Trump Suggested States Should Fund Medicare – Which Would Weaken the Program and Put Americans at Risk

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A state-based financing system would introduce a new layer of uncertainty.

Every now and then, President Donald Trump's antics tumble into my lane: retirement.

Reflecting on the U.S.'s fiscal pressures and ongoing conflicts, he suggested in April that, with wars to fight, the federal government **cannot continue to shoulder programs** like Medicare and Medicaid, and that "they can do it on a state basis…and they should pay for it too."

It was not a detailed policy proposal, and the White House later argued that the President was referring to eliminating fraud in Medicare and Medicaid. But since then, he has not withdrawn or corrected his statement about shifting the financing of Medicare from the federal government to the states – a move that would fundamentally alter the program.

It is worth being clear about what makes Medicare work. At heart, it is a national insurance program that spreads healthcare costs across the entire country. That broad risk pool ensures that differences in age, health status, and income are balanced nationwide. Moving financial responsibility to the states would break that structure apart. States with older or less healthy populations would face higher costs, while younger, healthier states would fare better. The result would not be greater efficiency, but greater disparity.

These differences are not small. States vary significantly in their demographic profiles. Some have a much higher share of older residents and greater reliance on Medicare. If those states are asked to finance a larger portion of the program, they would face sustained fiscal pressure. That pressure would not remain abstract; it would translate into difficult budget decisions affecting a wide range of public services.

The challenge is compounded by the fiscal constraints under which states operate. Unlike the federal government, states generally must balance their budgets annually. During economic downturns, when revenues decline, they cannot rely on deficit financing to maintain spending. If Medicare costs are shifted to the states, recessions would force policymakers to make hard choices – raising taxes, reducing other services, or limiting health-related spending. In practice, this could mean reduced support for the very population Medicare is designed to protect.

There is also the question of stability. Medicare has provided a consistent source of coverage for older Americans for decades. That consistency reflects its federal financing, which is not tied to the economic cycles or policy shifts of individual states. A state-based financing system would introduce a new layer of uncertainty, as funding levels could fluctuate with local economic conditions and political priorities.

It is sometimes argued that shifting costs to the states would improve fiscal discipline at the federal level. But this argument confuses relocation with reform. The underlying drivers of Medicare spending – healthcare prices, utilization, and the needs of an aging population – would remain unchanged. Moving costs from one level of government to another does not reduce them; it simply assigns them to entities with fewer tools to manage them.

Finally, shifting financing would weaken the sense of shared responsibility that underpins Medicare. The program reflects a national commitment to ensuring that older Americans have access to healthcare. Distributing financial responsibility unevenly across states risks eroding that commitment, replacing it with a system that depends more heavily on where one lives.

The President's remarks may have been brief, but they point to a significant policy direction. If the goal is to strengthen retirement security and maintain reliable health coverage for older Americans, shifting Medicare's financing to the states moves in the opposite direction.

The better course is to address the program's challenges within its existing national framework, preserving the features that have made it both durable and effective.