we want to focus on the cost to the state budget of maintaining Medicaid and SNAP at roughly their current levels, even after federal cuts are put into place. We do not know whether the state government will try to maintain these programs and for how long. Because the additional costs to the state are projected to increase gradually, we think the Governor and General Assembly should try to preserve SNAP and Medicaid in their current form for at least a few years. Doing so would protect Pennsylvanians temporarily. Our hope is that a new congress in 2026 and a new president in 2028 will reverse any cuts made this year.

But as we anticipate the costs to Pennsylvania of maintaining Medicaid and SNAP in their current form increasing beyond the next few years, we worry that sustaining that effort would be difficult for the state, especially in light of the fiscal difficulties the state already faces as the current substantial surplus is spent down. Balancing the state budget when the surplus runs out will already

require higher taxes. Balancing the state budget and also spending an additional $1.3 billion to $2 billion to maintain Medicaid and SNAP in their current form would require even higher taxes. While I would argue that it is possible for Pennsylvania to raise sufficient tax revenues almost entirely from wealthy corporations and the richest Pennsylvanians, with few exceptions political leaders in both parties have so far not shown the foresight or courage to address the need for new revenues to sustain the current operations of the state let alone to take on new responsibilities created by what can be described as at best irresponsibility and at worst as cruelty on the part of the current Republican leadership of the federal government.

SNAP

One of the likely policies that the Agriculture Committee will adopt is to require states to pay for part of the SNAP program. Right now, Pennsylvania and other states pay for only half of the administrative costs. All benefits are paid for by the federal government. To meet the requirement of the budget resolution, Republicans in Congress are talking about requiring states to provide 10% to 22.5% of the cost of benefits.

Pennsylvania SNAP benefits this year will cost $4.27 billion. So, a ten-percent state share would cost the state $427 million per year. For context, that's more than the cost of public transit subsidies that, so far, the General Assembly refuses to fund. And it is equal to one and a half times what the state pays to fund higher education.

Pennsylvania can't easily walk away from paying the match rate. Imagine that the General Assembly only came up with half of the 10% match, or $214 million. The result is that the state would lose half of the current federal funds or $2.13 billion. It is not clear how the state could even manage this as the federal rules don't currently allow states much flexibility in setting their own eligibility rules and benefit levels. Some flexibility with regard to either eligibility for SNAP or SNAP benefits would have to be allowed by the federal government. The result would be that either half of the two million people who benefit from SNAP would lose their benefits or the meager benefits currently provided—***an average of $5.85 per person per day—would be cut in half.*** Or there would be some combination of benefit and eligibility cuts to reduce the program cost in Pennsylvania by the $2.13 billion per year withdrawn by the federal government.

Our recent conversations with House Agriculture Committee staff suggests that the state share may be phased in. So, it might start at a few percent per year. But to meet the overall goal, the state share would have to be raised at the end of the ten-year period by much more than 10%.

Below, table 1 estimates the impact of an increasing state share of the cost of SNAP benefits. This is not an official proposal—it is my conservative estimate of the increased state share we are likely to see come out of the Agriculture Committee. I have chosen gradually increasing state share amounts that ultimately add up to a 10% state share over nine years. As I point out at the end of this section, if additional ways of cutting federal spending on SNAP do not realize a sufficient reduction in federal costs, we might see a higher state share than an average of 10% per years. In developing this estimate, I do not take into account the limited population growth we expect in Pennsylvania over these years. And, given that the House Agriculture Committee also appears to be ready to limit increases in SNAP benefits for inflation—which of course means that the real value of SNAP would fall over time—I have not made an inflation adjustments to SNAP benefits.

Table 1

Additional Year Projected Cost to Pennsylvania of a 10% State Share of SNAP Benefit Costs Over 9 years with a gradually increasing state share			
Fiscal Year	Cost of SNAP Benefits f	State share	Cost of State Share
2026	4,678,000,000	2%	93,560,000
2027	4,678,000,000	4%	187,120,000
2028	4,678,000,000	6%	280,680,000
2029	4,678,000,000	8%	374,240,000
2030	4,678,000,000	10%	467,800,000
2031	4,678,000,000	12%	561,360,000
2032	4,678,000,000	14%	654,920,000
2033	4,678,000,000	16%	748,480,000
2034	4,678,000,000	18%	842,040,000
Total	42,102,000,000	10%	4,210,200,000

Table 1 shows that the initial costs of the likely cuts to SNAP would be relatively small—only about $90 and $180 million in the first two years of the program. But by the ninth year, the cost to the state of maintaining SNAP benefits would be $842 million. The savings to the federal government over ten years would be $4.2 billion. This is not enough to meet even half of Pennsylvania's share of the total $230 billion reduction in spending for SNAP that the budget resolution demands, which is a bit over $10 billion over the nine-year period. It appears that the Agriculture Committee is bent on establishing additional work requirements to be eligible for SNAP and also on preventing benefits from rising with inflation and changes in eating habits. These changes to SNAP would provide additional federal savings from Pennsylvania and other states. However, if those two policies do not save another $6 billion over nine years, a higher state share might be required.

MEDICAID

When we turn to Medicaid, recent indications are that the Republicans intend to focus mostly on reducing federal funds for the Medicaid expansion. It is unlikely that Congress will adopt the most devastating proposal: a reduction in the 90% federal share of the Medicaid expansion to the 54% federal share of traditional Medicaid. (The Medicaid expansion lifted the ceiling on Medicaid benefits from 100% of the federal poverty line to 133%—or usually 138% in practice—of the federal poverty line. (See our Medicaid paper for additional details.)

But it remains possible that the House will create a per capita cap on Medicaid expenditures. Under current law, the federal government reimburses the state for 90% of whatever medical expenses are covered by the state for its eligible population under the Medicaid expansion. A per capita cap, on the other hand, provides a fixed amount for each person covered by Medicaid, which increases over time as inflation raises the costs of medical care. The extent of savings for the federal

government—and costs to state governments—depends on the level at which the cap is initially set and on the rate of inflation chosen to adjust the per capita cap over time.

Setting the cap at per capita spending in 2025 would lead to higher federal contributions to Medicaid and lower cuts to the state than setting it at 2023 spending. Adjusting for inflation at higher levels would lead to higher federal contributions to Medicaid spending and lower cuts to the state.

Our national partner, the Center on Budget and Policy Priorities, provides two estimates of the impact of per capita caps on Pennsylvania. Both estimates use 2025 per capita spending as a base line. The first estimate increases the per capita cap by the Consumer Price Index for urban areas (CPI-U), which the CBO projects will be 2.3% per year between 2026 and 2034. The second estimate uses a much more realistic inflation rate: the CPI-U plus 1.6 percentage points.

Both inflation adjustments are below CBO projections for the average increase in spending per Medicaid enrollee over the next ten years, which is 4.1% per year. The difference between the growth rate in spending as projected by the CBO and the projected growth rate allowed under the first or second per capita cap policy is the amount of money the federal government would save over ten years. However, it is also the amount the state would have to spend of its own resources to avoid cutting eligibility and benefits for the Medicaid expansion population.

If the first per capita cap policy were adopted, the state would need to spend $8.459 billion over ten years or, on average, $845 million per year to maintain eligibility coverage and benefits for the current Medicaid population. If the second policy were adopted, the state would need to come up with $3.021 billion over ten years, or roughly $302 million per year.

As was the case for an increasing state share of SNAP, the cost to the state for sustaining the Medicaid expansion increases over time as the gap grows between the real cost of providing all eligible recipients with the health care to which they are entitled under state law and the amount covered by a per capita cap that is not keeping up with medical inflation. In the first year of a per capita cap, the cost to the state may be only around $39 million–$141 million or so, depending on the inflation adjustment adopted. But by the ninth year of the per capita cap program, the cost to the state of sustaining the Medicaid expansion could grow to $476 million–$1.6 billion per year.

If a per capita cap program were instituted, Pennsylvania wouldn't be likely to end the Medicaid expansion in the state in the first few years because the costs are low and there are a number of health care programs that we believe are still on the books, which were replaced by the Medicaid expansion. These include

- the General Assistance program. Prior to the Medicaid expansion, it provided health insurance for roughly 80,000 Pennsylvanians who had a documented physical or mental disability, were caring for a child under age 13 or another person with an illness or disability, were undergoing drug and/or alcohol treatment, or who qualified for coverage because of high medical bills and who were working at least 100 hours per month.
- the Medically Needy Only program, which provided health care under traditional Medicaid (which is reimbursed at about 54% by the federal government which was incorporated into expanded Medicaid at the 90% reimbursement rate).

- the Medical Assistance for Workers with Disabilities program, which is now incorporated into the expanded Medicaid at the higher reimbursement rate.

I last examined what these programs would have cost the state if the Medicaid expansion had been ended in 2017 when the total cost was about $700 million. Given the increase in Medicaid inflation over the last eight years, the cost in FY 2026 would be roughly $1.3 billion. On the other hand, ending the Medicaid expansion would save the state the 10% it pays for the program, or an estimated $904 million in FY 2026 current year.

Table 2 projects the various costs associated with shifting to per capita caps at either the CPI-U or CPI-U +1.3 rate of inflation for each of the next nine years. Column B shows the projected federal share of the Medicaid expansion under current law, assuming 4.1% medical inflation. Column C and D show the projected federal contribution to the Medicaid expansion under the two inflation projections. Column E and F show the additional costs to the state of maintaining current benefits and eligibility under per capita caps with the two inflation projections. I calculate this by subtracting columns C and D from column B. Column G shows the projected state share of Medicaid expansion costs under current law. Column I and K show the state share of the Medicaid expansion under per capita caps with the two inflation projections. And columns J and L show the cost or savings to the state of ending the Medicaid expansion under the two inflation projections which is the difference between the state share of paying for the Medicaid expansion under the two per capita cap inflation projections (columns I and K) minus the cost of paying for the restored programs that existed before the Medicaid expansion but were funded by the Medicaid expansion.

Table 2

Projected Costs of Per Capita Caps for Medicaid Expansion to Pennsylvania under Two Different Assumptions About the Cap Inflation Adjustent											
A	B	C	D	E	F	G	H	I	J	K	L
Fiscal Year	Fedral Contribution to Cost of Medicaid assuming 4.1% Medical Inflation	Fedral Contribution to Cost of Medicaid assuming Per Capita Caps Assuming CPI-U Inflation Adjustment	Fedral Contribution to Cost of Medicaid assuming Per Capita Caps Assuming CPI-U + 1.3 Inflation Adjustment	Additional State Costs for Medicaid Expansion Assuming Per Capita Cap w CPI-U Inflation Adjustment	Additional State Costs for Medicaid Expansion Assuming Per Capita Cap w CPI-U +1.3 Inflation Adjustment	Cost of Restoring Pre-Expansion Health Insurance Programs	State Share of Medicaid Expansion Under Current Law	State Share of Medicaid Expansion Under Per Capita Caps with CPI-U Inflation Adjustment	Cost or Savings of Ending Medicaid Expansion (Cost of restoring pre-expansion programs minus state share of expansion, assuming PPC with CPI-U Inflation Adjustment	State Share of Medicaid Expansion Under Per Capita Caps with CPI-U +1.3 Inflation Adjustment	Cost or Savings of Ending Medicaid Expansion (Cost of restoring pre-expansion programs minus state share of expansion, assuming PPC with CPI-U + 1.3 Inflation Adjustment
2026	8,136	7,996	8,097	141	39	1,323	904	1,045	278	1,084	239
2027	8,470	8,180	8,389	290	81	1,371	941	1,231	139	1,313	58
2028	8,817	8,368	8,691	450	126	1,420	980	1,429	(9)	1,556	(135)
2029	9,179	8,560	9,004	619	175	1,471	1,020	1,638	(167)	1,814	(342)
2030	9,555	8,757	9,328	798	227	1,524	1,062	1,860	(335)	2,087	(563)
2031	9,947	8,959	9,664	988	283	1,579	1,105	2,094	(514)	2,377	(798)
2032	10,355	9,165	10,012	1,190	343	1,636	1,151	2,341	(705)	2,684	(1,048)
2033	10,779	9,375	10,372	1,404	407	1,695	1,198	2,602	(907)	3,009	(1,314)
2034	11,221	9,591	10,745	1,630	476	1,756	1,247	2,877	(1,121)	3,353	(1,597)

The upshot of this complicated analysis is that with either per capita cap inflation adjustment projection, the state would actually lose money if it were to end Medicaid expansion in 2027 and 2028. But by 2029, the state would save money by ending the Medicaid expansion. While the savings would remain low, the state might—and we would argue *should*—pay the additional cost to save the Medicaid expansion even at a cost of between $9 million and $135 million in 2028 and between $167 and $342 million in 2029. One reason to keep the Medicaid expansion would be the hope that a new president and congress in 2029 would restore the current level of funding for Medicaid.

Of course, the choice would not just be between keeping the Medicaid expansion or ending it. Some adjustment in eligibility and benefits could reduce the additional costs of Medicaid for a time.

On the other hand, if the current way of funding the Medicaid expansion is not restored soon, the costs to the state of keeping the Medicaid expansion would add up. By 2034, the cost of keeping it would add between $1.1 billion and $1.6 billion to the state budget.

WILL PENNSYLVANIA SUSTAIN MEDICAID AND SNAP?

Table 3 totals our projections of the cost of possible changes to federal support of SNAP and Medicaid. By 2034, the cost of keeping eligibility and benefits for both programs intact would add between $1.3 billion and $2.1 billion to the state budget.

Table 3

The Cost to Pennsylvania of Maintaining SNAP and Medicaid Benefits After Projected Federal Cuts (in milliions of dollars)					
Fiscal Year	Cost of Projected State Share of SNAP Benefits	Additional State Costs for Medicaid Expansion Assuming Per Capita Cap w CPI-U Inflation Adjustment	Additional State Costs for Medicaid Expansion Assuming Per Capita Cap w CPI-U +1.3 Inflation Adjustment	Total Cost of Medicaid and SNAP Cuts (low estimate)	Total Cost of Medicaid and SNAP Cuts (High Estimate)
2026	94	141	39	133	180
2027	187	290	81	268	372
2028	281	450	126	407	576
2029	374	619	175	549	794
2030	468	798	227	695	1,025
2031	561	988	283	845	1,272
2032	655	1,190	343	998	1,533
2033	748	1,404	407	1,156	1,811
2034	842	1,630	476	1,318	2,106

If these costs were the only burden on the state budget, one could imagine ways in which the state could meet them with relatively modest tax increases. However, the problem is that, in the current year, the state is spending roughly $4.5 billion more than what it brings in from taxes and other revenues. The budget Governor Shapiro proposed for the next fiscal year will have a similarly large gap between revenues and expenditures. The state meets its responsibility to have an officially balanced budget by drawing down the huge surplus largely created by federal COVID relief funds, which was $13 billion at the start of the 2023–24 fiscal year. But at the rate the state is drawing down the surplus to pay for its operating expenses, there would be nothing left by the middle of the 2027–28 fiscal year. By 2028-29, the state would have a deficit of at least $4 billion or perhaps more.

And these numbers do NOT include the spending necessary to meet the constitutional requirement to fully and fairly fund our K–12 schools. Even if the state increases K–12 spending next year by the amount Governor Shapiro has requested, it will still need roughly another $4 billion per year to provide every child in Pennsylvania with an adequate and equitable education.

Adding another $1.3 billion to $2.1 billion per year to sustain Medicaid and SNAP at current levels, on top of closing the $4 billion or so budget deficit and meeting the constitutional requirement to fully and fairly fund K–12 education, is an extremely heavy lift.

I do not want to say it is impossible, however. As we will point out in a paper on taxes we will release in the next few months, our state could raise substantial new revenues mostly from the richest Pennsylvanians by instituting our Fair Share tax, which raises taxes on non-wage income—that is, income from wealth—by limiting corporate tax cuts, by taxing multinational corporations that pay nothing to our state, and by finally instituting a severance tax on natural gas drilling. And if that is not enough, revenues could be supplemented by a small increase in the personal income tax rate on wages.

Yet while it is possible for the state to meet all its responsibilities while protecting low-income Pennsylvanians from deep cuts in the social safety net, at present there does not appear to be enough political will to raise revenues this way. So long as Democrats that control the Governor's office and the House remain reluctant to call for new revenues—or even call for corporate tax reductions—and Republicans remain adamantly opposed to new revenues of any kind, it is very hard to see how our state government will close the coming budget deficits and fully and fairly fund education, let alone keep SNAP and Medicaid intact.

Appendix: State Directed Payments

Pennsylvania could face one other reduction in federal support for Medicaid if the Energy and Commerce Committee sets new limits on what are sometimes called "state directed payments," a practice that has been in the news lately. A number of states, including Pennsylvania, have adopted the practice of increasing payments to Medicaid providers—including hospitals, health care networks, nursing homes, and other facilities that care for the elderly—and then recouping some of those additional payments through a tax on the providers.

Medicaid providers and the state both benefit from this process. The providers receive higher payments—which enables them to stay in business while providing quality care. Meanwhile, the state receives more federal funding through the normal process the federal government uses to pays a share of Medicaid costs. And it recoups some of the higher benefits to providers with the Medicaid provider tax.

Some critics of this practice call it a scam. We don't agree. While the practice may not have been intended by those who designed Medicaid, it serves a useful purpose. Payments to Medicaid providers is far below that made by Medicare and private insurance. Higher payments ensure that providers continue to take Medicaid patients and enable them to provide higher levels of care. (At the same time that Pennsylvania has taken advantage of this practice, it has raised quality of care standards for nursing homes and other medical providers.)

In addition, the federal Center for Medicare and Medicaid Service (CMS) must approve these directed payments and only does so when the goal is for them to improve the quality of care or to ensure sufficient care in rural areas under managed care plans. (Pennsylvania, like most states, provides Medicaid benefits for health care and long-term care for the elderly, mainly through managed care plans.

Yet the Energy and Commerce Committee's effort to meet the goal of reducing federal spending by $880 million may lead it to limit the practice of directed payments. The Congress will perhaps limit directed payments to programs that provide sufficient evidence that they contribute to the improvement of care. Or it may set stricter limits on the extent of directed payments per state.

Pennsylvania has taken advantage of directed payment programs. According to a recent General Accounting Office report, the programs added $607 million to federal funding of Medicaid in the state in 2022. This is a substantial amount of money. But it is a lower percentage of total Medicaid spending than many other states. And the federal share of net directed payments, 76%, is below the national average of 82%. (All of these numbers are uncertain because CMS does not track all directed payments.)

We are unsure what kinds of limits might be placed on directed payments and how they could affect Pennsylvania. And there may be some reluctance on the part of the Republican-led Congress to set strict limits on the practice because, on average, Republican states take greater advantage of directed payment programs than Democratic states do.

So, while we have not attempted to estimate potential losses to Pennsylvania through some kind of reform of directed payment programs, we do want to mention that it is a possibility.