



Message From the Director

March 3, 2025

Budget Challenges for Medicaid

I am writing to you today about the unprecedented challenges the District's Medicaid program faces and how this will shape the budget proposals that we submit to the City Administrator and the Budget Director. As I shared during [DHCF's oversight hearing](#), the growth patterns in the Medicaid program for FY2025 alone will require over \$173 million in additional local funds for FY2026 – amounting to nearly \$580 million over the District's four-year financial plan.

The news from the Office of the Chief Financial Officer on February 28, 2025, which forecast a decline in revenue by more than \$1.1 billion over the four-year financial plan, significantly exacerbates the challenges we will face in constructing budget proposals for next year's Medicaid program. Moreover, there remains much uncertainty about whether and how Congress will reduce the flow of federal dollars to State Medicaid programs. The House Chairman's Mark proposes to shift Medicaid costs away from the federal government and to the District by \$8 billion over 10 years, though the methods for achieving these savings remain unclear. Clearly, a local fund Medicaid budget gap for FY2026 of more than \$173 million, a decline in forecasted revenues, and some measure of a federal fund reduction, will require DHCF to make budget proposals that if enacted, will fundamentally reshape the District's Medicaid program.

Over the past few years, DHCF has implemented various efficiencies and targeted reductions to meet budget marks that were designed to slightly reduce the financial footprint for the program. Those options are now exhausted. As I noted in my testimony to the Committee on Health, the cost of the Medicaid program is directly impacted by decisions regarding program eligibility, benefits, and provider rates. The fiscal pressures now facing the city mandate that we consider options across all three of these factors. In short, everything is on the table.

Sincerely,

Wayne Turnage
Deputy Mayor Health and Human Services
Director Department of Health Care Finance