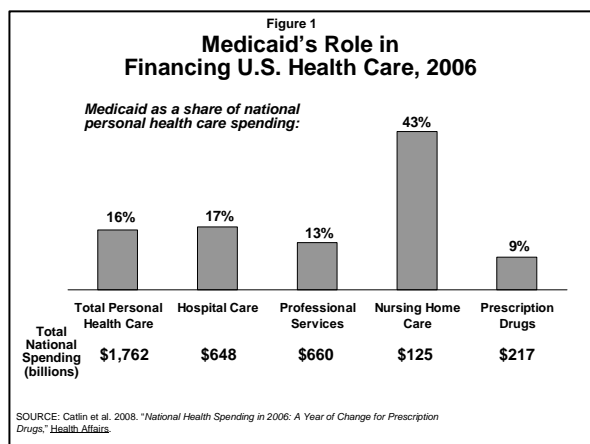


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## THE MEDICAID PROGRAM AT A GLANCE

Medicaid, the nation's principal safety-net health insurance program, covers health and long-term care services for 59 million low-income Americans, including children and parents, people with disabilities, and seniors. Most children and parents covered by Medicaid are in working families. Without Medicaid, the vast majority of its enrollees would be uninsured.

Since its enactment in 1965, Medicaid has increased access to care for low-income people, functioned as the main payer of nursing home and other long-term care, and supported the safety-net of providers that serve low-income and uninsured people. Medicaid accounts for almost one-sixth of total personal health care spending in the United States (Fig. 1).



The federal government and the states jointly finance Medicaid, and the states administer the program within broad federal guidelines. The federal share of Medicaid spending is at least 50% in every state. It varies based on state per capita income relative to the national average and ranges as high as 76% in the poorest state. Overall, the federal government today finances 57% of Medicaid spending. Medicaid per capita spending for acute care has been growing more slowly than private health spending per capita and premiums for private health insurance.

### Who does Medicaid cover?

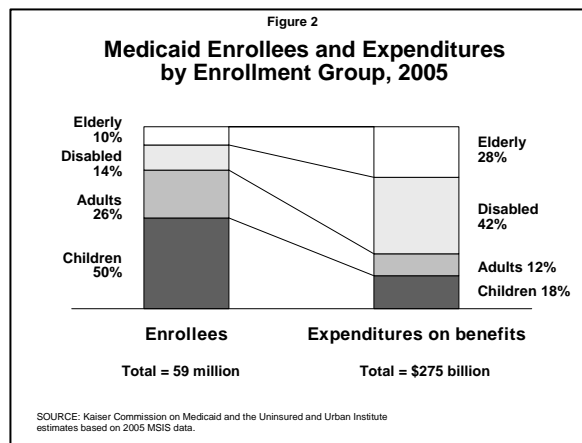
To qualify for Medicaid, a person must meet financial criteria and also belong to one of the "categorically eligible" groups: children; parents with dependent children; pregnant women; people with severe disabilities; and the elderly.

Federal law requires that states offer Medicaid to all people in these groups up to specified income thresholds; states cannot limit enrollment or establish a waiting list. States also have broad authority to expand Medicaid beyond these federal minimum standards, and they have done so to varying extents. However, states cannot use federal matching funds to cover non-disabled childless adults – no matter how poor they are – unless they obtain a federal waiver.

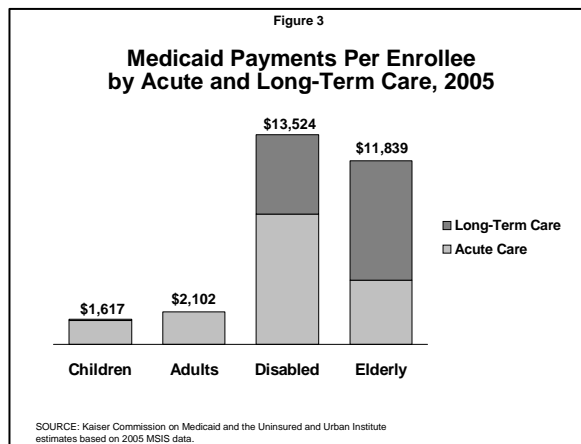
In 2005, Medicaid provided coverage to:

- 29.4 million children
- 15.2 million adults (primarily poor working parents)
- 6.1 million seniors
- 8.3 million persons with disabilities

Although seniors and people with disabilities make up just one-quarter of 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 to the more intensive use of acute and long-term care services by these groups. In 2005, Medicaid spending was about \$1,600 per child and \$2,100 per non-disabled adult, compared with \$13,500 per disabled enrollee and \$11,800 per elderly enrollee (Fig. 3).



### What does Medicaid cover and how much does it spend?

Medicaid purchases health care services primarily in the private sector, contracting with managed care plans or paying for care on a fee-for-service basis. 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:

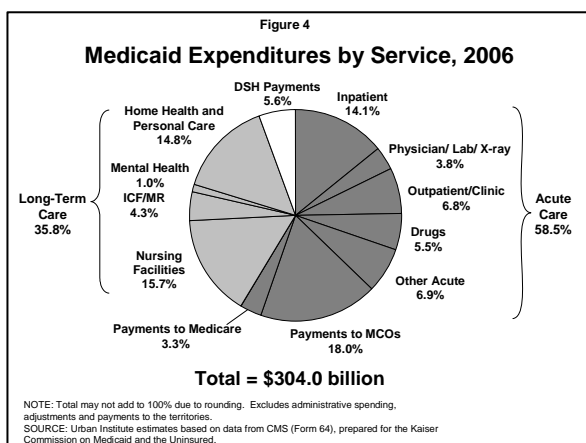
- inpatient and outpatient hospital services
- physician, midwife, and certified nurse practitioner services
- laboratory and x-ray services
- nursing home and home health care for individuals age 21+
- early and periodic screening, diagnosis, and treatment (EPSDT) for children under age 21
- family 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 benefits to all their Medicaid enrollees statewide. However, the 2005 Deficit Reduction Act (DRA) gave states authority to provide more limited benefits for some groups and to offer different benefits to different enrollees. The DRA also loosened longstanding restrictions on the use of premiums and cost-sharing in Medicaid.

In 2006, Medicaid spent \$304 billion for services (Fig. 4), of which:

- acute-care services comprised over half (59%)
- long-term care services made up 36%
- payments for Medicare premiums accounted for about 3%

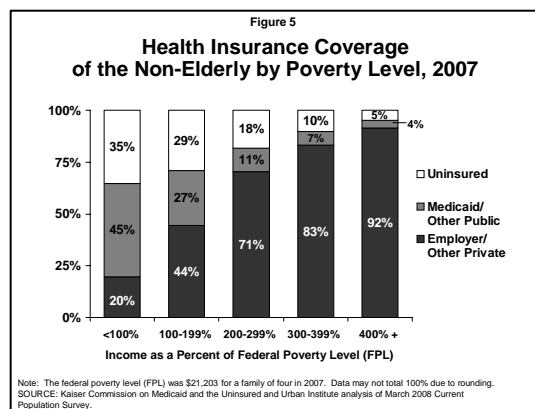


About 6% of Medicaid spending is attributable to supplemental payments to hospitals that serve a disproportionate share of indigent patients, known as “DSH.” DSH helps to support safety-net hospitals that provide substantial uncompensated care.

### What is Medicaid’s role in the health insurance system?

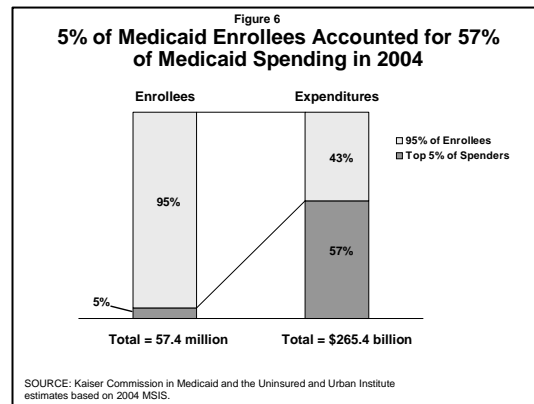
Medicaid is a key source of coverage for poor and near-poor Americans (Fig. 5). More than 1 in 4 children, including over 60% of poor children and 40% of those near poverty, rely on the program for coverage. Due largely to Medicaid and the smaller State Children’s Health Insurance Program (SCHIP), the rate of children without health insurance fell by more than one-third between 1997 and 2005, from 23% to 14%, despite declining job-based health coverage. Over the same period, the uninsured rate rose among adults, for whom Medicaid eligibility is much more restrictive.

During economic downturns, rising unemployment and declines in income cause more workers and their families to lose their health coverage. By design, the Medicaid program expands at such times, mitigating increases in the number of uninsured.



### What is Medicaid’s role for people with high costs?

Many of the nation’s sickest and frailest people depend on Medicaid for their coverage and care. Although these enrollees make up a relatively small share of the Medicaid population, Medicaid spending is sharply skewed toward them. In 2004, the 1% of Medicaid enrollees with the highest health and long-term care costs accounted for one-quarter of Medicaid spending, and the highest-cost 5% accounted for 57% of all Medicaid spending (Fig. 6).



“Dual eligibles,” low-income Medicare enrollees who also receive Medicaid, account for about 45% 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, especially long-term care. Until 2006, Medicaid covered prescription drugs for dual eligibles. Now, Medicare covers drugs under a new Part D, but states make a monthly “clawback” payment to the federal government to help finance the benefit.

### Outlook

In the current economy, as unemployment, falling income, and eroding job-based insurance leave more people uninsured, expanding coverage is likely to be high on the nation’s policy agenda. As the new Administration and Congress, as well as individual states, deliberate about how to move forward, they can be expected to consider Medicaid a platform for increasing coverage for the low-income population. As the baby-boomers age and financing long-term care becomes a more pressing issue, Medicaid’s central role in this area is likely to gain more attention. Understanding Medicaid and the diverse populations and needs it serves helps to ensure that public policy affecting the program will appropriately address the opportunities, issues, and challenges ahead.

This publication (#7235-03) is available on the Kaiser Family Foundation’s website at [www.kff.org](http://www.kff.org).