THE KAISER COMMISSION ON
Medicaid and the Uninsured

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Medicaid's Optional Populations: Coverage and Benefits

Medicaid is a jointly financed federal and state program that provides health and long-term care services to 52 million low-income Americans. As a condition of participating in Medicaid, states are required to cover certain "mandatory" populations and to provide a specified set of benefits. States also have discretion to cover additional low-income individuals in each of these categories ("optional groups") and receive federal matching payments. Optional eligibility categories include children and parents, persons with disabilities and the elderly above mandatory coverage limits; persons residing in nursing facilities; and the medically needy.

All states have expanded coverage to include optional populations. Many would consider coverage of "optional" population groups as essential for the states. As Medicaid has evolved from providing medical assistance to the welfare population to a program of health coverage for low-income families, the elderly, and those with disabling chronic conditions, it has helped close gaps in access to care and serves as an important safety-net. Many of the long-term care services that Medicaid covers are not available in private health insurance or Medicare.

Medicaid reform discussions have often focused around giving states greater flexibility over optional populations and services. This issue brief provides a brief overview of Medicaid's optional beneficiaries and services and provides examples of who qualifies as "optional" and the services they use. It draws on analysis conducted for the Kaiser Commission on Medicaid and the Uninsured by the Urban Institute based on data collected by the government (1998 HCFA 2082 and 64 reports). It is important to note the term "optional" is a statutory term that has little to do with whether or not these services are necessary or whether they are essential for people with disabilities and the elderly to live in the community. Some of the sickest and poorest Medicaid beneficiaries are considered "optional" and many "optional" benefits provided under Medicaid often are essential.

Medicaid Eligibility Groups

States that receive federal Medicaid matching funds must cover certain "mandatory" groups of beneficiaries (Figure 1). In general, Medicaid provides coverage of three basic groups of low-income Americans: children and parents, the elderly, and people with disabilities. Mandatory populations include pregnant women and children under age 6 with family income below 133 percent of poverty ($20,841 a year for a family of 3 in 2004) and older children with family income below 100 percent of poverty ($15,670 a year for a family of 3 in 2004); most persons with disabilities and elderly people receiving assistance through the Supplemental Security Income (SSI) program ($6,768

a year for an individual in 2004); and parents with income and resources below states' welfare eligibility levels as of July 1996, often below 50% of the federal poverty line.

Beyond these federal minimums, states have substantial flexibility to cover additional "optional" population groups (Figure 1). Optional eligibility categories include children and parents above mandatory coverage limits; persons with disabilities and the elderly up to 100 percent of poverty ($9,310 a year for an individual in 2004); persons residing in nursing facilities with income less than 300 percent of SSI standards ($1,692 a month for an individual in 2004); and individuals who have high recurring health expenses that "spend-down" to a state's medically needy income limit.

Figure 1

Medicaid Beneficiary Groups

Mandatory Populations

- Children age 6 and older below 100% FPL ($15,670 a year for a family of 3)
- Children under age 6 below 133% FPL ($20,841 a year for a family of 3)
- Parents below AFDC cutoffs from July 1996 (median = 42% FPL)
- Pregnant women ≤133% FPL
- Elderly and disabled SSI beneficiaries with income ≤ 74% FPL ($6,768 a year for an individual).
- Certain working disabled
- Medicare Buy-In groups (QMB, SLMB)

Optional Populations

- Low-income children above 100% FPL.
- Low-income parents with income above 1996 AFDC level.
- Pregnant women >133% FPL
- Disabled and elderly below 100% FPL ($9,310 a year for an individual).
- Nursing home residents below 300% of SSI ($1,692 a month).
- Disabled (under HCBS waiver)
- Certain working disabled (>SSI levels)
- Medically needy

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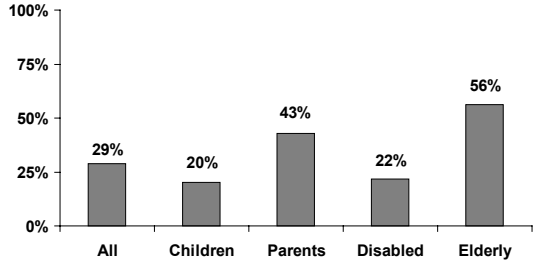
Overall, 29 percent of Medicaid beneficiaries qualify on the basis of an optional eligibility group. The likelihood of qualifying for Medicaid on the basis of a mandatory or optional group varies substantially by group (Figure 2). Most children (80%) qualify on the basis of mandatory coverage, reflecting Congressional legislative changes that have raised the minimum income eligibility threshold above cash assistance levels. In contrast, over half (56%) of the elderly qualify through optional eligibility groups, reflecting state decisions to extend coverage to nursing home residents and the medically needy population who have incomes above SSI eligibility levels.

Figure 2

Percent of Medicaid Beneficiaries with Optional Eligibility



SOURCE: KCMU, estimates prepared by the Urban Institute based on data from federal fiscal year 1998 HCFA 2082 and HCFA-64 reports, 2001.

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Many individuals who qualify as an "optional" beneficiary are poor and have extensive health and long-term care needs, especially the elderly and persons with disabilities. Optional coverage allows states to provide health insurance to children and their parents, low-income working parents who can not obtain health insurance in the workforce, and people with disabilities who are excluded from private coverage due to their disabilities. The opportunity to "spend down" is particularly important to elderly individuals in nursing facilities and children and adults with disabilities who live in the community and incur high prescription drug, medical equipment, or other health care expenses. Without Medicaid, many of these individuals would not have health insurance.

Examples of Optional Beneficiaries

- An elderly nursing facility resident whose annual income ($7,184) is just above SSI standards (74% of poverty) but below 100% of poverty ($9,310 in 2004).

- A parent of two children who works full-time at a minimum wage levels in a service sector job that does not provide health insurance coverage.

- A pregnant woman who has a part-time job, which does not offer health insurance, and earns more than $12,382/year (133% of poverty in 2004). Without Medicaid, she would not have access to prenatal and maternity care.

- A 68 year-old widow with multiple conditions, such as fibrosis of the lungs, rheumatoid arthritis, and high blood pressure, whose income ($8,400) is too high to qualify for SSI (74% of poverty) but qualifies for Medicaid home and community-based services. These services, as well as the Medicaid prescription drug coverage, allow her to remain in the community.

- A 7 year-old boy with autism living with his parents whose income is greater than 74% of poverty ($11,596 in 2004) and qualifies through a home and community-based service waiver.

- A women with disabilities who earns less than $23,275/year (250% of poverty in 2004), whose employer does not over coverage and needs Medicaid 's coverage of physician services, personal care services, and prescription drugs.

- An 85-year old with Alzheimer's disease with a monthly income of $1,472 (less than 300% of SSI) qualifies for nursing facility care. She is allowed to keep $30 a month for personal needs, and the remainder of her income goes to the nursing facility to cover her medical and support needs.

- A 50 year-old man who has multiple sclerosis with recurring drug and physician costs that average $750/month "spends down" to Medicaid medically needy eligibility levels (median is 55% of poverty).

Medicaid Benefits

When extending coverage to a Medicaid beneficiary, states must provide physician services, hospital care, nursing facility care, and a range of other "mandatory" services, but they also can provide an array of "optional" services (Figures 3 & 4). Optional services include prescription drugs and a broad range of disability-related services, such as, case management, rehabilitative services, personal care services, and home and community-based services. Many of these optional benefits are critical for all Medicaid "mandatory" and "optional" beneficiaries and are particularly important for persons with disabilities and the elderly. Without these services, many persons with disabilities would be unable to remain in the community or recover from a serious illness or accident. Many of the "optional" services, such as case management, prosthetics, physical therapy, and hospice care, have been added as our delivery system has evolved in the 21st century and are components of medically-appropriate care.

Figure 3

Medicaid Acute Care Benefits

"Mandatory" Items and Services	"Optional" Items and Services
• Physicians services	• Prescription drugs
• Laboratory and x-ray services	• Medical care or remedial care furnished by licensed practitioners
• Inpatient hospital services	• Diagnostic, screening, preventive, and rehab services
• Outpatient hospital services	• Clinic services
• Early and periodic screening, diagnostic, and treatment (EPSDT) services for individuals under 21	• Dental services, dentures
• Family planning and supplies	• Physical therapy
• Federally-qualified health center (FQHC) services	• Prosthetic devices, eyeglasses
• Rural health clinic services	• TB-related services
• Nurse midwife services	• Primary care case management
• Certified nurse practitioner services	• Other specialist medical or remedial care

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Figure 4

Medicaid Long-Term Care Benefits

"Mandatory" Items and Services	"Optional" Items and Services
Institutional Services	
• Nursing facility (NF) services for individuals 21 or over	• ICF/MR services
	• Inpatient/nursing facility services for individuals 65 and over in an institution for mental diseases (IMD)
	• Inpatient psychiatric hospital services for individuals under age 21
Home & Community-Based Services	
• Home health care services (for individuals entitled to nursing facility care)	• Home health care services
	• Case management services
	• Respiratory care services for ventilator-dependent individuals
	• Personal care services
	• Private duty nursing services
	• Hospice services
	• Services furnished under a PACE program
	• Home- and community-based services

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Examples of Optional Services

- An eight-year old boy with autism relies on the speech and occupational therapy and home based therapeutic services to learn basic life skills, such as how to dress, how to make his bed, and how to interact with other children.

- A forty-year old male with mental illness takes 4 prescription drugs a day to manage his bipolar disorder.

- A 20 year-old with cerebral palsy relies on a personal care assistant who helps him bath, dress, eat, and essentially "have a normal life".

- A 51 year-old woman relies on Medicaid's prescription drug coverage for her twice daily dose of medications that include10 different prescriptions to help manage her HIV disease.

Medicaid Spending on Optional Groups and Services

Over two-thirds of total Medicaid spending is on optional services (Figure 5). The share of spending that is "mandatory" or "optional" varies substantially across beneficiary groups (Figure 6). For example, only 35 percent of spending on children is optional, while 83 percent of spending on the elderly is optional. Overall, the majority of optional spending is on the most vulnerable beneficiaries enrolled in Medicaid, including persons with disabilities and elderly individuals needing nursing facility care.

Figure 5

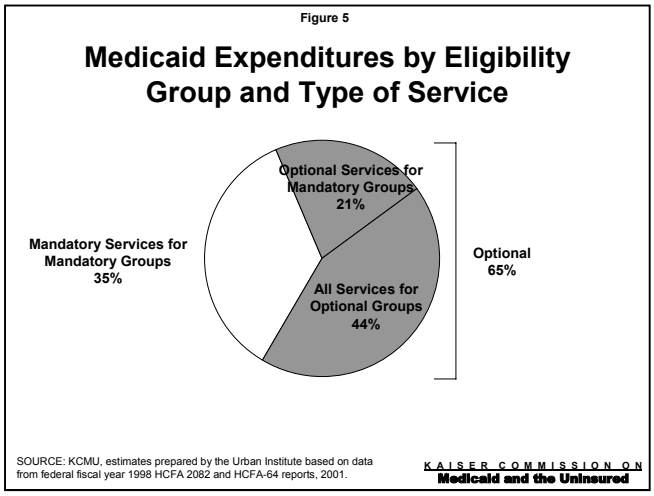
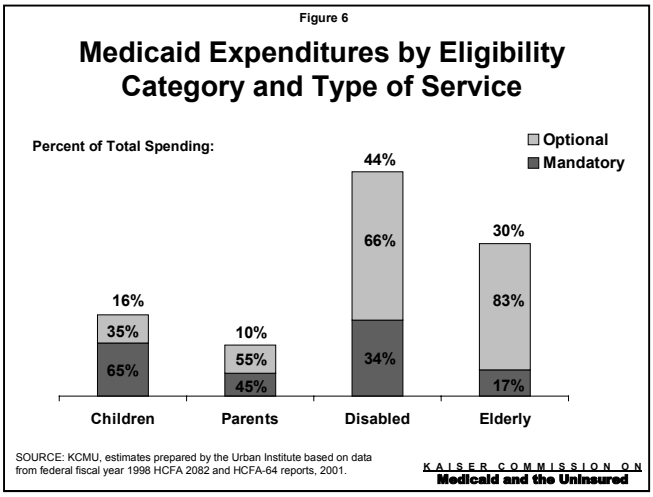
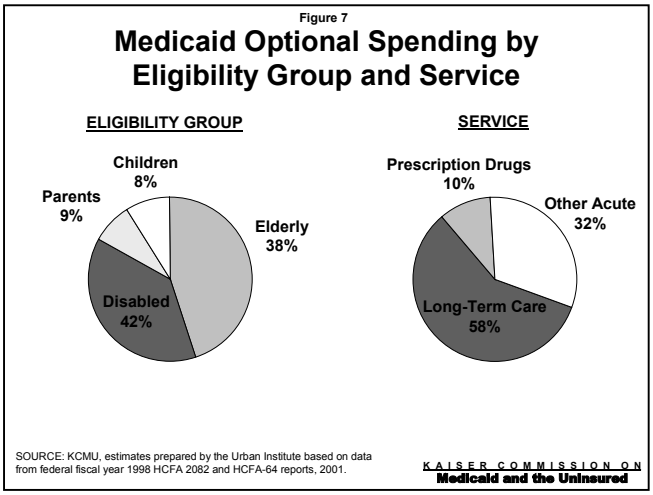


Figure 6



The amount of Medicaid spending that is "mandatory" or "optional" also varies by service. Optional spending is driven in large part by coverage of long-term care services for the elderly and persons with disabilities. These population groups rely on Medicaid for nursing facility care, ICF/MR services, and home and community-based services. As a result of state decisions to cover these services, over half (58%) of total optional spending is for long-term care services (Figure 7).

Figure 7

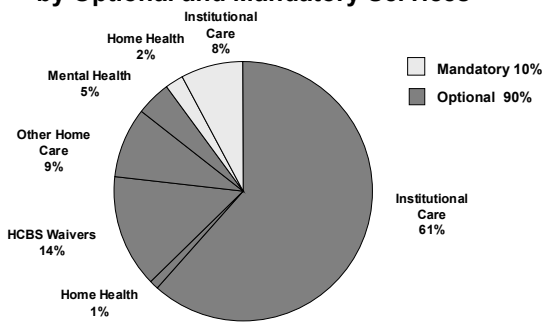


Coverage of prescription drugs is optional for all eligibility groups other than children (prescription drug coverage is required under EPSDT). However, all states have chosen to include prescription drugs, a key component of medical treatment, in their Medicaid benefits. Despite broad coverage, spending for prescription drugs comprised only 10 percent of all optional spending, with the majority of prescription drug spending (60%) for persons with disabilities.

The vast majority of Medicaid spending on long-term care is on optional services (Figure 8). Over half (61%) of all optional long-term care spending is for institutional care. While a quarter of optional spending is for home and community-based waiver services and other home care, only 2 percent of total long-term care spending is for mandatory home health services. Therefore, the elderly and persons with disabilities with long-term care needs are at greater risk of losing access to essential services.

Figure 8

Medicaid Spending on Long-Term Care, by Optional and Mandatory Services



SOURCE: KCMU, estimates prepared by the Urban Institute based on data from federal fiscal year 1998 HCFA 2082 and HCFA-64 reports, 2001.

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This brief draws on *Medicaid "Mandatory" and "Optional" Eligibility and Benefits*, Kaiser Commission on Medicaid and the Uninsured, July 2001. Analysis that provides more current estimates is forthcoming.

PROFILES OF MEDICAID BENEFICIARIES

The following are examples of "real" Medicaid beneficiaries drawn from Commission studies. These stories provide examples of who Medicaid covers under "mandatory" and "optional" eligibility categories and shows the wide range of optional services that Medicaid beneficiaries depend on.

Kevin qualified for Medicaid under an optional home and community-based waiver program and receives services such as occupational and speech therapy.
Kevin, an eight year-old with autism, receives Medicaid through an optional Katie Beckett home and community-based service waiver. The most important services he receives are speech therapy and occupational therapy. In the case of a child like Kevin, occupational therapy consists of teaching him a broad range of life skills, such as how to dress, how to make his bed, and how to respond to other children who may act strangely around him. Kevin's parents believe that Medicaid has been great for their son. They feel fortunate to live in a state that has enacted the optional program. His parents are also grateful for the other services Kevin receives, such as EPSDT.

Mildred qualified for Medicaid under an optional home and community-based waiver program and receives personal care assistance and prescription drugs.
Mildred is 68 years old and was working as a waitress before she was forced to retire due to her extensive health problems, such as has fibrosis of the lungs, rheumatoid arthritis, high blood pressure, and cataracts. She takes up to 12 prescription drugs each day to help control her conditions. Before qualifying for Medicaid and Medicare, Mildred was uninsured and relied on free clinics for health care. Now, with Medicaid, she has a regular physician who knows her medical history and prescribes the appropriate medications that she receives at nominal costs. Mildred also uses a home health aide that helps her 5-6 hours a week. The aide helps Mildred with activities she would not be able to do on her own, such as taking her to doctor's appointments and picking up her prescription drugs. Mildred believes having Medicaid coverage helps her maintain her independence.

Margaret qualified for nursing facility care through the optional medically needy program.
Margaret, an 80 year-old widow, has multiple chronic conditions. She is a diabetic and has chronic heart failure. As a result of the severity of her health problems, she was unable to receive the care she needs in the community. When Margaret entered the nursing facility, she had over $40,000 in assets; however, the high cost of nursing facility care quickly depleted her funds and she "spent-down" to Medicaid. She continues to put all her monthly income except for a small personal needs allowance toward the cost of her nursing home care. Without the nurses at the nursing facility, she would be unable to monitor her diabetes and take her medicines at the appropriate times. Margaret says she is grateful for her Medicaid coverage.

Jenna qualifies for Medicaid under an optional home and community-based waiver and relies on Medicaid for personal care services and assistive technology.

Jenna is an out-going 21 year-old with cerebral palsy and other serious health conditions, such as seizure disorder, learning disabilities, and impaired vision. Due to her disabilities, she is essentially confined to a wheel chair. As a result of the help she receives from her personal care attendants, she is able to work part-time at Target, volunteer at a local veterinarian clinic, and take classes at the community college. Although Medicaid has helped Jenna become more independent she is worried about the future. Without the help she receives from Medicaid, she would be unable to remain at home and would have to be institutionalized.

Gary is a "dual eligible" covered by both Medicare and Medicaid. Since Medicare does not cover prescription drugs, he relies on Medicaid's optional prescription drug coverage.

Gary has several mental health issues, such as depression and anxiety disorder, and also has HIV. While Medicare pays for Gary's physician services, he relies on Medicaid to provide benefits that Medicare does not cover, such as prescription drugs. His treatment for HIV and depression involves extensive use of prescription drugs. His HIV drug regimen involves taking Viramune, Videx, and Zerit, all antiretroviral medications. To treat depression and anxiety, he takes Paxil. Medicaid's prescription drug coverage help Gary remain in the community.

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