

Six Things That You Might Not Know about the Medicaid Program

There are many myths about the Medicaid program and the people it helps. This fact sheet aims to shed light on Medicaid—today's safety net for those who are unable to pay for their health and long-term care.

Medicaid is a federal/state partnership that does much more than provide health insurance for the poor. Medicaid is our nation's largest health insurer, covering one in every six Americans. It covers two-thirds of nursing home residents,¹ one in five persons under age 65 with chronic disabilities,² more than one-quarter of children,³ and well over one-third of all births.⁴

Did you know...

Medicaid plays a significant role in the nation's health care system.

In 2006, total Medicaid spending (federal and state) accounted for 15 percent of all U.S. health care spending.⁵ Without Medicaid, the number of uninsured would be significantly higher. Between 2000 and 2006, the number of uninsured increased from 38.4 million to 45.6 million.⁶ During that same period, Medicaid enrollment increased by more than 9 million.⁷ The number of persons who qualify for Medicaid goes up during times of economic downturn as unemployment rises, individuals lose employer-sponsored coverage, and incomes decline.⁸ During the last economic downturn, Medicaid enrollment increased nationally by 40 percent from 2000 through 2005, with annual growth of nearly 10 percent in fiscal year (FY) 2002.⁹ In the current economic cycle, Medicaid enrollment increased by 2.1 percent in FY 2008 and is

expected to grow further in response to a sagging economy.¹⁰

This year, Medicaid is likely to provide health care coverage to more people than any other health insurance program in the country.

In 2007, Medicaid provided health insurance coverage for 58 million low-income persons at some point during the year. Of these, 29 million were children, 15 million were low-income uninsured adults, and 14 million were individuals with disabilities and the elderly.¹¹ By comparison, Medicare is expected to serve approximately 41 million people.¹²

A family whose high medical bills deplete a significant portion of its income can't always rely on Medicaid for help.

Many states do not have an "optional" medically needy program that would allow people to receive Medicaid-covered services after they have incurred considerable out-of-pocket health care expenses.¹³ A growing number of states, faced with tight budget constraints, might consider eliminating this important eligibility category, leaving people at risk for not being able to meet their basic needs because of high medical expenses.

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Medicaid provides extra help to the nation's poorest and sickest Medicare beneficiaries.

In 2003, 40 percent of all Medicaid expenditures were for individuals who were enrolled in both Medicare and Medicaid (i.e., the dual eligibles).¹⁴ ¹⁵ Medicaid coverage for dual eligibles is critical because it fills significant gaps in Medicare coverage for low-income people. For example, Medicaid covers a range of key services excluded from Medicare, such as institutional and community-based long-term care (LTC), vision, and dental services. In addition, Medicaid pays monthly Medicare Part B premiums¹⁶ and Medicare's cost-sharing charges for the poorest and sickest Medicare beneficiaries.¹⁷

Medicaid spending is *not* out of control.

Medicaid spending declined by 0.2 percent in FY 2006. Key factors that contributed to the decline were a shift in prescription drug spending for dual eligibles from Medicaid to Medicare; a reduction in enrollment growth among the elderly and persons with disabilities; and declines in per enrollee spending. In fact, "on a per capita basis, Medicaid acute care spending has consistently grown more slowly than both health care spending for those with private coverage and private insurance premiums."¹⁸ In 2007, total Medicaid spending is expected to be lower than that Medicare spending. Medicaid spending is projected to be \$338 billion (or almost 2.5 percent of gross domestic product in 2007).¹⁹ Medicare spending in 2007 is projected to be \$432 billion.²⁰ With respect to long-term care, average annual Medicaid spending per enrollee actually decreased by 1.1 percent for nursing home residents between 2000 and 2003.²¹

and Facility Deficiencies, 2001 Through 2007. San Francisco: University of California, 2008.

² Kaiser Commission on Medicaid and the Uninsured (KCMU). *Medicaid's Role for People with Disabilities*. Washington, DC: Author, 2003.

³ U.S. Census Bureau. *Income, Poverty and Health Insurance Coverage in the United States: 2007*, P60-235. Washington, DC: Author, 2008.

⁴ Laura Matthews. *Maternal and Child Health Update 2005: States Make Modest Expansions to Health Care Coverage*, NGA Center for Best Practices, Table 1, 2006. www.nga.org/Files/pdf/0609MCHUPDATE.PDF (accessed November 3, 2008).

⁵ Sean Keehan, Andrea Sisko, Christopher Truffer, Sheila Smith, Cathy Cowan, John Poisal, M. Kent Clemens, and the National Health Expenditure Accounts Projections Team. "Health Spending Projections Through 2017: The Baby-Boom Generation is Coming to Medicare," *Health Affairs*, February 2008. Based on National Health Expenditure data, CMS Office of the Actuary.

⁶ U.S. Census Bureau. *Income, Poverty and Health Insurance Coverage in the United States*.

⁷ Eileen Ellis, Dennis Roberts, David Rousseau, and Karyn Schwartz. *Medicaid Enrollment in 50 States: December 2006 Data Update*, January 2008. Washington, DC: KCMU, January 2008.

⁸ Vernon Smith, Kathleen Gifford, Eileen Ellis, Robin Rudowitz, Molly O'Malley, and Caryn Marks. *Headed for a Crunch: An Update on Medicaid Spending, Coverage and Policy Heading into an Economic Downturn—Results from a 50-State Medicaid Budget Survey for State Fiscal Years 2008 and 2009*. Washington, DC: KCMU, September 2008.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Vernon Smith, Kathleen Gifford, Eileen Ellis, Robin Rudowitz, Molly O'Malley, and Caryn Marks. *As Tough Times Wane, States Act to Improve Medicaid Coverage and Quality. Results from a 50-State Medicaid Budget Survey for State Fiscal Years 2007 and 2008*. Washington, DC: KCMU, October 2007.

¹² Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary and Medical Insurance Trust Funds (Trustees). *The 2008 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary*

¹ Charlene Harrington, Helen Carrillo, and Brandee W. Blank. *Nursing Facilities, Staffing, Residents*

Six Things That You Might Not Know about the Medicaid Program

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¹³ KCMU. *Medically Needy Eligibility as a Percent of Federal Poverty Level, 2001*. Washington, DC: Author, www.statehealthfacts.org (accessed November 3, 2008).

¹⁴ John Holahan and Arunabh Ghosh. *Dual Eligibles: Medicaid Enrollment and Spending for Medicare Beneficiaries in 2003*. Washington, DC: The Henry Kaiser Family Foundation, July 2005.

¹⁵ KCMU. *Dual Eligibles: Medicaid's Role for Low-Income Medicare Beneficiaries*. Washington, DC: Author, February 2006.

¹⁶ In 2008, the standard annual Medicare premium is \$1,156.80 annually. Some people will pay a higher premium based on their modified adjusted gross income. U.S. Department of Health and Human Services. "Medicare Part B Monthly Premiums in 2008," http://questions.medicare.gov/cgi-bin/medicare.cfg/php/enduser/std_adp.php?p_faqid=1980 (accessed November 3, 2008).

¹⁷ Medicaid assistance with the Medicare Part B premium and Medicare's cost sharing is known as the Medicare Savings Programs. KCMU. *Dual Eligibles*.

¹⁸ J. Holahan, M. Cohen, and D. Rousseau. *Why Did Medicaid Spending Decline in 2006? A Detailed Look at Program Spending and Enrollment, 2000–2006*. Washington, DC: KCMU, October 2007.

¹⁹ Keehan, et al. "Health Spending Projections Through 2017."

²⁰ Trustees. *The 2008 Annual Report*.

²¹ Holahan, et al. *Why Did Medicaid Spending Decline in 2006?*

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