

medicaid  
and the uninsured

**Federal Spending on the Health Care Safety Net  
from 2001 – 2004: Has Spending Kept Pace with the  
Growth in the Uninsured?**

**Executive Summary**

*Prepared by*

Jack Hadley, Matthew Cravens, Terri Coughlin  
*and* John Holahan  
The Urban Institute

**November 2005**

# kaiser commission medicaid and the uninsured

**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.**

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## EXECUTIVE SUMMARY

Federal spending is the largest and most important component of funding for the health care safety net, providing an estimated \$19.8 billion in funding in 2001. In that year the Federal government provided two-thirds of all government spending on the health care safety net and more than half of all spending from all sources. Yet, in spite of this substantial subsidy, someone uninsured for the entire year still received only about half as much medical care on an annual basis as a privately insured person. A substantial body of research indicates that this deficit in the amount of care received by the uninsured leads to significantly worse health.<sup>1</sup> Since 2001, 4.6 million more Americans have become uninsured, leaving 45.8 million people without insurance coverage in 2004.<sup>2</sup> State and local governments have likely not been able to maintain, let alone increase, their level of support for safety-net funding. This work demonstrates that federal spending on the health care safety net has not kept pace with the growth in the uninsured over the past three years.

Based on information collected from Medicare, Medicaid, and other federal programs that provide funds that support the health care safety net, total federal safety-net spending in grew from \$19.8 billion in 2001 to \$22.8 billion in 2004 (Table A-1), an increase of 15.4 percent. This overall increase reflects a decline in Medicaid spending through its DSH and UPL programs from \$7.6 to \$6.7 billion, which was more than offset by increases in Medicare spending from \$6.6 billion to \$9.2 billion and increases in federal support for discretionary spending programs from \$5.6 to \$6.9 billion.

Federal support for community health centers, which have been a focal point of the Administration's policy for providing care to the uninsured, increased by more than 50 percent, from \$0.43 billion to \$0.67 billion. Despite this growth, however, in 2004, federal funding for community health centers still accounted for less than 3 percent of total federal spending on the safety net (Table A-1).

Between 2001 and 2004 the cost of medical care, as measured by the medical care component of the consumer price index, increased by almost 14 percent. Adjusting for inflation and expressing federal spending in constant 2004 dollars reveals that total federal spending on the safety net increased by only 1.3 percent between 2001 and 2004. At the same time, however, the total number of uninsured Americans increased by 11.2% percent, rising from 41.2 million in 2001 to 45.8 million people by 2004. As a result, federal spending per uninsured person actually decreased by 8.9%, from \$546 per uninsured person in 2001 to \$498 in 2004 (Table A-2 and Figure A-1). These inflation-adjusted figures suggest that overall federal support of the safety net has not kept pace with the increase in the number of uninsured Americans

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<sup>1</sup> Institute of Medicine, 2002; Hadley, 2003.

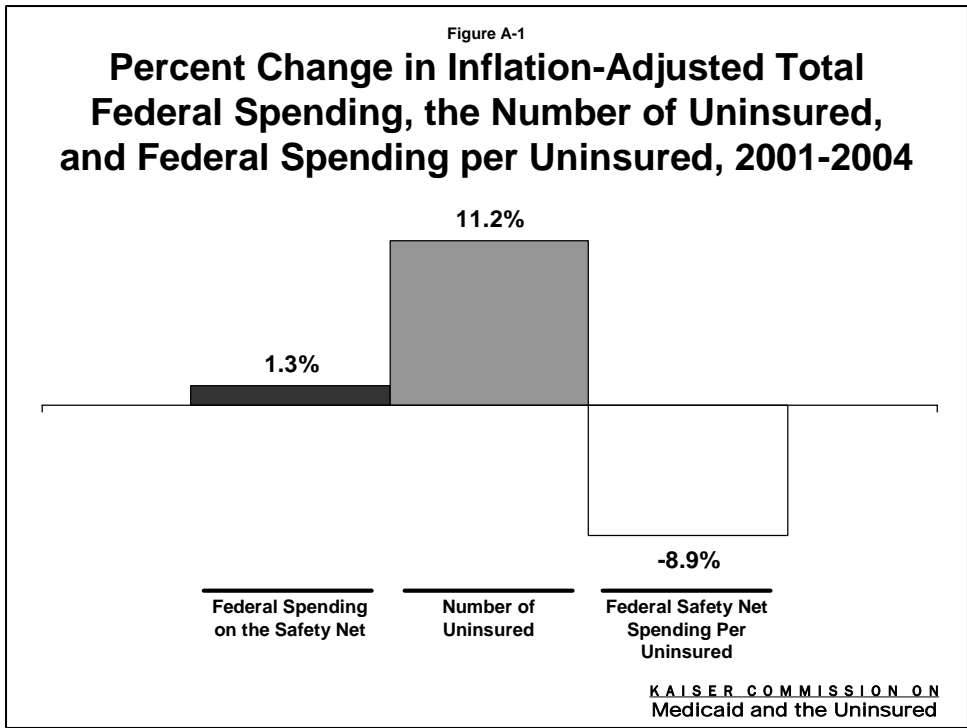
<sup>2</sup> C. Denavas-Walt, B. Proctor and C. Lee, *Income, Poverty, and Health Insurance Coverage in the United States: 2004*, U.S. Census Bureau, Current Population Reports, P60-229, 2005.

**Table A-1**  
**Total Federal Spending on The Health Care Safety Net (\$billions)**

	2001	2002	2003	2004	<i>% 2004 Total</i>	<i>% Change 2001-2004</i>
Medicare	\$ 6.6	\$ 7.7	\$ 9.0	\$ 9.2	40.4	39.4
Medicare DSH	5.0	6.0	7.2	7.4	32.5	48.0
Medicare Share of IME	1.6	1.7	1.8	1.8	7.9	12.5
Medicaid DSH and UPL	\$ 7.6	\$ 7.2	\$ 6.4	\$ 6.7	29.4	-11.8
Direct Care Programs	\$ 5.6	\$ 5.6	\$ 6.5	\$ 6.9	30.1	23.7
VHA	3.23	3.14	3.87	4.18	18.3	29.3
IHS	1.28	1.29	1.31	1.30	5.7	2.2
Health Centers	0.43	0.49	0.58	0.67	2.9	56.0
Ryan White CARE	0.55	0.59	0.65	0.65	2.8	16.3
MCHB	0.06	0.06	0.06	0.06	0.3	12.5
NHSC	0.00	0.01	0.01	0.01	0.0	64.5
<b>Total, All Federal Sources</b>	<b>\$ 19.8</b>	<b>\$ 20.5</b>	<b>\$ 21.9</b>	<b>\$ 22.8</b>	<i>100.0</i>	<i>15.4</i>

**Table A-2**  
**Total Inflation-Adjusted Federal Spending on The Health Care Safety Net (billions of 2004 \$s), and Number of Uninsured**

	2001	2002	2003	2004	<i>% Change 2001-2004</i>
Total Federal Spending	\$ 22.5	\$ 22.3	\$ 22.9	\$ 22.8	+1.3%
Number of Uninsured (000's)	41,207	43,574	44,961	45,820	+11.2%
Federal Spending per Uninsured Person	\$ 546	\$ 512	\$ 509	\$ 498	- 8.9%



It appears unlikely that future federal funding will reverse this trend. More than 70% of federal safety net spending flows through the Medicare and Medicaid programs, both of which are under severe budgetary pressures. In the wake of the 2001 recession, many states faced challenges financing their share of program costs as Medicaid enrollment grew due to increasing poverty and declining availability of affordable private coverage. However, states' ability to continue covering people who lose private insurance coverage is not unlimited. If states retrench the recent growth in Medicaid enrollment, then the increase between 2001 and 2004 in the percentage of people without insurance is likely to be much larger in the future. This will place even greater strain on safety-net providers and on their sources of funding. If safety-net resources continue to shrink while the number of uninsured grows, then the amount of care received by the uninsured, which is already well below the average amount of care received by the insured, will also be jeopardized with potentially significant adverse consequences on the health of the uninsured and the health of our nation.<sup>3</sup>

<sup>3</sup> Institute of Medicine 2002; Hadley 2003.

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