Medicaid: Cost-Effective Coverage that Works for Kids

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Medicaid is a public health insurance program, operated as a partnership between the federal government and the states, that provides health insurance coverage to very low-income children, people with disabilities, the elderly, and some low-income adults who are uninsured.

Medicaid 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.

Medicaid provides health coverage with remarkable success to 74 million of our nation's most vulnerable citizens: primarily children in very low-income families, adults with significant disabilities and/or low incomes, and elderly individuals who are cared for in long-term care facilities .[1] In 2014, the Affordable Care Act (P.L. 111-148, P.L. 152) gave states the option to expand Medicaid to low-income adults who had not previously been eligible for coverage.

Medicaid is the largest insurer of children. Medicaid insures approximately 37 million children.[2] An additional 8.9 million children are enrolled in the Children's Health Insurance Program (CHIP), which provides coverage for children just above the Medicaid eligibility threshold.[3] Together Medicaid and CHIP serve more than one in three children in the United States.

Despite Medicaid and CHIP's enormous success in covering kids, over 3.2 million children remain uninsured.[4] Nearly half of all uninsured children reside in seven states (Texas, California, Florida, Georgia, Arizona, Pennsylvania and North Carolina).[5] An estimated 2.1 million children are eligible for Medicaid or CHIP but not enrolled in coverage.[6]

Medicaid has reduced the numbers of uninsured children to record lows. Working together, Medicaid and CHIP are responsible for notable increases in coverage for uninsured children. Between 2009 and 2016, the rate of uninsured children was reduced by half from 8.6% to 4.5%.[7] More children are covered than ever before.

Medicaid is especially critical for kids in times of economic crisis. During times when there are high rates of unemployment, families that lose employer-sponsored coverage are often unable to afford the cost of private health insurance on their own. During the 2008 recession, for every 1% increase in the unemployment rate, an additional 600,000 children became eligible for Medicaid and CHIP.[8]

Medicaid is a key source of coverage for children of color. Medicaid and CHIP serve as important sources of coverage for children of all races and ethnicities and are a primary source of coverage for many children of color. Overall, Medicaid and CHIP cover almost one-third of White (31%)children, one-quarter of Asian (28%) children, and over half of Hispanic (56%) and Black children (58%), who are more likely to live in low-income families than White children.[9]

Medicaid is a partnership between the federal government and the states. The costs of operating the Medicaid program are shared between the federal government and the states. The amount of funding a state receives from the federal government for Medicaid is set by a formula that varies by state. This so-called federal matching percentage (or FMAP) ranges from 50%-75.6%, with Mississippi having the highest Medicaid FMAP. [10]

Each state designs and operates its own Medicaid program within certain federal

guidelines. Federal Medicaid guidelines 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 in order for a state to receive federal Medicaid matching payments. Outside of basic program requirements that set a floor for eligibility and benefits, states have significant flexibility to operate their Medicaid programs.

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).[11] One of the main thrusts for initiating Medicaid was to lift the burden on states and localities, including local providers, who were shouldering the cost of providing care for the poor.

With the passage of the ACA, all children up to 138% of the federal poverty level (FPL) are eligible for Medicaid ($27,780 for a family of 3 in 2018).[12]

Medicaid ensures access to comprehensive, child-specific services. Through its Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program, Medicaid requires that all children get the services they need 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.

Medicaid is as an essential backstop for children with special health care needs. Medicaid ensures that families are not bankrupted when a child is born with, or develops, a life-threatening or chronic condition. In addition to medical treatment, it also covers in-home support, habilitative services, long-term care, and transportation for children with special healthcare needs. In 2016, 19% of children in the U.S. (approximately 14 million) had special health care needs. Approximately 48% of children with special health care needs are covered by Medicaid or CHIP, and may have Medicaid and CHIP coverage to supplement private insurance.[13]

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 services, which are typically needed by the most vulnerable kids.

Medicaid is affordable for families. Medicaid makes health care affordable for families by limiting out-of-pocket costs for services provided to children. States are generally prohibited from imposing premiums and cost-sharing for mandatory coverage of children in Medicaid. Children and pregnant women with incomes below 150% FPL are exempt from co-payments and premiums.[14] There is extensive research showing that high out-of-pocket costs prevent low-income children from receiving the care they need. Limiting cost-sharing and premiums helps to ensure that children can get the health care services they need to stay healthy, avoiding more costly emergency care down the road.

Medicaid spending on children is relatively small compared with spending on other populations. Covering children through Medicaid is relatively inexpensive ($2,603 per child/per year/2016) compared to much higher Medicaid costs for the elderly, the disabled and those who use long term care services.[15]

In FY 2015, children represented 41% of all Medicaid enrollees but they account for only 19% of Medicaid spending.[16]

Medicaid and CHIP accounted for 17.5 percent of national health expenditures in 2015, less than either Medicare (20.2 percent), or private insurance (33.4 percent).[17]

Total Medicaid spending was $553 billion in FY 2016. Of this amount, $348 billion was federal spending and $204 billion was state spending.[8] Federal spending on Medicaid is expected to continue to

rise in the next few years due to the ACA's Medicaid expansion option for states, which allows coverage for uninsured adults.[18]

In 2016, Medicaid accounted for approximately 17% of national health care spending, due in large part to the ACA Medicaid expansion as well as increased Medicaid enrollment resulting from the economic recession.[9] **19** Medicaid funding has become an important budgetary issue for states. Looking at the state-funded portion, Medicaid's share of state budgets was 15.8% in state fiscal year 2015.[20]

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Medicaid continues its enormous success in providing cost-effective care to millions of children across the country. From well-baby and well-child visits, to vaccines, eyeglasses, dental services, and speech therapy, Medicaid plays a significant role in keeping kids healthy, in school, and on track to becoming healthy and productive adults.

Together with the Children's Health Insurance Program (CHIP), Medicaid covers almost 46 million children, including half of all low-income children in the United States.[21] Cuts to Medicaid would have a devastating impact on our nation's children. Congress must reject proposals that would impose arbitrary cuts to Medicaid, including per capita caps or block grants. Arbitrary cuts to Medicaid, especially when it comes to children, will only limit eligibility for coverage and reduce benefits and access while producing insubstantial savings – the rise in the numbers of uninsured children would be significant.

As lawmakers at the state and federal levels take a new look at Medicaid, children's coverage must be a priority. Over fifty years ago our leaders made a commitment to care for those living in poverty. Instead of reversing the two-decade trend of improving coverage for children, Congress must instead renew its commitment to children by protecting Medicaid so that every family in America has the peace of mind that when hard times fall their children will still be able to get the care they need to grow up to enjoy long and healthy lives. We owe it to our children and to our nation's future success to keep Medicaid strong.

FOR MORE INFORMATION about this and other child health issues
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