



# Health Care Has Dominated Federal Spending Choices for More Than a Decade

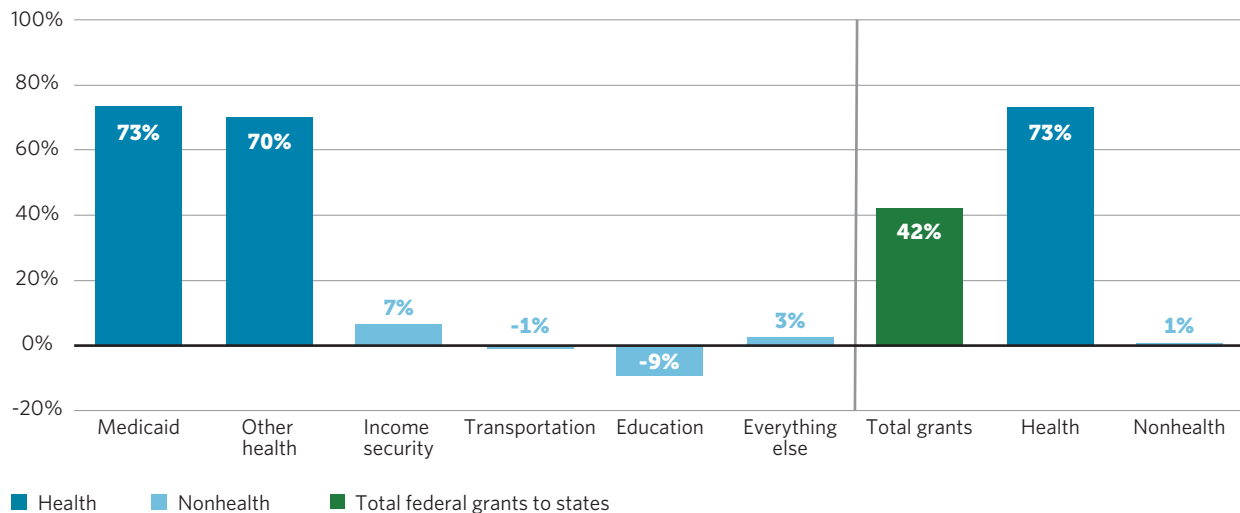
Education and transportation funding levels are down compared with 2008

States get roughly a third of their revenue from the federal government—funding that pays for health care, schools, roads, public safety, and other programs. Federal grants to states are about 42 percent higher than they were when the Great Recession began in 2008, after adjusting for inflation.<sup>1</sup> However, federal support has varied significantly by program, with grants for health care rising 73 percent in real terms from 2008 to 2018, while other areas saw a decrease or nominal increase.

Figure 1

## Trends in Federal Grants to States Vary by Program Area

Percentage change federal fiscal year 2008-18, adjusted for inflation



Notes: "Other health" covers all items in the health budget function other than Medicaid and the Medicare Part D "clawback," including the Children's Health Insurance Program and grants for programs such as vaccines for children and substance use prevention and treatment. The clawback is the process by which states reimburse the federal government for certain costs associated with Medicare Part D. "Everything else" includes agriculture, energy, natural resources and environment, community and regional development, administration of justice, and veterans' benefits and services. "Income security" includes the social services and training and employment budget subfunctions. Federal Funds Information for States says its database accounts for more than 90 percent of federal funds going to state and local governments. Data reflect enacted funding levels and the most recent state allocations available.

Sources: Pew's analysis of data from Federal Funds Information for States (October 2018), the Centers for Medicare & Medicaid Services, the Bureau of Economic Analysis, the Congressional Budget Office, and the Department of Education

Federal policies have helped to shape the divergent trend in health versus nonhealth grants. (See Figure 1.)

A provision in the Affordable Care Act allowed states to expand their Medicaid programs to cover some previously ineligible low-income adults, with federal funding covering 100 percent of the costs through 2016, then gradually dropping to 90 percent by 2020. In part because of this expansion, Medicaid spending has increased by 73 percent since 2008 and has been the main driver of growth in federal health grants and in all federal funds to states.<sup>2</sup>

In particular, Medicaid funds flowing to states rose sharply in fiscal year 2015, the first full year of implementation for most states that expanded Medicaid.<sup>3</sup> As of the end of fiscal 2018, 31 states and the District of Columbia had expanded the program.<sup>4</sup>

By contrast, nonhealth grants increased by only 1 percent from 2008 to 2018. Until recently, policy decisions such as statutory limits on discretionary spending set by the Budget Control Act of 2011 resulted in negative growth in most of the nonhealth program areas compared with 2008. However, higher spending limits under the Bipartisan Budget Act of 2018 contributed to increases in federal outlays for income security and “everything else” as well as smaller decreases in transportation and education than in previous years.<sup>5</sup>

## Endnotes

- 1 The Pew Charitable Trusts, “Federal Grants to States Rose 42% Over the Past 11 Years” (2019), <https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2019/03/federal-grants-to-states-rose-42-percent-over-the-last-11-years>.
- 2 The Pew Charitable Trusts, “Medicaid Makes Up Most Federal Grants to States” (2019), <https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2019/03/medicaid-makes-up-most-federal-grants-to-states>.
- 3 Centers for Medicare & Medicaid Services, “2016 Actuarial Report on the Financial Outlook for Medicaid” (2016), <https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/Downloads/MedicaidReport2016.pdf>.
- 4 Pew analysis of Kaiser Family Foundation, “Status of State Action on the Medicaid Expansion Decision,” accessed January 2018, <https://www.kff.org/health-reform/state-indicator/state-activity-around-expanding-medicare-under-the-affordable-care-act/?activeTab=map&currentTimeframe=0&selectedDistributions=current-status-of-medicare-expansion-decision&sortModel=%7B%22colld%22:%22Location%22,%22sort%22:%22asc%22%7D>.
- 5 The Pew Charitable Trusts, “Federal Spending Priorities Shifted Toward Health Over Past Decade” (2017), <https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2017/12/federal-spending-priorities-shifted-toward-health-over-past-decade>.

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