

CBO: Medicaid Spending Increases Will Slow Due To OBBBA But Expected To Continue

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Last year's reconciliation bill will cut about \$1.2 trillion in Medicaid spending over the next decade, but overall Medicaid spending is still expected to increase as the beneficiaries who retain coverage are expected to become sicker, the Congressional Budget Office (CBO) says.

The 2025 reconciliation bill, also known as H.R. 1, includes drastic changes to the Medicaid program, including implementing national work requirements, phasing down provider taxes and capping state-directed payments.

CBO estimates federal Medicaid spending will increase by 6% in 2026 compared to the amount recorded in 2025, but the office also says Medicaid spending growth will slow to 1% in 2029 due to policies included in H.R. 1.

Policies in H.R. 1 are expected to reduce Medicaid enrollment by 13.1 million people in 2035, CBO says, and this drop in enrollment accounts for most of the projected spending decreases.

But people tend to become sicker when they cycle in and out of coverage because when they're uninsured, they don't seek care, especially attending preventative doctors visits. This means as Medicaid expansion beneficiaries cycle in and out of care due to work requirements and other reforms, the expansion population overall will likely become sicker while the proportion of seniors and people with disabilities enrolled in Medicaid will increase.

Due to predicted increases in costs per enrollee, the number of enrollees 65 or older and the number of people whose enrollment is related to a disability, CBO estimates federal Medicaid spending will rise by an average of 4% each year from 2030 to 2036.

CBO also revised its estimated cost for Medicaid from 2026 to 2035 by 8% or \$0.7 trillion after Medicaid costs unexpectedly increased in 2025 despite lower-than-expected enrollment.

“Costs per enrollee grew by 16 percent in 2025-- significantly more than CBO had anticipated,” the analysis says. “That growth is attributable to a reported decrease in the average health status of Medicaid enrollees after the continuous eligibility policy put in place during the COVID-19 pandemic ended in April 2023.”

Spending on the Affordable Care Act (ACA) is expected to decline by 20% in 2026, or \$28 billion, totaling \$112 billion, CBO says, as enhanced premium tax credits have expired.

The Committee for a Responsible Federal Budget (CRFB) released a statement in response to CBO's analysis and highlighted that CBO now estimates H.R. 1 will add \$4.2 trillion to the national debt through 2034 and \$4.7 trillion through 2035 on a dynamic basis. Prior to H.R. 1's passage, CBO had estimated the law would add \$1.9 trillion to the national debt through 2034 and nearly \$2.8 billion through 2035.

CBO's analysis comes after the Trump administration and GOP lawmakers have spent months applauding and defending the policies included in H.R. 1.

Senate Finance Committee Chair Mike Crapo (R-ID) office touted in a press release Tuesday (Feb. 10) the massive tax bill, citing the new Medicaid eligibility requirements as part of the legislation's “key wins.”

“The law makes commonsense reforms to Medicaid to reduce fraud and abuse so that more support is left available to those who really need it,” Crapo's office said in the release. “It also helps people save more for health care expenses, expands access to a variety of health services and makes a transformational investment in rural health care systems.”

And while speaking to rural health advocates Wednesday CMS Administrator Mehmet Oz reiterated the Trump administration's message that H.R. 1 does not cut Medicaid dollars, but that forthcoming Medicaid reforms were implemented to prevent waste, fraud and abuse in Medicaid.