THE KAISER COMMISSION ON
Medicaid and the Uninsured

MEDICAID AND HEALTH REFORM

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Medicaid and Health Reform

Over the last 45 years, Medicaid has been on the frontline providing health coverage to many of the poorest, sickest, and most disabled among us – a large low-income population with multiple and complex health needs that go beyond the scope of most private health insurance coverage. Medicaid coverage of the low-income population provides access to a comprehensive scope of benefits with limited cost-sharing that is geared to meet the health needs and limited financial resources of Medicaid's beneficiaries.

Medicaid's experience in covering the low-income population provides a logical and operational framework on which to build broader coverage of the low-income uninsured:

- Medicaid provides essential coverage for 60 million low-income Americans today and has been a strong platform in state efforts to reach more low-income uninsured. The gains in children's coverage over the last decade have demonstrated the effectiveness of expanding public programs to reach more of the low-income uninsured population.

- The comprehensive scope and limited cost-sharing of Medicaid is designed to address the complex health needs of the low income population, including the chronically ill and people with severe disabilities. When the health needs of its beneficiaries are taken into account, Medicaid is a low-cost program; both adult and child per capita spending are lower in Medicaid than under private insurance.

- Medicaid has a proven track record in providing access to care for its beneficiaries. Medicaid enrollees fare as well as the privately-insured population on important measures of access to care. The uninsured fare much worse on every access measure, despite substantial health care needs.

- Medicaid is a tested program with an administrative structure in every state that can be readily adapted to serve more of the low-income uninsured.

As the nation moves forward to consider health care reform, strengthening the base that Medicaid provides for the low-income population and those with special health care needs will help provide the foundation on which broader health reforms can be built and will provide time to develop and implement the many other elements required to move to universal coverage. Medicaid's role in coverage of the low-income population could be strengthened by expanding eligibility for low-income adults; reducing enrollment barriers; placing greater emphasis on preventive and primary care; promoting greater provider participation and care coordination; and supporting the cost of expanded coverage with additional federal financing.

Thank you for the opportunity to participate in this roundtable discussion on health insurance coverage and the challenge of ensuring access to quality and affordable coverage for all Americans. I am Diane Rowland, Executive Vice President of the Kaiser Family Foundation and Executive Director of the Kaiser Commission on Medicaid and the Uninsured. My statement today will focus on the role Medicaid currently fills in our health care system and ways Medicaid could serve as a platform for broader health care reform.

Medicaid Today: Multiple Roles for Low-Income Americans

Medicaid is a fundamental part of our health care system covering 60 million low-income Americans and financing 16 percent of national health spending, including 40 percent of spending on long-term care services. It serves as the nation's health care safety net providing health coverage to one in four of America's children and many of their parents --- 30 million low-income children and 15 million adults who generally have no access to job-based coverage. It is also a particularly important source of coverage for both acute and long-term care for 8 million non-elderly people with disabilities and an essential adjunct to Medicare for the nearly 9 million low-income elderly and disabled Medicare beneficiaries who depend on Medicaid to help with premiums, gaps in Medicare benefits, and long-term care needs. Medicaid financing provides states with the capacity to provide coverage for their low-income families and helps to support safety net clinics and hospitals for the poor and uninsured.

While Medicaid is often viewed in its role as the health insurer of low-income families, it is important to recognize that children and parents in low-income families comprise three-quarters of Medicaid enrollees but account for less than a third of program spending (Figure 1). This is largely driven by the difference in annual spending per enrollee: $1,700 per child and $2,100 per adult compared to nearly $13,000 per person with disabilities and nearly $11,000 per elderly enrollee -- due to the greater use of both acute and long-term services by the disabled and elderly.

Medicaid spending --- like most health spending --- is highly skewed with a small share of enrollees accounting for a large share of the spending. The 5 percent of beneficiaries with the highest health and long-term care costs (over $20,000 annually in 2004) accounted for 57 percent of spending (Figure 2). Medicaid's high need populations include children in foster care and those suffering from spinal cord and traumatic brain injuries, mental illness, intellectual disabilities, and Alzheimer's disease, only some of whom qualify for the program on the basis of their disability. For many of those with the most extensive health needs and severely disabling conditions, Medicaid provides access to diverse services and long-term care options that exceed the scope of most private insurance. Medicaid not only provides access to affordable health care for millions of low-income children and some of their parents, but it also helps to provide comprehensive coverage for the complex and extensive health needs of many of the nation's chronically ill and severe disabled children and adults who have no other source of assistance.

Medicaid and Health Coverage for Low-income Families

Medicaid is at the centerpiece of coverage for the low-income population with incomes below 200 percent of poverty or $44,000 for a family of 4 in 2009 (Figure 3). For most low-income families, health coverage through the workplace is not available. Medicaid and the Children's Health Insurance Program (CHIP) have helped fill the coverage gap for children. Federal law currently requires states to provide Medicaid coverage to all children in families with incomes below poverty and young children and pregnant women at 133 percent of poverty and gives states the option of extending coverage to children at higher income levels through Medicaid and CHIP. Children are now covered at 200 percent of poverty or higher in 43 states and the District of Columbia. However, states set Medicaid eligibility for parents in 33 states at levels below poverty, leaving many parents of covered children uninsured. Under current federal rules, adults without dependent children are ineligible for Medicaid unless they qualify on the basis of a disability or are added through a state

waiver provision. As a result, Medicaid now provides coverage to half of all low-income children, but nearly half of poor and a third of near-poor adults are left uninsured.

Medicaid's comprehensive scope of benefits and limited cost-sharing is central to Medicaid's ability to address the health needs of the population it serves. Cost-sharing can place a disproportionately heavy burden on the tight budgets of low-income families, affecting access to care and health outcomes adversely. For a poor family struggling on an income of $20,000 a year, even minimal cost-sharing can quickly mount up and break the family budget while uncovered medical expenses can be catastrophic.

Within Medicaid there have long been concerns about the level of provider payments and the willingness of providers to treat Medicaid patients. Today, a majority of low-income families on Medicaid receive their health coverage through private managed care organizations under contract with the state to provide both comprehensive services and a provider network for beneficiaries (Figure 4). Through managed care arrangements and primary care case management states have moved to both secure better access to primary care services and restrain costs. Many states have used managed care and pay-for-performance programs as a vehicle to improve the quality of services provided to Medicaid beneficiaries.

Medicaid and Access to Care

Medicaid financing has helped move many low-income families from dependence on charity care to financial access to both public and private providers. In doing so, it has offered assistance to millions of low-income children and adults and provided a healthier start in life --- and fewer disparities in life --- to many of the nation's children. The coverage provided by Medicaid has helped to narrow the gaps in access to care faced by those without insurance and promoted broader use of preventive and primary care services.

Medicaid's success in improving access to care for the low-income population is most notably reflected in the comparability of Medicaid to private insurance on the many access measures where the uninsured fall far behind. For both children and adults, Medicaid, like private insurance, links families to a usual source of care -- the key entry point into the health care system. With Medicaid coverage, children utilize the health system similarly to those privately insured and face far fewer financial and access barriers to care than the uninsured (Figure 5). For those with serious health problems, poor adults with chronic conditions and disabilities with Medicaid coverage fare better than those with private insurance and substantially better than the uninsured on access to medical services (Figure 6).

Medicaid's access comparability to private coverage is especially notable given that the Medicaid population is both poorer and sicker than those who are low-income and privately insured (Figure 7). Because Medicaid covers a sicker population with more health needs, it is often viewed as more costly than private insurance. However, when the cost per adult and per child for medical care is adjusted for health status, Medicaid spending per person is below that of private insurance. While this is in part due to lower provider payment rates, it also reflects greater efficiency in program administration and in managing care.

Medicaid also plays an important role as a source of coverage in rural areas where there is less employer-sponsored coverage and higher poverty rates than in urban areas. Nearly a fifth of poor children live in rural areas. As a result, nearly a third (32%) of rural children compared to a quarter (26%) of urban children have Medicaid and CHIP for their health insurance coverage. As Medicaid promotes access to care for the low-income rural population enrolled, it also serves as a major source of payment for rural providers, and helps fill the gap left by the low level of private insurance in rural areas. By enabling hospitals, doctors, and clinics to get financing support for their services, Medicaid helps maintain the availability of health services for all rural residents and helps sustain rural economies.

Medicaid as a Platform for Reform

As the nation moves forward to consideration of how to provide coverage to the over 45 million uninsured Americans, Medicaid's role for the low-income population can provide a strong platform on which reform efforts can be built. The recent experience with children's coverage has demonstrated the effectiveness of expanding public programs to reach more of the low-income uninsured population. With the expansion of Medicaid/CHIP from 1998 to 2007, the uninsured rate among low-income children dropped from 28 to 15 percent.

The uninsured population is predominantly low-income -- two-thirds of the uninsured have incomes below 200 percent of poverty -- $44,000 for a family of 4 (Figure 8). Among the nation's 45 million uninsured, 16 million are below poverty and 13 million are near-poor. The uninsured have worse health status than those with private insurance and impaired access to care despite greater health needs.

Medicaid provides affordable coverage with a scope of benefits and limited cost-sharing that meet both the health and financial needs of this low-income population. The scope of benefits is well adapted to the needs of a low-income and disabled population. It is a tested program with an administrative structure in every state that virtually every state health reform effort has built upon in seeking to broaden coverage for their low-income residents.

Medicaid provides a base for extending coverage that has public support. In surveys of low-income families, over 90 percent of parents with an uninsured child view Medicaid/CHIP as a good program and say they would enroll their child if eligible for public coverage. Public opinion surveys have consistently shown broad support for public coverage programs with 74 percent ranking Medicaid as a very important program compared to 83 percent for Medicare in our 2005 survey of the general public. When asked about approaches to expanding coverage nationally, 70

percent of the public say they favor expanding Medicaid and SCHIP as one way to achieve broader coverage.

Over the last 45 years Medicaid has been on the frontline providing health coverage to many of the poorest, sickest, and most disabled among us -- a large low-income population with multiple and complex health needs that go beyond the scope of most private health insurance coverage. While there are variations across the states in both eligibility and scope of benefits, the core of care for the poor and the sick has been central to Medicaid's mission and led to many advances in care of the chronically ill. Medicaid has a proven record in coverage and care of these complex populations and has provided access to care for its beneficiaries comparable to that of private insurance for the low-income population. Medicaid's established eligibility determination system and provider and plan relationships combined with low administrative costs provide a solid base in every state for coverage of additional low-income people. Medicaid's administrative system is in place and can be readily adapted to serve more of the low-income uninsured with additional financing to support the costs of expanding coverage.

However, to make Medicaid a more effective platform for extending coverage to the low-income population, several options have been raised for reducing gaps and strengthening the program's base:

- To reach and cover more of the low-income population both expanding eligibility and reducing enrollment barriers could be addressed by: basing Medicaid eligibility solely on income and eliminating the current categorical requirements that exclude childless adults; standardizing income eligibility levels across states for adults to provide a national floor similar to the current requirements for coverage of all children under poverty; and further simplifying enrollment procedures to make coverage more accessible to working families.
- To improve access to care, greater emphasis could be placed on preventive and primary care combined with improvements in the level of provider payments to promote greater physician participation and assure the availability of care in safety net facilities and medically underserved areas.

- To meet the health needs of the complex populations served by Medicaid, greater emphasis could be placed on adopting new strategies and technology to better coordinate care and evaluate quality.
- To underpin these efforts and secure coverage through good and bad economic times, ways to enhance and stabilize federal financing and provide countercyclical aid also need to be addressed. It is important to recognize the variations in capacity across states and the limits of state financing and tie federal standards to additional federal dollars as part of moving to more uniform coverage across states.

Conclusion

The Medicaid program serves a disproportionately low income and disadvantaged population, living in poor and often environmentally and physically hazardous neighborhoods, where poverty and complex social needs combine with a multitude of other factors to shape health outcomes. Health coverage alone cannot be expected to reverse the effects of poverty and deprivation on the health and well-being of America's poorest residents, but Medicaid has demonstrated over the last four and a half decades that it is an important lever to help improve access to health services and the health of America's poorest children and families.

Medicaid's population is not just low-income but also includes many with complex health needs. It provides coverage beyond that of private insurance or Medicare to the most vulnerable and frail in our society - acute and long term care services for persons with chronic mental illness or developmental disabilities; medical and drug therapy for those with HIV/AIDS; assistance with Medicare's premiums, cost-sharing, and coverage gaps for poor Medicare beneficiaries and home-based and institutional care for those with severe physical and mental disabilities that require long-term care. In the absence of Medicaid, it is hard to envision how these enormous societal needs would be met. In a transition to broader health reform, it is critical that care for this population be maintained as disruptions could jeopardize their fragile health.

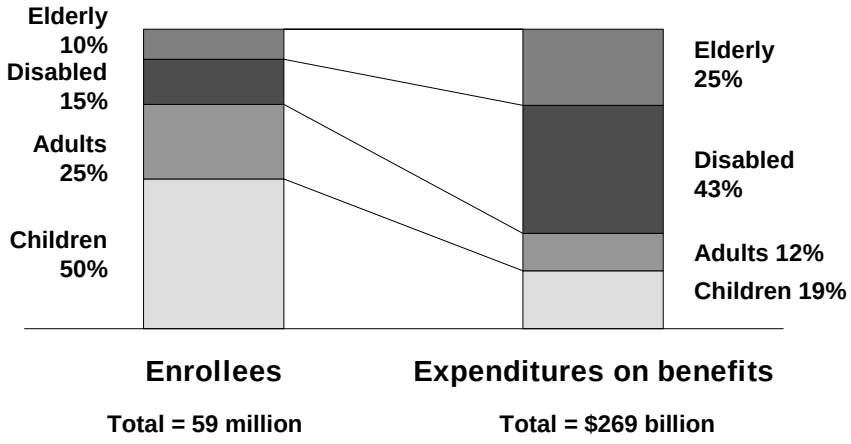
Medicaid with its experience in covering the low-income population provides a logical and operational framework on which to build broader coverage of the low-income uninsured. Medicaid has an established track record in providing the scope of benefits and range of services to meet the health needs of a low-income population that includes many with chronic illness and severely disabling conditions. It offers an appropriate starting point for extending coverage to the low-income uninsured population through health reform with the least disruption in care for the most vulnerable.

As the nation moves forward to consider health care reform, strengthening the base that Medicaid provides for the low-income population and those with special health needs will help to provide the foundation on which broader health reforms can be built and will provide time to develop and implement the many other elements required to move to universal coverage. As a building block in the broader reform effort, Medicaid can provide a stable base to protect the health care of the poor and the sick while providing a vehicle to reach low-income adults with affordable coverage during the transition to a reformed system.

Thank you for your consideration.

Figure 1

Children and Adults Account for Most Medicaid Enrollees but Elderly and Disabled Account for the Majority of Spending



SOURCE: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on 2006 MSIS data.

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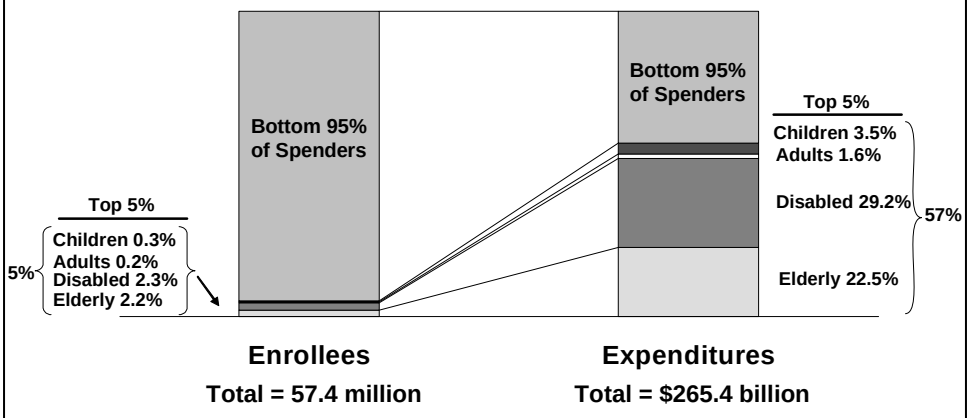
Figure 2

Top 5% of Enrollees Accounted for More than Half of Medicaid Spending



SOURCE: Kaiser Commission on Medicaid and the Uninsured and Urban Institute estimates based on MSIS 2004.

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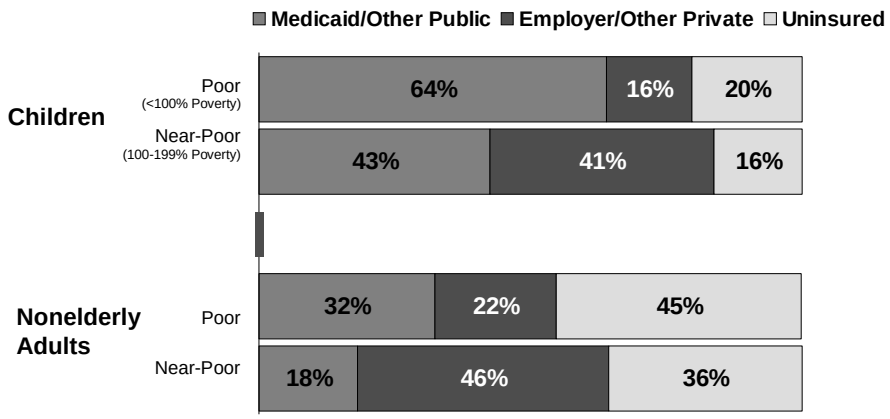
Figure 3

Medicaid Provides a Base for Expanding Coverage to Low-Income Children and Adults



Medicaid also includes SCHIP and other state programs, Medicare and military-related coverage.
SOURCE: KCMU and Urban Institute analysis of March 2008 CPS.

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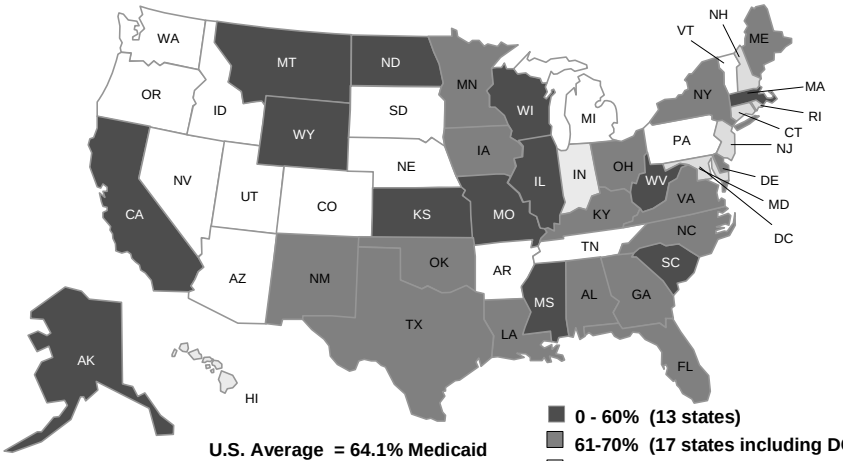
Figure 4

Over 60 Percent of Medicaid Beneficiaries Enrolled in Managed Care



U.S. Average = 64.1% Medicaid enrollees in managed care

- **0 - 60% (13 states)**
- **61-70% (17 states including DC)**
- **71-80% (7 states)**
- **81-100% (14 states)**

Note: Managed care includes individuals enrolled in managed care organizations (MCOs) and primary care case management (PCCM) arrangements.

SOURCE: Medicaid Managed Care Penetration Rates by State as of June 30, 2007, CMS, U.S. Department of Health and Human Services.

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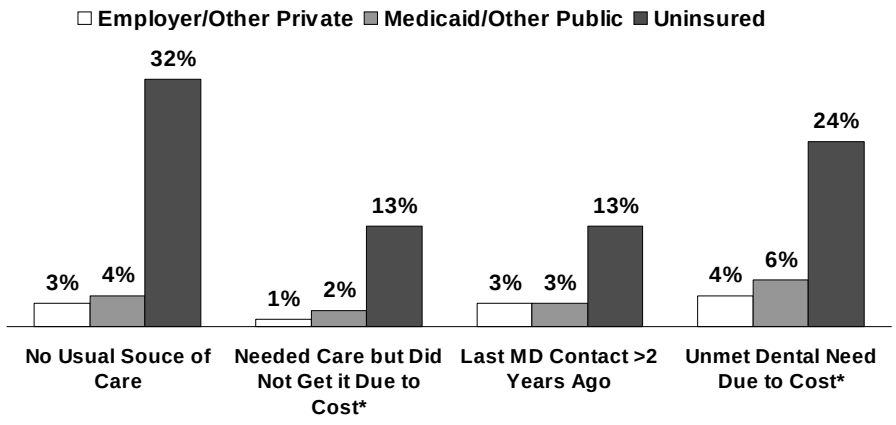
Figure 5

Health Insurance Matters for Children



* In the past 12 months

Respondents who said usual source of care was the emergency room were included among those not having a usual source of care.

SOURCE: KCMU analysis of 2007 NHIS data.

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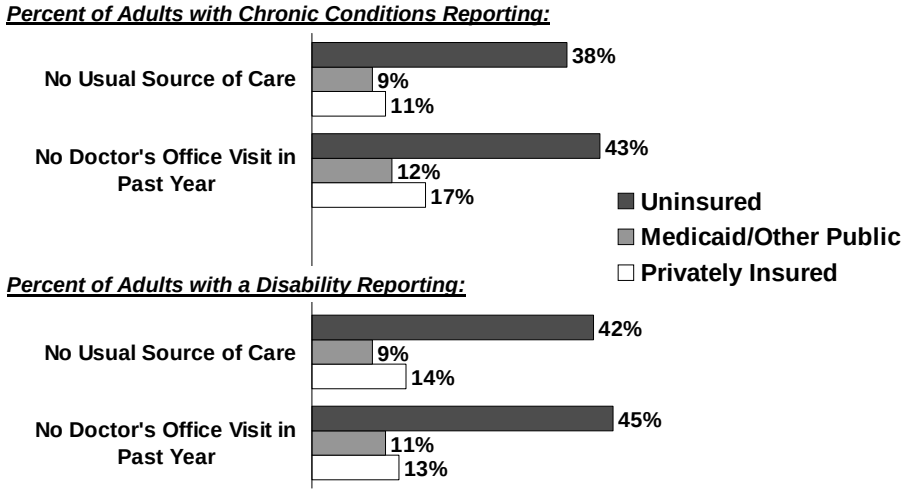
Figure 6

Access to Care Among Poor Adults: Medicaid Comparable to Private Insurance



Source: KCMU analysis of MEPS 3-year pooled data, 2004-2006.

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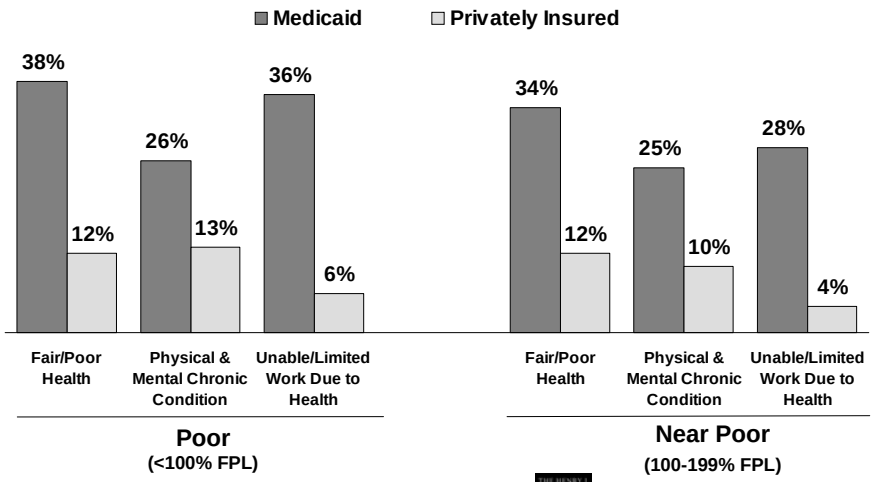
Figure 7

Medicaid Enrollees are Sicker and More Disabled Than the Privately-Insured



Note: Adults 19-64.
SOURCE: KCMU analysis of MEPS 3-year pooled data, 2004-2006.

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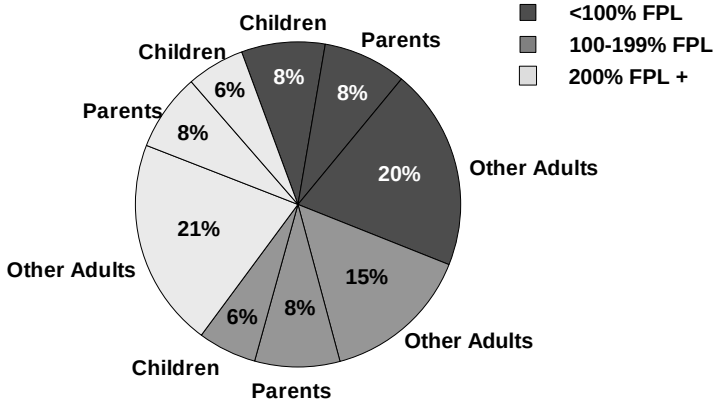
Figure 8

Two-Thirds of the Uninsured are Low-Income



Total = 45.0 million uninsured

*200% of the Federal Poverty Level (FPL) for a family of four in 2008 is $42,400 per year.
SOURCE: KCMU/Urban Institute analysis of March 2008 CPS.

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