



MEDICAID WORKS:

A Review of How Public Insurance Protects the Health and Finances of Children and Other Vulnerable Populations

As policymakers in Washington have turned their attention to reining in the federal budget deficit, entitlement programs are being targeted for major cuts. While many are defending Medicare and Social Security, Medicaid – which serves over 50 million low-income children, parents, elderly and disabled Americans – appears to be more vulnerable for serious cuts. Since its inception in 1965, Medicaid has served as a lifeline for millions of our nation's most seriously ill and impoverished citizens – now the source of coverage for more than one-third of all children and the dominant source of long-term care financing for senior citizens in America.

This issue brief, commissioned by First Focus and authored by Professors Leighton Ku¹ and Christine Ferguson² of George Washington University, provides a detailed analysis of the Medicaid program and documents its effectiveness in addressing the health and financial needs of children and other vulnerable populations. In particular, the paper describes the enormous success of Medicaid and the Children's Health Insurance Program (CHIP) in increasing health insurance coverage among children; strengthening access to medical, health and developmental services; and safeguarding the finances of low-income families and individuals. This work affirms consistent research finding that Medicaid costs less overall and alleviates the financial burden low-income families face when managing their families' health care needs. The brief also explores the potential impact of the FY 2012 budget resolution approved by the House of Representatives, which would block grant the Medicaid program. Such a proposal would end Medicaid as we know it – causing states to reduce enrollment, limit benefits, cut provider payments, and shift more costs onto the children and families who rely on public programs.

AMONG THE KEY FINDINGS OF THE BRIEF ARE:

- **Medicaid and CHIP are essential sources of coverage for individuals with serious health conditions.** Since children with Medicaid are more likely than children with private coverage to be in poorer health or have serious health conditions, Medicaid's benefit structure is designed to meet these complex health needs. A large number of serious health problems are more prevalent among children with Medicaid, including asthma, autism, dental and vision problems, ADHD, developmental delays, depression, and seizure disorders. Many of these areas are poorly covered under private insurance. Medicaid's Early Periodic Screening, Diagnosis, and Treatment requirement ensures that children are appropriately screened and treated, giving them the greatest promise to grow up to be healthy and productive adults. Adults and the elderly served by Medicaid are also in poorer health than others and need Medicaid's health protection.
- **Medicaid and CHIP are cost-effective.** These programs ensure that all kids have access to the care they need to stay healthy, including preventive health and well-child care, routine doctor's visits, and vaccinations – all at a per-person cost 20 to 27 percent less than private health insurance. Since states share in the financing, they have a strong incentive to keep costs low. While Medicaid spending has risen due to the growing number of people who are in need of coverage, Medicaid per-capita expenditures have grown much less than private health insurance premiums and more slowly than overall health care cost growth.
- **Medicaid and CHIP are pioneers for health system improvements.** The Medicaid program gives states enormous flexibility to design their programs to meet their state's needs with the majority of funding provided by the federal government. With this flexibility, state Medicaid programs have served as innovators to test a variety of cost-containment and quality care initiatives including payment reform, managed care, patient-centered medical homes, quality measurement, and home and community based care.
- **Medicaid and CHIP protect the finances of families struggling during hard times.** The data is clear that economic downturns take a much greater toll on Medicaid enrollees – these programs intentionally protect those directly affected by the recession and those who must care for a seriously ill family member. It is estimated that for each percentage point increase in unemployment an additional one million people become eligible for Medicaid.

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Medicaid and CHIP have been enormously successful in providing high quality, cost-effective care for low-income children and other vulnerable populations with complex health issues and serious illnesses. These programs play a unique role in our health care system by responding to a broad range of needs that private health insurance lacks the flexibility to accommodate: unemployment, poverty, aging populations, and serious health conditions that require long-term care that commercial insurance is not designed to cover.

While there is broad agreement that our nation must take action on the budget deficit, it is short-sighted to cut the very programs which are critical for the health and well-being of children and other vulnerable populations, especially as families struggle with the ongoing recession. Slashing Medicaid to score budgetary savings simply does not make sense. Limiting Medicaid funds will only result in cost-shifting to families, health care providers, and localities. Our nation has made enormous strides in improving access to coverage for low-income children and other vulnerable populations. This progress should not be reversed.

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First Focus is a bipartisan advocacy organization that is committed to making children and their families a priority in federal policy and budget decisions.

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