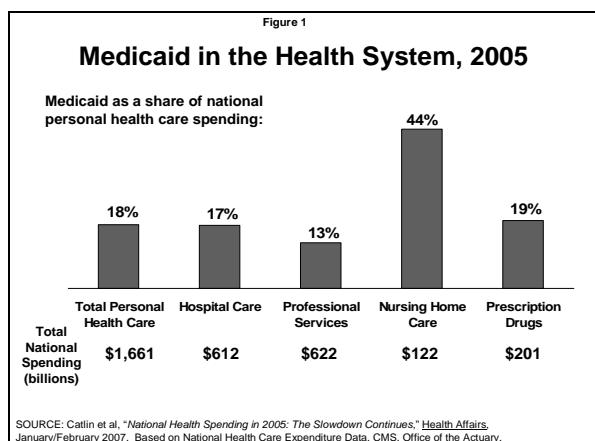


March 2007

THE MEDICAID PROGRAM AT A GLANCE

Medicaid is the nation's major public health coverage program for low-income Americans, financing health and long-term care services for over 55 million people, including families, people with disabilities, and the elderly. In general, the low-income individuals and families enrolled in Medicaid lack access to private health insurance. Thus, without Medicaid, the vast majority of its beneficiaries would join the ranks of the 46.6 million uninsured Americans.

Since its enactment in 1965, Medicaid has improved access to health care for low-income people, financed innovations in health care delivery, and functioned as the nation's primary source of long-term care financing. Medicaid plays a major role in the health care system, accounting for nearly one-fifth of all personal health care spending and almost 45% of nursing home care spending (Fig. 1).



The federal government and the states jointly finance Medicaid and the states administer the program within broad federal guidelines. The federal contribution to Medicaid spending in each state ranges between 50% and 76%, depending on state per capita income. Overall, the federal government today finances 57% of all Medicaid spending. Consistently in recent years, Medicaid per capita spending has grown more slowly than private health insurance premiums.

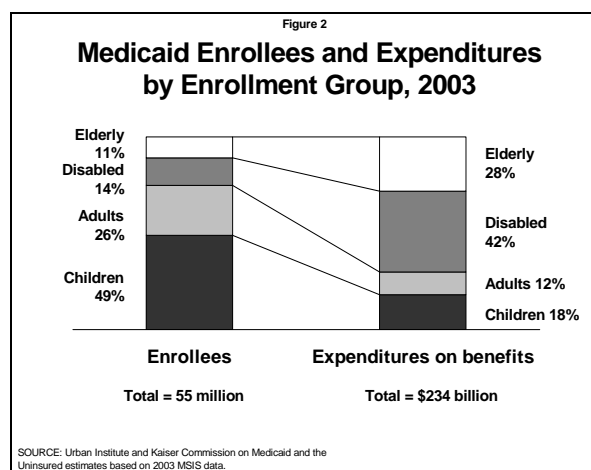
Who Does Medicaid Cover?

To qualify for Medicaid, individuals must meet financial criteria and also belong to one of the groups that are "categorically eligible" for the program: children, parents of dependent children, pregnant women, people with disabilities, and the elderly. Federal law guarantees eligibility for individuals in these groups who fall below specified income levels. States also have broad authority to expand Medicaid income eligibility beyond federal minimum standards. However, unless they have a federal waiver, states cannot receive federal matching funds to cover childless adults, no matter how poor they are. Many states have expanded Medicaid, but eligibility varies widely by state.

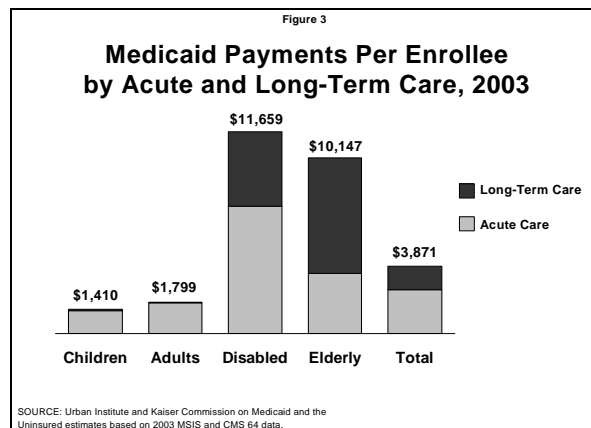
In 2003, Medicaid provided coverage to:

- 27 million children
- 14 million adults (primarily poor working parents)
- 6 million seniors
- 8 million persons with disabilities

Although the elderly and people with disabilities make up just one-quarter of all Medicaid enrollees, they account for 70% of Medicaid spending (Fig. 2).



This pattern reflects Medicaid's much higher per capita spending for the elderly and disabled, which is due, in turn, to the more intensive use of acute and long-term care services by these groups. In 2003, estimated Medicaid spending was \$1,410 per child and \$1,799 per non-disabled adult, compared with \$11,659 per disabled enrollee and \$10,147 per elderly enrollee (Fig. 3).



What Does Medicaid Cover and How Much Does it Spend?

Medicaid uses public dollars to buy services, often in the private health care system. Medicaid covers a wide range of benefits to meet the complex needs of the diverse populations it serves.

State Medicaid programs are generally required to cover:

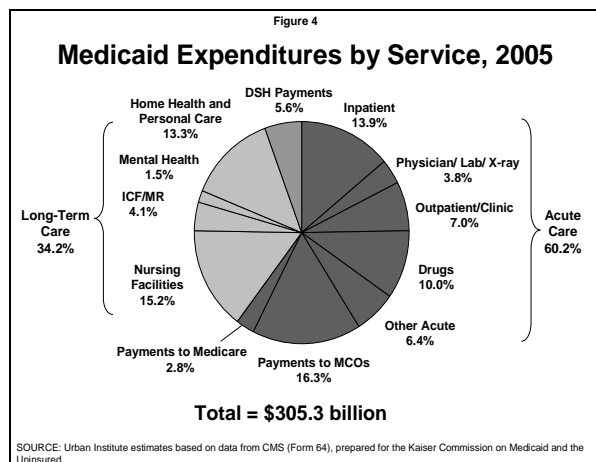
- inpatient and outpatient hospital services
- physician, midwife, and certified nurse practitioner services
- laboratory and x-ray services
- nursing home and home health care for individuals age 21+
- early and periodic screening, diagnosis, and treatment (EPSDT) for children under age 21
- family planning services and supplies
- rural health clinic/federally qualified health center services

States can also receive federal matching funds for many “optional” services, including prescription drugs, prosthetic devices, hearing aids, and dental care.

Until recently, states were required to offer the same Medicaid benefits to all their enrollees statewide. However, the 2005 Deficit Reduction Act (DRA) gave states authority to provide more limited benefits for some groups and to offer different benefit packages to different enrollees. The DRA also expanded states’ discretion to use premiums and cost-sharing in Medicaid.

In 2005, Medicaid spending was \$305.3 billion (Fig. 4), of which:

- Acute-care services comprised over half (60%)
- Long-term care services made up 34%
- Payments for Medicare premiums accounted for about 3%

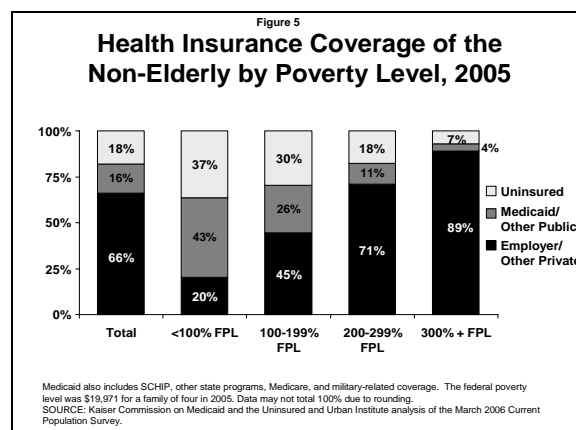


The federal government also matches the supplemental payments that states make to hospitals that serve a disproportionate share of indigent patients (DSH).

What is Medicaid’s Role in the Health Insurance System?

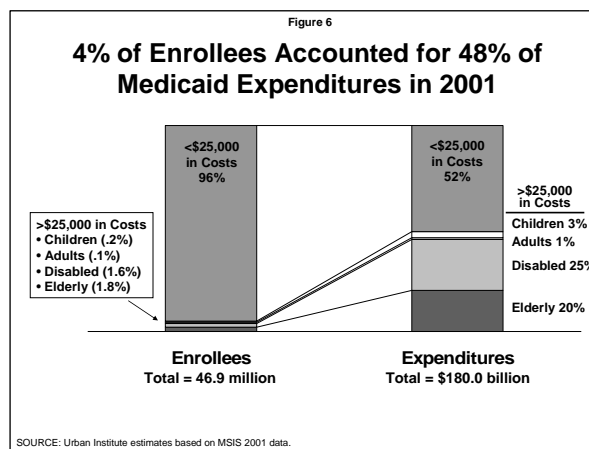
Medicaid is a key source of coverage for poor and near-poor Americans, most of whom are in working families (Fig. 5). More than one in four children in the U.S. relies on Medicaid. Together, Medicaid and the smaller State Children’s Health Insurance Program (SCHIP) have greatly reduced the uninsured rate among children. The share of low-income children without coverage fell by more than one-third between 1997 and 2005, from 23% to 14%.

In recent years, while employer-based insurance steadily eroded, increases in children’s enrollment in Medicaid and SCHIP offset the losses of private coverage among low-income children, and the number and rate of uninsured children actually fell. In contrast, among adults, whose eligibility for Medicaid is much more restrictive, uninsurance rose. In 2005, Medicaid and SCHIP enrollment did not rise, and deteriorating job-based coverage left more children as well as adults uninsured. As declines in employer-based coverage continue, Medicaid and SCHIP play an increasingly important role in stemming ongoing growth in the number of Americans who lack health insurance.



What is Medicaid’s Role for People with High Costs?

Many people with the highest health and long-term care needs depend on Medicaid for their coverage and care. Though they make up a relatively small share of the Medicaid population, Medicaid spending is sharply skewed toward these enrollees. In 2001, the 4% of enrollees with costs exceeding \$25,000 accounted for 48% of all Medicaid expenditures (Fig. 6).



“Dual eligibles,” low-income Medicare beneficiaries who also receive Medicaid, account for 40% of Medicaid spending. Dual eligibles rely on Medicaid to pay Medicare premiums and cost-sharing and to cover critical benefits that Medicare does not cover, such as long-term care. Medicaid accounts for nearly half of national long-term care spending and finances care for 60% of nursing home residents.

Outlook

As declines in job-based health insurance continue and the uninsured count rises, initiatives to expand coverage of the uninsured are taking shape in a growing number of states and at the federal level. Though the approaches vary in many respects, most build on Medicaid coverage and financing. At the same time, as the baby-boomers gray and financing long-term care becomes a more pressing issue, the dominant role of Medicaid in this realm is likely to receive more attention. Understanding Medicaid and the needs of the low-income people it serves helps to assure that public policy affecting the Medicaid program will appropriately address the opportunities, issues, and challenges ahead.

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