Medicaid Keeps Children Healthy

First Focus
MAKING CHILDREN & FAMILIES THE PRIORITY

WHO DOES MEDICAID HELP?

Medicaid provides health coverage, with remarkable success, to 60 million of our nation's most vulnerable citizens: primarily children in very low-income families, adults with significant disabilities, and elderly individuals who are cared for in long term care facilities.[1]

For 35 million children, Medicaid and its companion program, CHIP (the Children's Health Insurance Program) are essential lifelines, insuring one-third of all children the U.S.[2]

Despite Medicaid and CHIP's enormous success in covering kids, in 2009, 10 percent of children, or 8 million, remained uninsured. However, nearly two-thirds of uninsured kids are eligible for Medicaid or CHIP but not enrolled in coverage.[3]

In times of economic crisis Medicaid is critical for kids. As unemployment rises, more families lose employer sponsored coverage and fewer are able to afford health insurance on their own. During the recent recession, for every one percent increase in the unemployment rate, an additional 600,000 children became eligible for Medicaid and CHIP.[4]

HOW DOES MEDICAID KEEP KIDS HEALTHY?

Medicaid makes health care affordable for families by limiting cost-sharing and premiums and providing a comprehensive benefits package so that children can get the health care services they need to stay healthy, avoiding more costly emergency care down the road. There is extensive research showing that high out-of-pocket costs prevent low-income children from receiving the care they need.[5]

Through its Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) requirement, Medicaid requires that all children get the services they require to meet their unique health and developmental needs. EPSDT ensures coverage for developmental assessments for infants and young children, as well as well-child visits, vision, dental, and hearing services. It also allows access to medically necessary therapies to manage disorders and chronic illness that become more costly when left untreated.[6]

Medicaid is as an essential back stop for children with special health care needs, ensuring that families are not bankrupted when a child is born with or develops a life-threatening condition. In addition to medical treatment, it also covers in-home support, habilitative services, long-term care, and transportation services for children with special health care needs.

Medicaid supports cost-effective care coordination by providing a case-management benefit that coordinates services across state organizations and agencies for at-risk children. This can cut across programs, like child welfare and mental health, which are typically needed by the most vulnerable kids.

Having health insurance is essential for a child to grow up healthy and strong. Children with health insurance are more likely to have a usual source of health care, to have seen a doctor in the previous year, and to have their health care needs met than children who are uninsured.[7]

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BACKGROUND ON MEDICAID

The Medicaid program was established as part of the same legislation that created Medicare – the Social Security Amendments of 1965 (P.L. 89-97). Prior to its passage, health care services for the indigent were provided primarily through a patchwork of programs sponsored by state and local governments, charities, and community hospitals.[8]

The Medicaid program was designed to provide financial assistance to states to ensure that very low-income children, disabled, and elderly Americans have access to health care services. One of the main thrusts for initiating Medicaid was to lift the burden on states and localities, including local providers, who shouldered the cost of caring for the poor.

Medicaid is a federal-state partnership in which the federal government pays 57 percent of Medicaid costs on average across states. In exchange, states agree to comply with a set of rules established by the federal government which set a minimum standard for what groups of individuals are eligible for coverage (e.g. children under the age of 1, pregnant women, etc.) and which medical benefits must be covered under Medicaid. Outside of basic program requirements which set a floor for eligibility and benefits, states have significant flexibility to operate their Medicaid programs.[9]

While Medicaid is not a mandatory program and states are not required to participate, by 1972, 49 of 50 states opted to participate in Medicaid (Arizona began participating in Medicaid 10 years later in 1982).[10]

The amount of funding a state receives from the federal government for Medicaid is set by a formula and varies by state. This so-called federal matching percentage (FMAP) ranges from 50-80 percent. For example, in Mississippi the federal government pays 76 percent of the state's Medicaid costs.[11]

Almost exclusively, Medicaid covers children, the disabled and very low-income elderly individuals. Medicaid does not cover all individuals with low incomes. It offers no coverage or support for non-citizens. Millions of low-income adults (mostly adults without children), regardless of how poor they are, are not eligible for Medicaid.

Children are the exception. In every state, children up to the age of 6 living in families with incomes up to 133 percent of the federal poverty level (FPL) are eligible for Medicaid ($29,327 for a family of four in 2010). Children ages 6-18 living in families with incomes at 100 percent of poverty also are eligible for Medicaid.[12]

MEDICAID COSTS

Taking into account that individuals covered by Medicaid have a higher incidence of health problems and often require more care, it is less expensive to provide health care with Medicaid than private insurance. Medicaid is about 10 percent less expensive for adults and about 30 percent less expensive for children.[13]

Medicaid is a low-cost program with administrative spending that is lower than private insurance. Private health insurance has administrative costs that are, on average, about twice those of Medicaid — 14 percent for private coverage as compared to 7 percent for Medicaid.[14]

While children and parents make up 75 percent of Medicaid enrollees, they account for less than one-third of the spending. In contrast, the elderly and individuals with disabilities make up about 25 percent of enrollees but 75 percent of spending.[15] Covering children through Medicaid is relatively inexpensive ($1,410 per child) compared to the much higher Medicaid costs for those who use long-term care services.[16]

Nearly three-quarters of Medicaid enrollees get their coverage through private sector managed care health plans. Medicaid's extensive use of managed care arrangements has helped to improve access to care for many enrollees.[17]

Endnotes

1 Kaiser Commission on Medicaid and the Uninsured, "Key Questions About Medicaid and Its Role in State/Federal Budgets and Health Reform" (January 2011). http://www.kff.org/medicaid/upload/8139.pdf

2 Kaiser Commission on Medicaid and the Uninsured, "Health Coverage of Children: The Role of Medicaid and CHIP" (February 2011). http://www.kff.org/uninsured/upload/7698-05.pdf

3 Ibid.

4 S. Dorn, B. Garrett, J. Holahan, A. Williams, "Medicaid, SCHIP and Economic Downturn: Policy Challenges and Policy Responses," Kaiser Commission on Medicaid and the Uninsured (April 2008).

5 Coverage Matters: Insurance and Health Care, Institute of Medicine (2001).

6 Op. cit. (1)

7 Op. cit. (2)

8 C. Provost, P. Hughes, "Medicaid: 35 Years of Service," Health Care Financing Review (Fall 2000). https://www.cms.gov/HealthCareFinancingReview/Downloads/00fallpg141.pdf

9 Op. cit. (1)

10 Ibid.

11 Ibid.

12 Op. cit. (2)

13 J. Hadley and J. Holahan, "Is Health Care Spending Higher under Medicaid or Private Insurance?" Inquiry, 40(4): 323-42, (Winter 2003/2004).

14 A. Cailtin, et al. "National Health Spending in 2005: The Slowdown Continues," Health Affairs, 26(1):142-51 (Jan./Feb. 2007).

15 Op. cit. (1)

16 Kaiser Commission on Medicaid and the Uninsured, "Health Coverage for Low-Income Children," (January 2007). http://www.kff.org/uninsured/upload/2144-05.pdf

17 Op. cit. (1)