kaiser commission on MEDICAID FACTS

medicaid and the uninsured

THE HENRY J. KAISER FAMILY FOUNDATION

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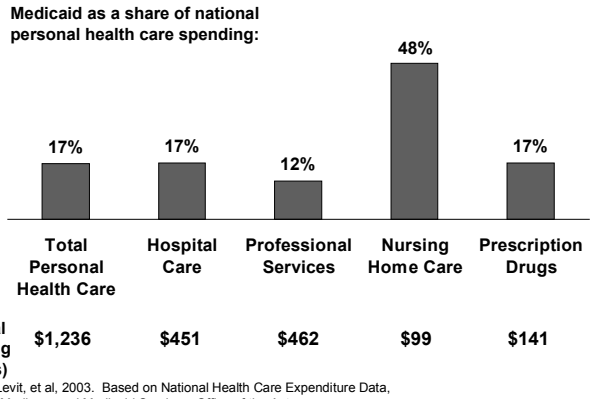
THE MEDICAID PROGRAM AT A GLANCE

Medicaid is the nation's major public health program for low-income Americans, financing health and long-term care services for more than 50 million people—a source of health insurance for 38 million low-income children and parents and a critical source of acute and long-term care coverage for 12 million elderly and disabled individuals, including more than 6 million low-income Medicare beneficiaries.

Medicaid accounts for 17% of all personal health care spending, finances 17% of hospital care, 12% of physician and other professional services, 17% of prescription drug spending, and nearly half of all nursing home care (Figure 1).

Figure 1

Medicaid's Role in the Health System, 2001



SOURCE: Levit, et al, 2003. Based on National Health Care Expenditure Data, Centers for Medicare and Medicaid Services, Office of the Actuary.

Authorized by Title XIX of the Social Security Act, Medicaid is a means-tested entitlement program for low-income people. The federal and state governments jointly finance Medicaid and the states administer it within broad federal guidelines. The federal government matches state Medicaid spending with the federal share of Medicaid spending ranging from 50% to 77% depending on state per capita income. In 2002, the federal government financed 57% of the $250 billion in total Medicaid spending.

Who Is Covered by Medicaid?

To qualify for Medicaid, an individual must meet financial criteria and also be part of a group that is "categorically eligible" for the program, such as low-income children, pregnant women, the elderly, people with disabilities, and parents. Federal law mandates coverage of some groups below specified minimum income levels, but also gives states broad optional authority to extend Medicaid eligibility beyond these minimum standards. This flexibility has produced wide state-to-state variation in Medicaid coverage.

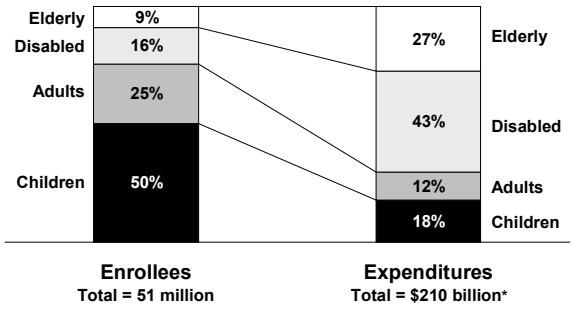
In 2002, Medicaid provided coverage to:

- 25 million children – more than one in four in the U.S.
- 13 million adults, primarily low-income working parents
- 5 million seniors
- 8 million persons with disabilities

Although low-income children and their parents make up three-fourths of Medicaid beneficiaries, they account for only 30% of Medicaid spending. The elderly and people with disabilities comprise one-quarter of beneficiaries and 70% of Medicaid spending for services (Figure 2).

Figure 2

Medicaid Enrollees and Expenditures by Enrollment Group, 2002

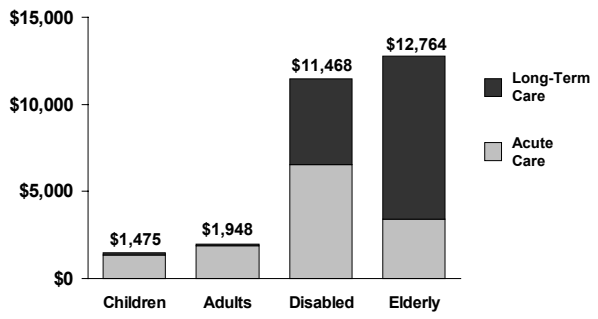


* Expenditure distribution based on CBO data on federal Medicaid spending for services only, excluding DSH, vaccines for children, administration, and other provider payments. State share of total estimated using historical state share data.
SOURCE: Kaiser Commission estimates based on CMS and March 2003 CBO data.

In 2002, estimated Medicaid spending per child was $1,475, compared to $11,468 per disabled enrollee and $12,764 per elderly enrollee reflecting their intensive use of acute and long-term care services (Figure 3).

Figure 3

Medicaid Expenditures Per Enrollee, 2002



Note: Per enrollee expenditures calculated based on CBO March 2003 baseline, assuming a federal share of 58.5% of program costs. Long-term care and acute care distribution based on Urban Institute estimates using historical data.
SOURCE: KCMU estimates based on CBO March 2003 Baseline and Urban Institute data.

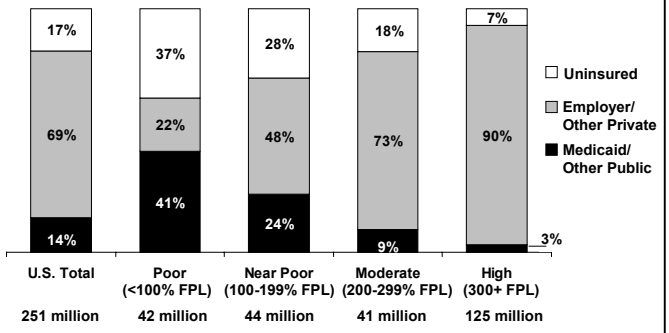
Over 40% of all Medicaid spending is attributable to "dual eligibles," who have both Medicare and Medicaid. These Medicaid payments go toward Medicare premiums and services not covered by Medicare, including prescription drugs and long-term care.

Beginning in January 2006, "dual eligibles" will be offered drug coverage under new Medicare Part D prescription drug plans, in lieu of Medicaid drug coverage.

Because low-income working families often do not have access to health insurance through their jobs, Medicaid is a key source of coverage for this population (Figure 4). Two-thirds of all Medicaid enrollees are in working families and one in three children in rural America relies on Medicaid for coverage.

Figure 4

Health Insurance Coverage of the Nonelderly by Poverty Level, 2002



Notes: Medicaid/Other Public includes SCHIP, Medicare, and military-related coverage.
Data may not total 100% due to rounding. The federal poverty level was $14,348 for a family of three in 2002.
SOURCE: KCMU and Urban Institute analysis of the March 2003 Current Population Survey.

The recent economic downturn has caused more families to qualify for Medicaid as income has fallen. With rates of employer-sponsored coverage dropping, Medicaid and the State Children's Health Insurance Program have stemmed the increase in the number of uninsured. Yet, eligibility restrictions, especially for adults and recent immigrants, together with enrollment obstacles for those who are eligible, continue to limit Medicaid's reach.

What Does Medicaid Pay For?

Medicaid covers a broad range of services to meet the complex needs of the diverse populations it serves. Because Medicaid beneficiaries have limited financial resources, cost sharing is limited and not permitted for children and pregnant women. State Medicaid programs must cover:

- inpatient and outpatient hospital services
- physician, midwife, & certified nurse practitioner services
- laboratory and X-ray services
- nursing home and home health care
- early and periodic screening, diagnosis, and treatment (EPSDT) for children under age 21
- family planning
- rural health clinics/federally qualified health centers

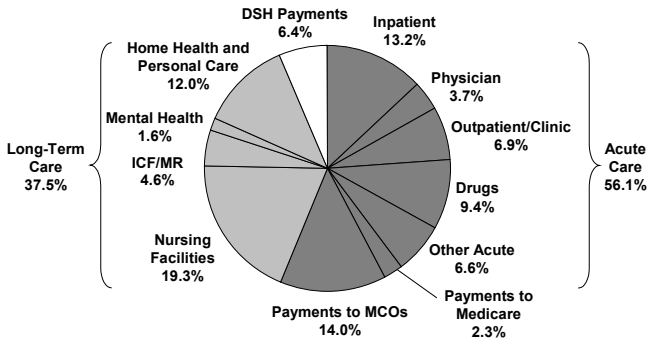
States have the option of covering additional services with federal matching funds. Commonly covered optional services include prescription drugs, clinic services, prosthetic devices, hearing aids, dental care and intermediate care facilities for the mentally retarded (ICF/MR). The majority of state spending on optional services (83%) goes toward the elderly and those with disabilities. Over two-thirds of optional spending is for long-term care and prescription drugs. In addition to matching funds for services, states also receive supplemental Medicaid payments (about $9 billion in 2002) to aid their hospitals serving a disproportionate share of indigent patients (DSH).

Of the $249 billion in total Medicaid spending in 2002 (Figure 5):

- Acute-care services comprised about half (56%)
- Long-term care services made up 38%
- Payments for Medicare premiums accounted for about 2%
- DSH payments represented about 6% of spending

Figure 5

Medicaid Expenditures by Service, 2002



SOURCE: Urban Institute estimates based on data from CMS (Form 64).

As of June 2002, 58% of Medicaid beneficiaries—mostly children and their parents—were enrolled in managed care. Managed care accounted for 14% of total Medicaid spending in 2002.

Long-term care accounts for 38% of Medicaid spending. Medicaid finances care for nearly 70% of nursing home residents and accounts for 42% of overall long-term care spending. While over two-thirds of Medicaid spending for long-term care is on institutional services, home and community-based services (HCBS) waivers enable states to deliver community-based care.

Future Challenges Affecting Medicaid

Many states are facing the most challenging fiscal conditions in a decade. As state revenues have plunged, states have been reluctant to cut Medicaid because of the population it serves and because state reductions mean a loss of federal matching funds. For many states, cost containment efforts have been unavoidable. Between FY2002 and FY2004, 50 states reduced provider rates, and 50 took action to limit prescription drug costs; 34 reduced eligibility, 35 reduced benefits and 32 increased copayments. States received $20 billion in federal fiscal relief for FY2003 and 2004, which helped many avoid deeper Medicaid cuts, but this fiscal relief expires in June 2004. States are expecting significant budget gaps in FY2005, and most will likely look for additional ways to curb Medicaid spending.

Since its enactment in 1965, Medicaid has improved access to health care for low-income individuals, financed innovations in health care delivery and community-based long-term care, and functioned as the nation's primary source of long-term care financing. As Medicaid struggles under fiscal pressure, the program continues to meet multiple responsibilities, playing a critical role in providing acute and long-term care services for more than 50 million Americans. Proposals to restructure the program merit careful consideration as reductions in benefits or eligibility could lead to greater numbers of uninsured, reduce community-based care options for the disabled, limit help for those who have great medical needs and expenses, and undermine economic recovery.

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The Kaiser Commission on Medicaid and the Uninsured provides information and analysis on health care coverage and access for the low-income population, with a special focus on Medicaid's role and coverage of the uninsured. Begun in 1991 and based in the Kaiser Family Foundation's Washington, DC office, the Commission is the largest operating program of the Foundation. The Commission's work is conducted by Foundation staff under the guidance of a bipartisan group of national leaders and experts in health care and public policy.