

Medicaid: The Basics

Kaiser Family Foundation

“Ask the Experts”

April 20, 2005

KAISER COMMISSION ON
Medicaid and the Uninsured

Figure 1

Medicaid's Origin

- **Enacted in 1965 as companion legislation to Medicare (Title XIX)**
- **Established an entitlement**
- **Provided federal matching grants to states to finance care**
- **Focused on the welfare population:**
 - **Single parents with dependent children**
 - **Aged, blind, disabled**
- **Included mandatory services and gave states options for broader coverage**

Figure 2

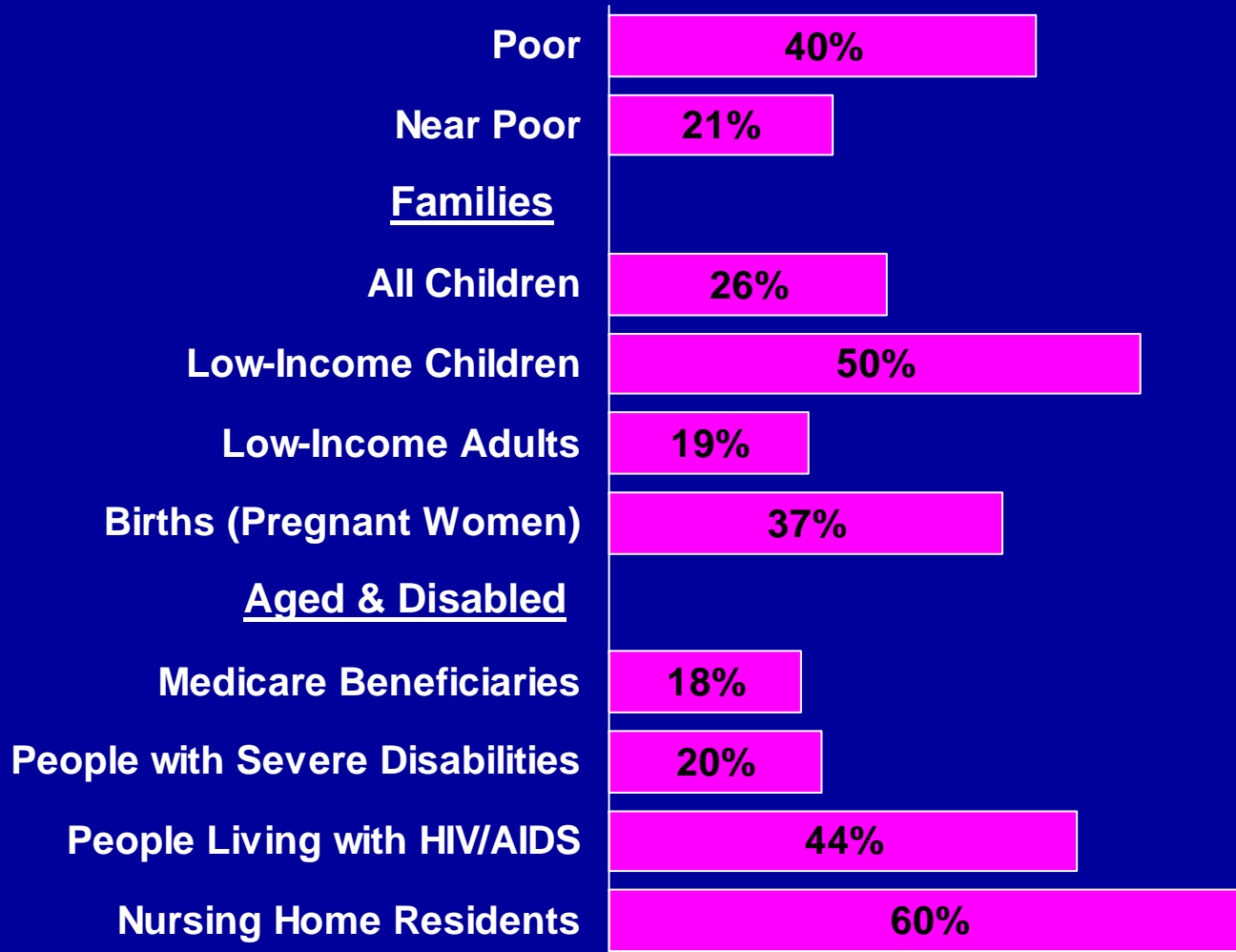
Medicaid Today

- **Medicaid provides health and long-term care coverage for over 52 million low-income people:**
 - **Comprehensive, low-cost health coverage for 39 million people in low-income families**
 - **Acute and long-term care coverage for over 13 million elderly and persons with disabilities, including over 6 million Medicare beneficiaries**
- **Guarantees entitlement to individuals and federal financing to states**
- **Federal and state expenditures of \$300 billion—with federal government funding 57%**
- **Pays for nearly 1 in 5 health care dollars and 1 in 2 nursing home dollars**

Figure 3

Medicaid's Role for Selected Populations

Percent with Medicaid Coverage:



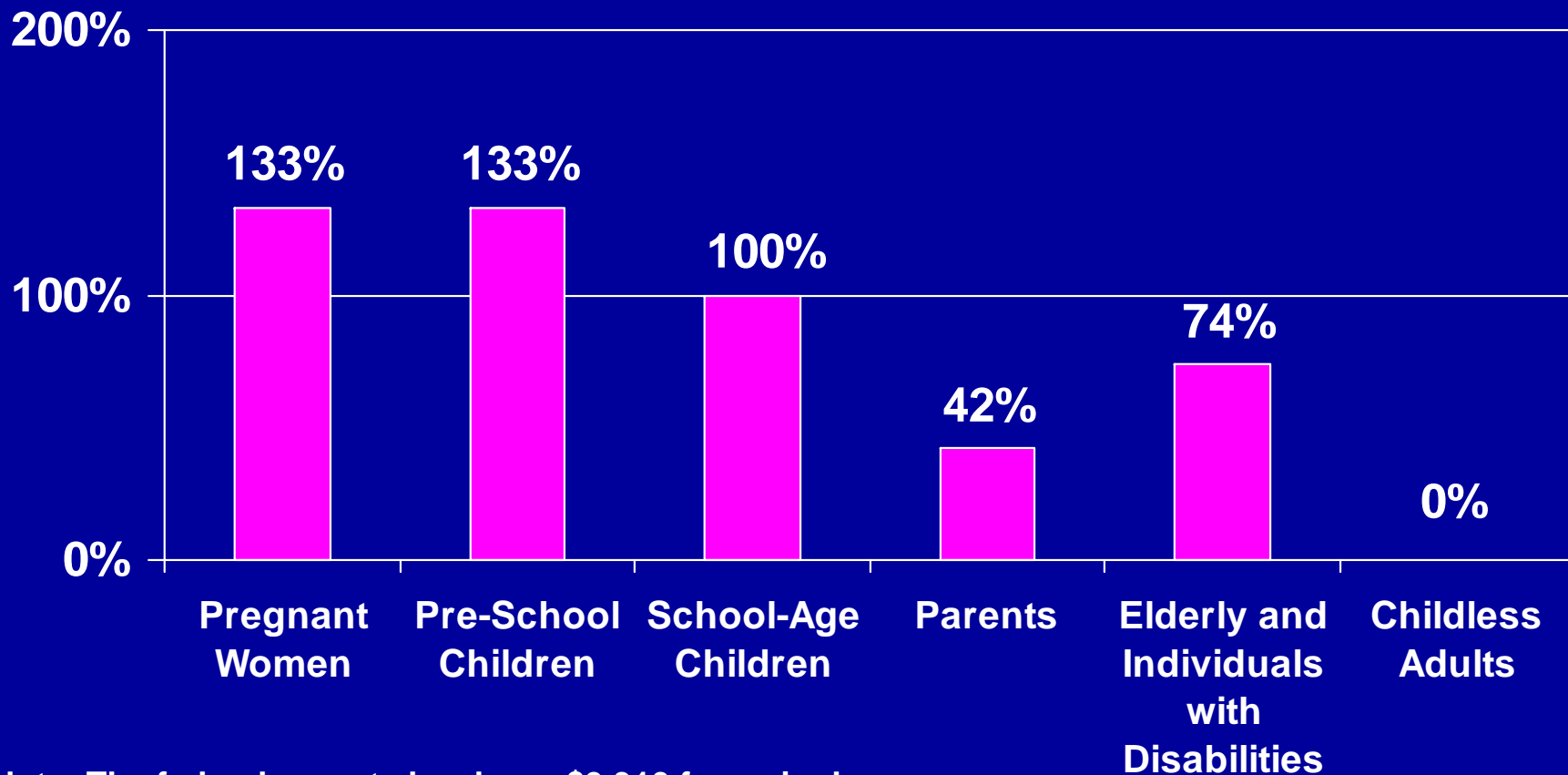
Note: "Poor" is defined as living below the federal poverty level, which was \$14,680 for a family of three in 2003. SOURCE: KCMU, KFF, and Urban Institute estimates; Birth data: NGA, MCH Update.

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Figure 4

Minimum Medicaid Eligibility Levels, 2004

Income eligibility levels as a percent of the Federal Poverty Level:



Note: The federal poverty level was \$9,310 for a single person and \$15,670 for a family of three in 2004. SOURCE: Cohen Ross and Cox, 2004 and The Kaiser Commission on Medicaid and the Uninsured, Medicaid Resource Book, 2002.

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Figure 5

Medicaid Benefits

“Mandatory” Items and Services

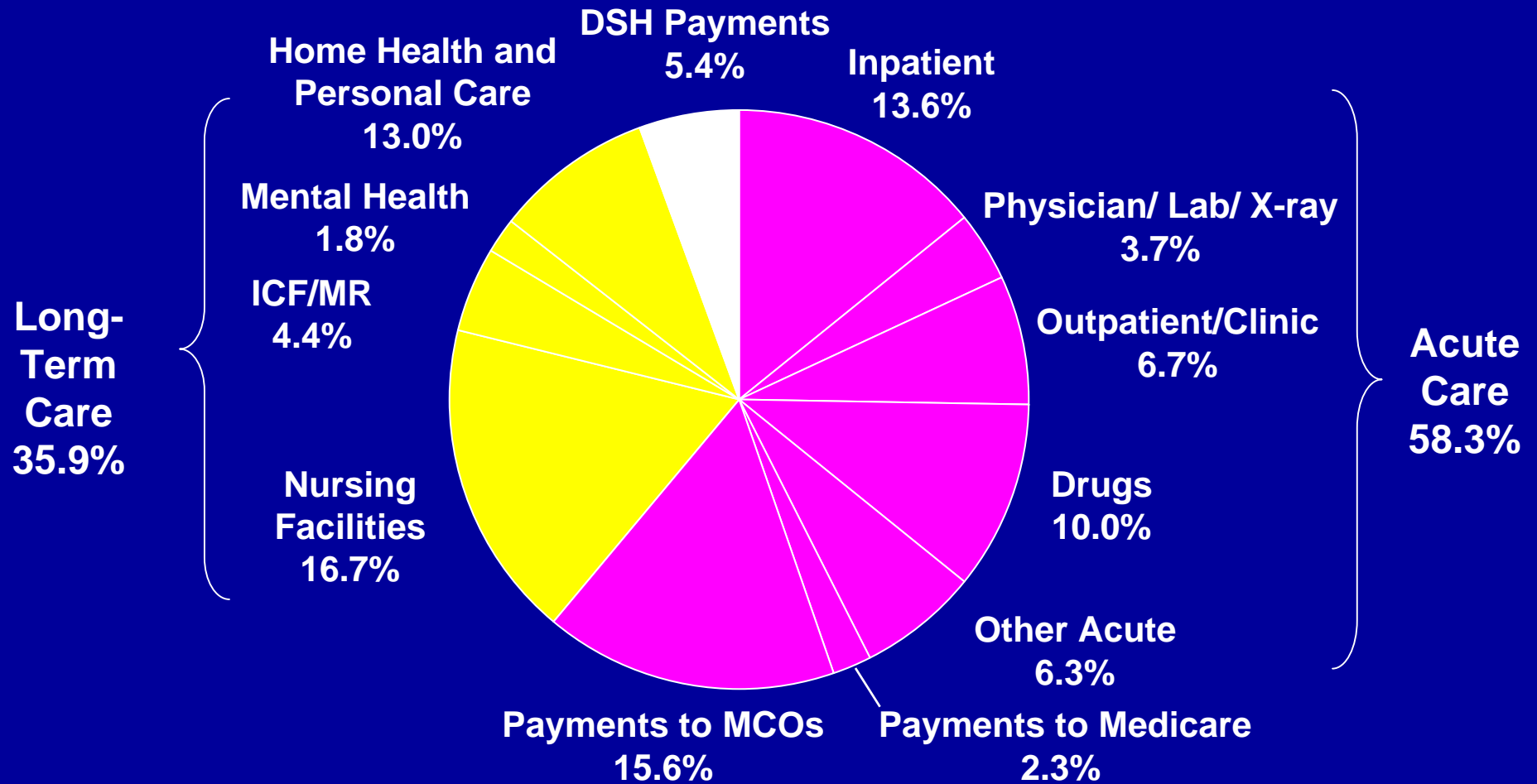
- Physician services
- Laboratory and x-ray services
- Inpatient hospital services
- Outpatient hospital services
- Early and periodic screening, diagnostic, and treatment (EPSDT) services for individuals under 21
- Family planning and supplies
- Federally-qualified health center (FQHC) services
- Rural health clinic services
- Nurse midwife services
- Certified nurse practitioner services
- Nursing facility (NF) services for individuals 21 or over

“Optional” Items and Services

- Prescription drugs
- Medical care or remedial care furnished by licensed practitioners
- Diagnostic, screening, preventive, and rehab services
- Clinic services
- Dental services, dentures
- Physical therapy
- Prosthetic devices, eyeglasses
- TB-related services
- Primary care case management
- Intermediate care facilities for the mentally retarded (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 health care services
- Respiratory care services for ventilator-dependent individuals
- Personal care services
- Private duty nursing services
- Hospice services

Figure 6

Medicaid Expenditures by Service, 2003

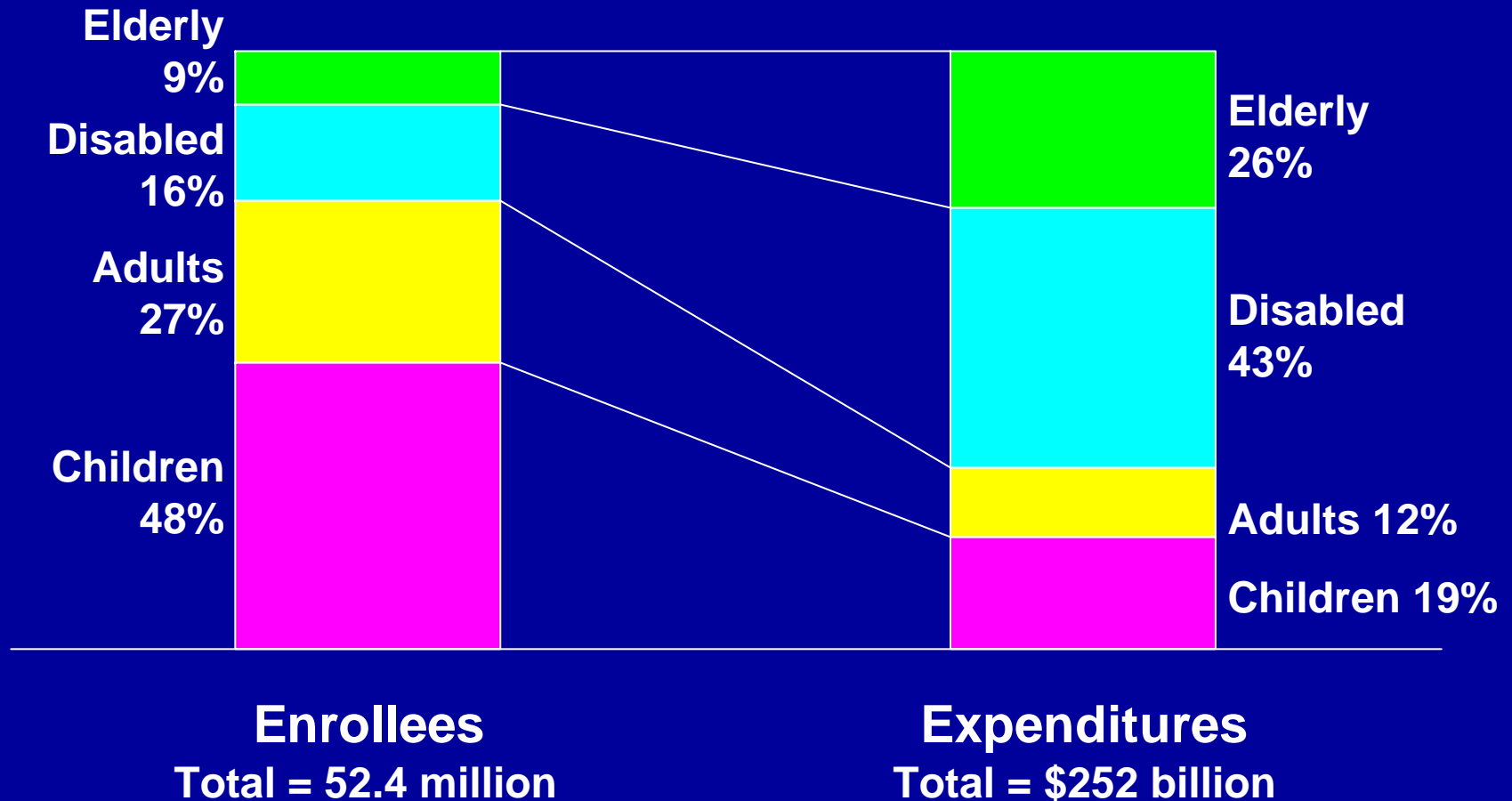


Total = \$266.1 billion

SOURCE: Urban Institute estimates based on data from CMS (Form 64), K A I S E R C O M M I S S I O N O N Medicaid and the Uninsured prepared for the Kaiser Commission on Medicaid and the Uninsured.

Figure 7

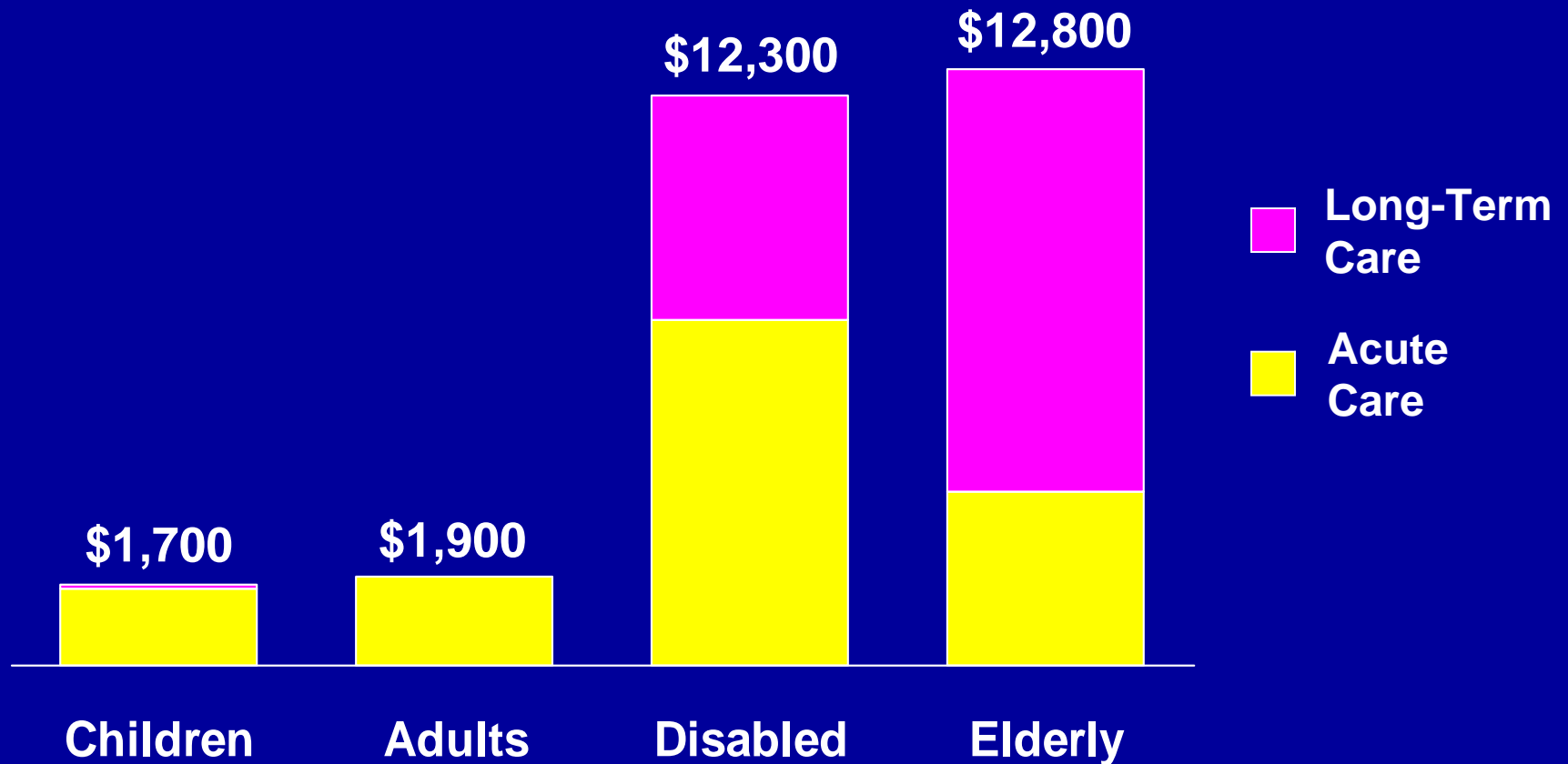
Medicaid Enrollees and Expenditures by Enrollment Group, 2003



Note: Total expenditures on benefits excludes DSH payments.
SOURCE: Kaiser Commission estimates based on CBO and OMB data, 2004.

Figure 8

Medicaid Payments Per Enrollee by Acute and Long-Term Care, 2003



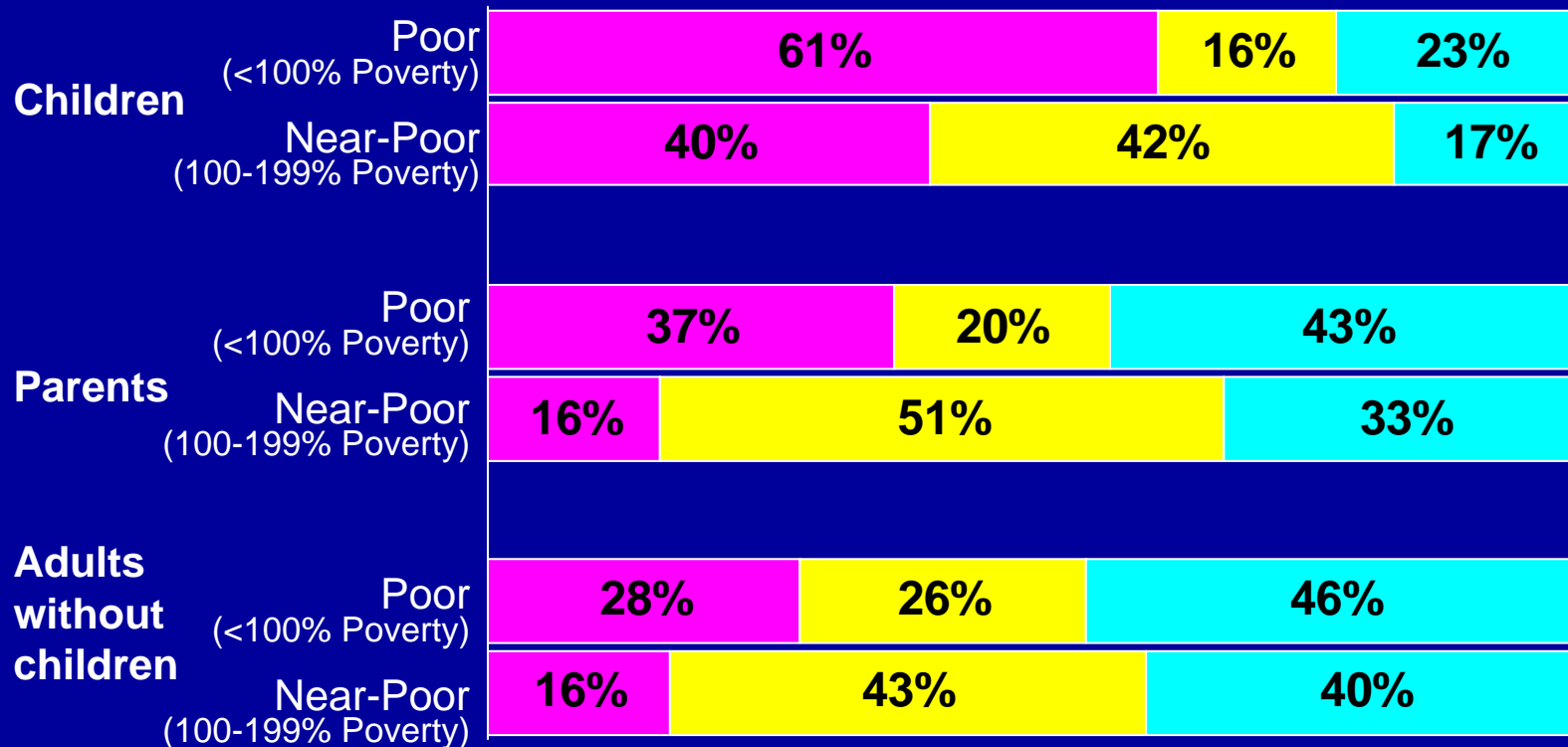
SOURCE: KCMU estimates based on CBO and Urban Institute data, 2004.

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Figure 10

Medicaid's Role for Children and Adults, 2003

■ Medicaid/Other Public ■ Employer/Other Private ■ Uninsured



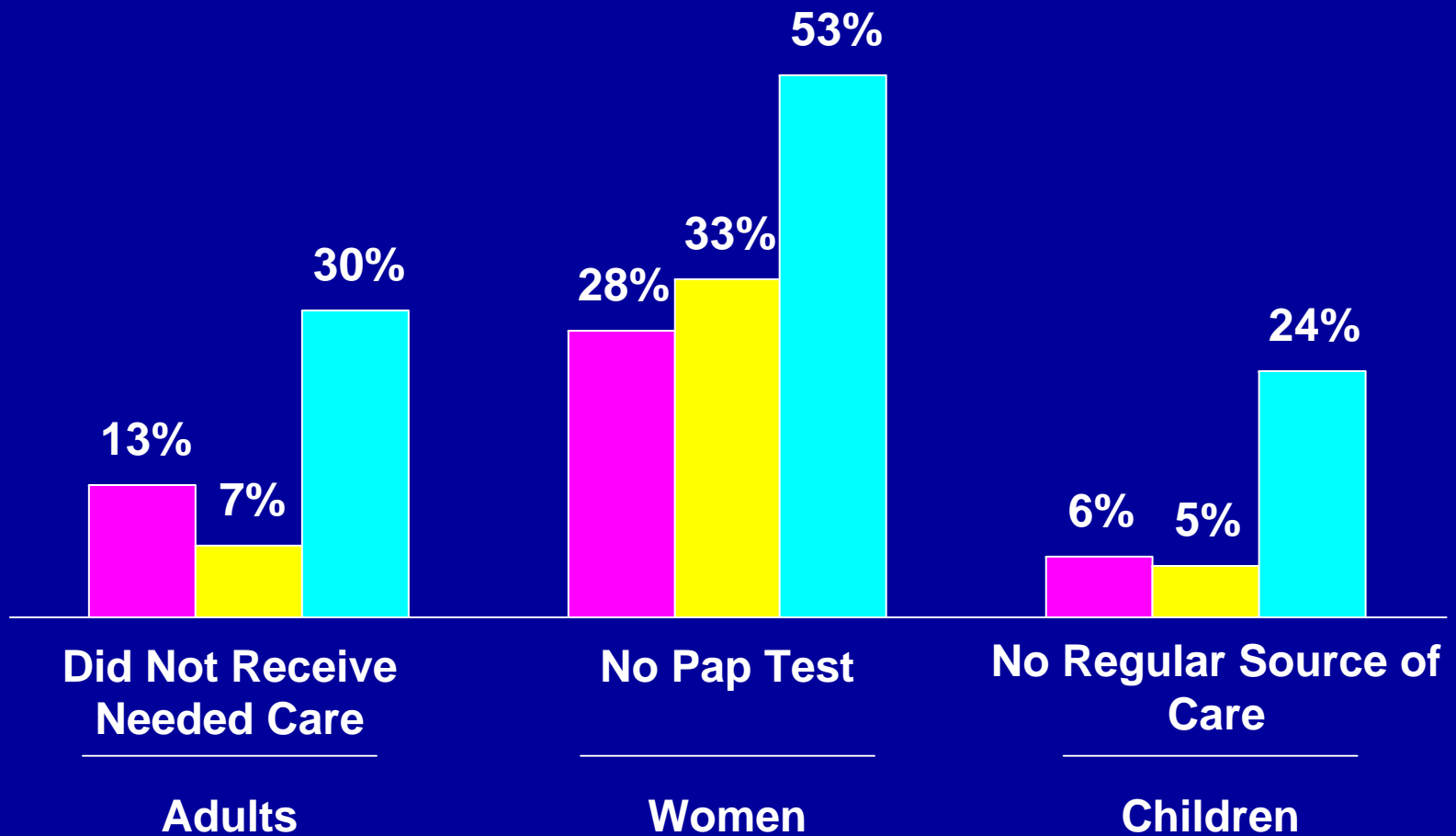
Note: Medicaid also includes SCHIP and other state programs, Medicare and military-related coverage. The federal poverty level was \$14,680 for a family of three in 2003. SOURCE: KCMU and Urban Institute analysis of March 2004 K A I S E R C O M M I S S I O N O N Medicaid and the Uninsured Current Population Survey.

Figure 11

Medicaid's Impact on Access to Health Care

Percent Reporting

■ Medicaid ■ Private ■ Uninsured



SOURCES: The 1997 Kaiser/Commonwealth National Survey of Health Insurance; Women's Health, The Commonwealth Fund Survey, 1996; Dubai and Kenney, *Health Affairs*, 2001.

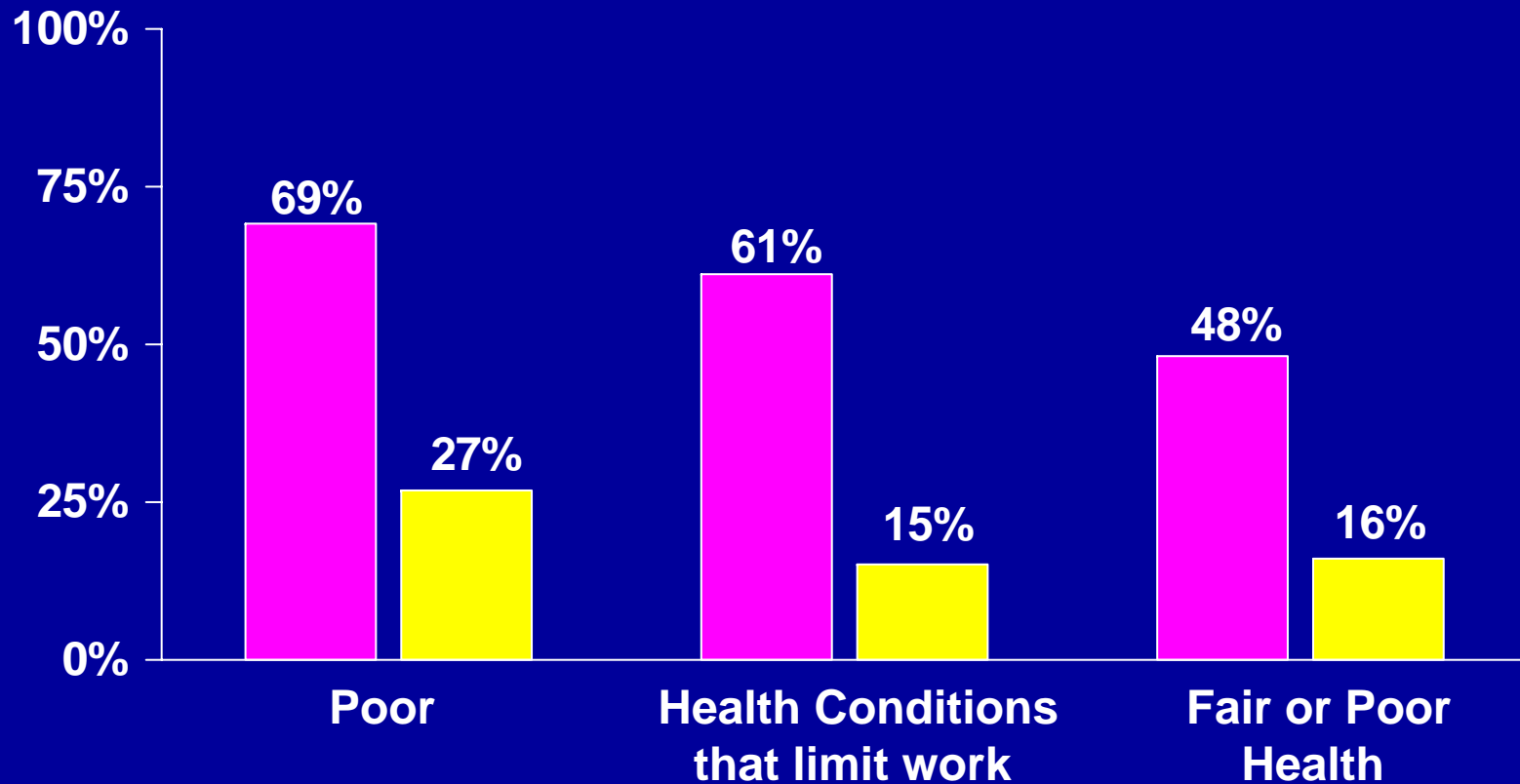
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Figure 12

Medicaid Enrollees are Poorer and Sicker Than The Low-Income Privately Insured Population

Percent of Enrolled Adults:

Medicaid Low-Income and Privately Insured

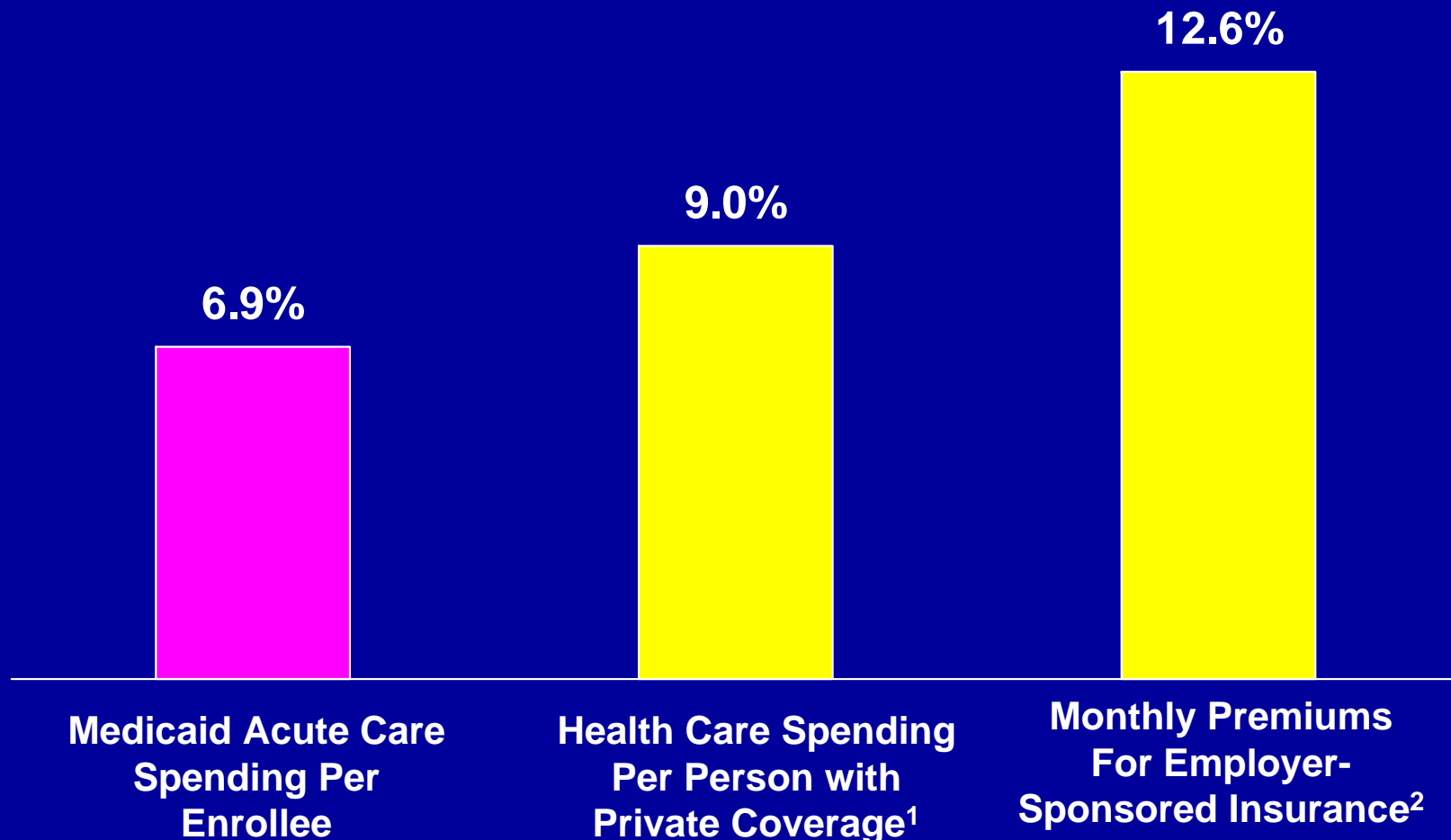


SOURCE: Coughlin et. al, 2004 based on a 2002 NSAF analysis for KCMU.

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Figure 13

Average Annual Medicaid Spending Growth Compared to Growth in Private Health Spending, 2000-2003

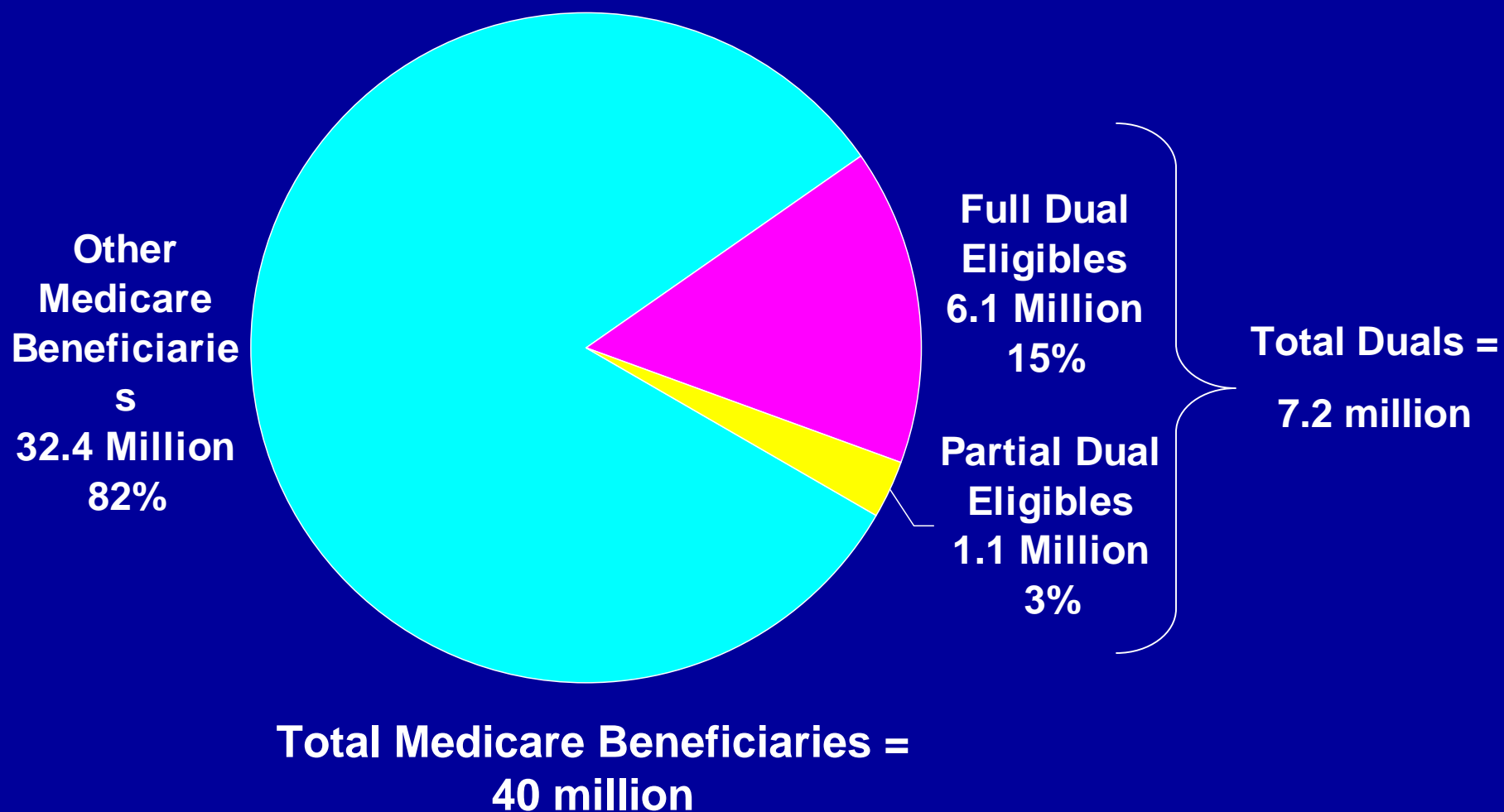


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SOURCES: ¹ Strunk and Ginsburg, 2004. ² Kaiser/HRET Survey, 2003.

Figure 14

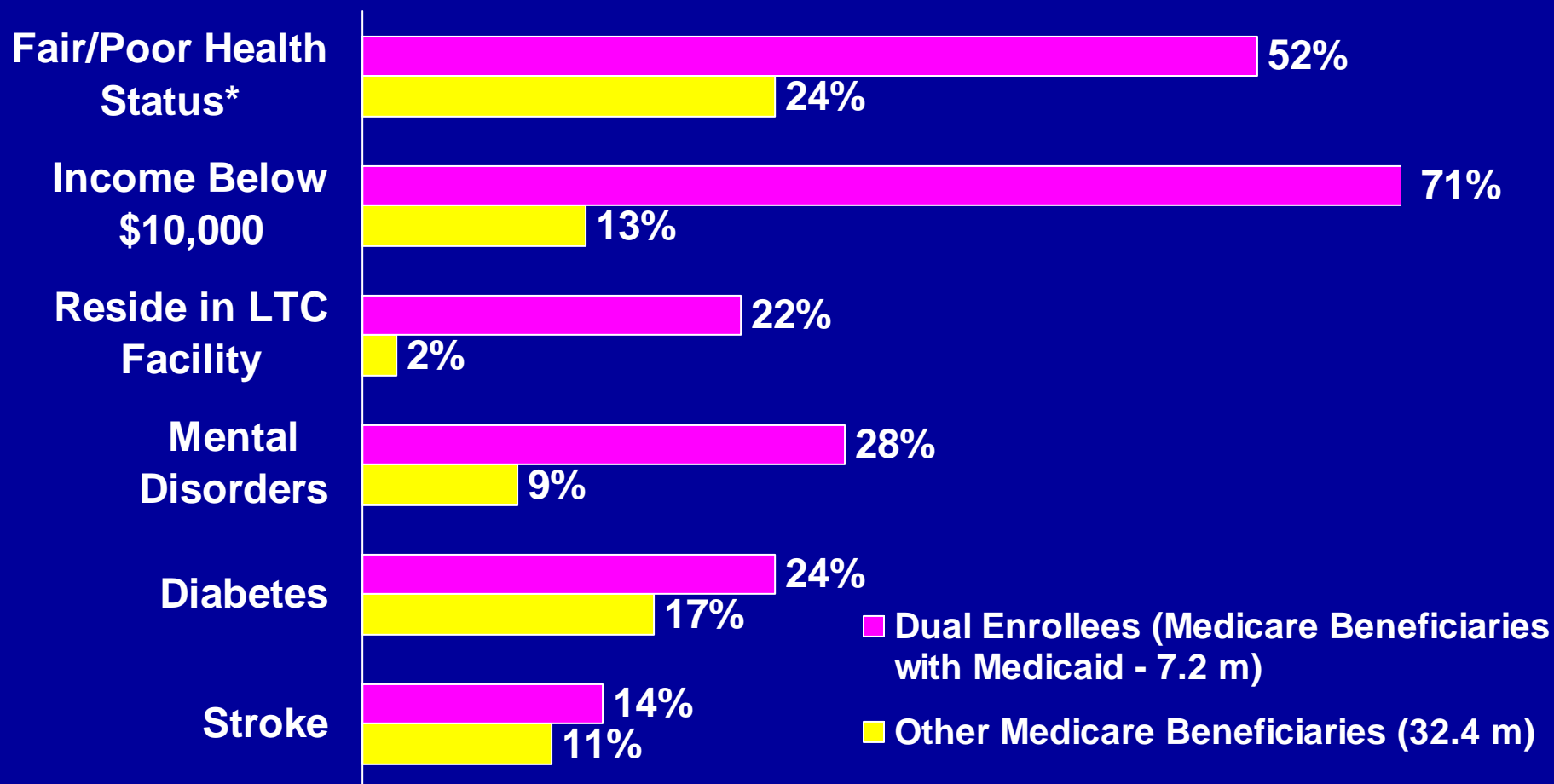
Medicaid Status of Medicare Beneficiaries, FFY 2002



SOURCE: KCMU estimates based on CMS data and Urban Institute analysis of data from MSIS.

Figure 15

Dual Enrollees are Poorer and Sicker Than Other Medicare Beneficiaries

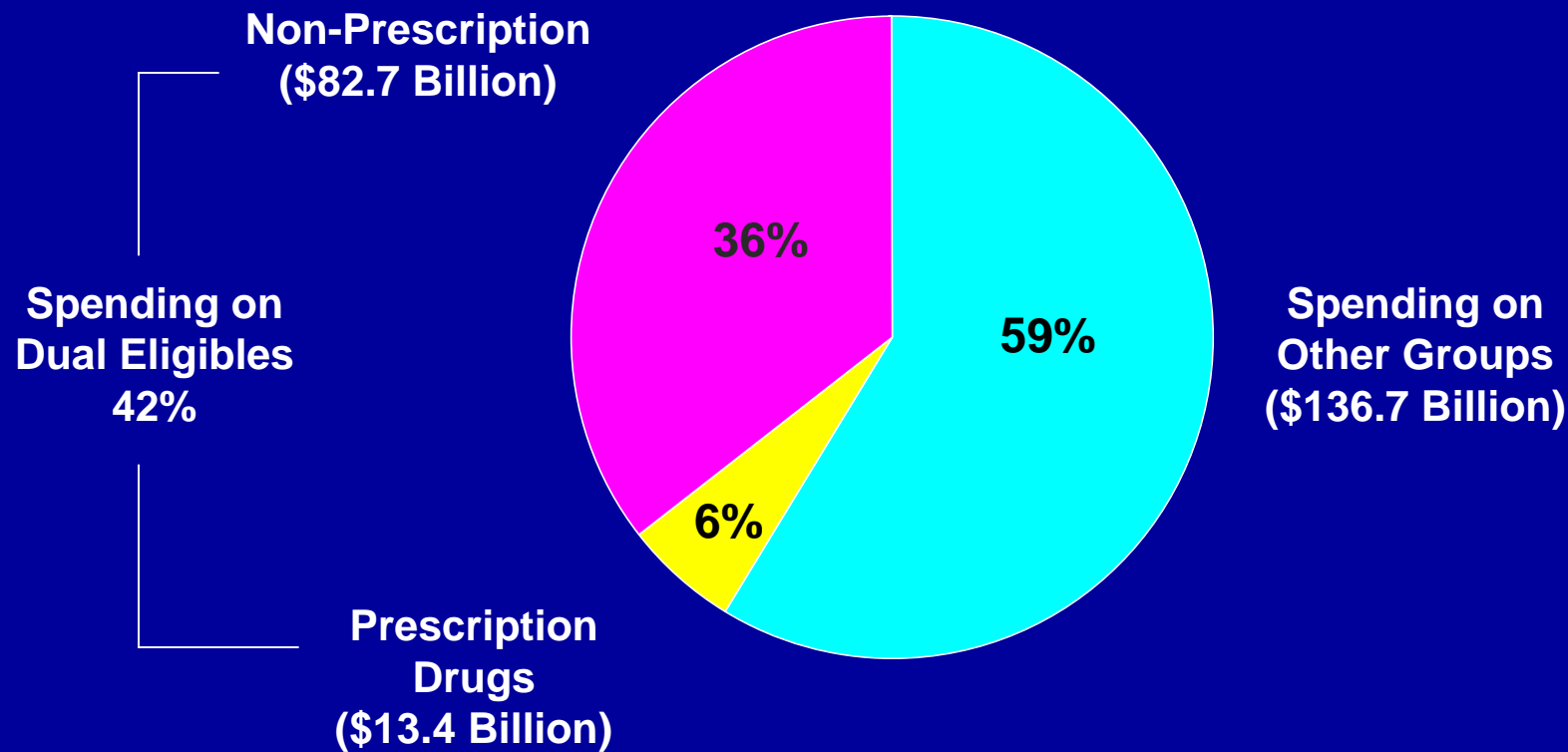


*Community-residing individuals only.

SOURCE: KCMU estimates based on analysis of MCBS Cost & Use 2000.

Figure 16

Spending on Dual Eligibles as a Share of Medicaid Spending on Benefits, FY2002



Total Spending on Benefits = \$232.8 Billion

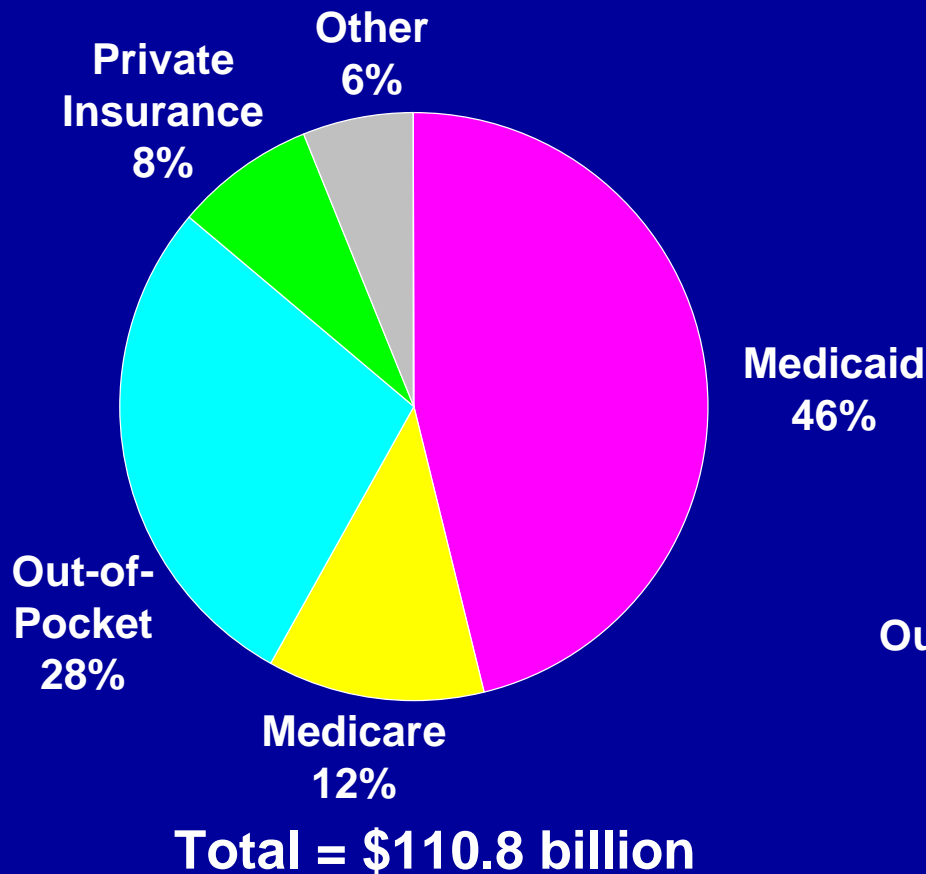
SOURCE: Urban Institute estimates prepared for KCMU based on an analysis of 2000 MSIS data applied to CMS-64 FY2002 data.

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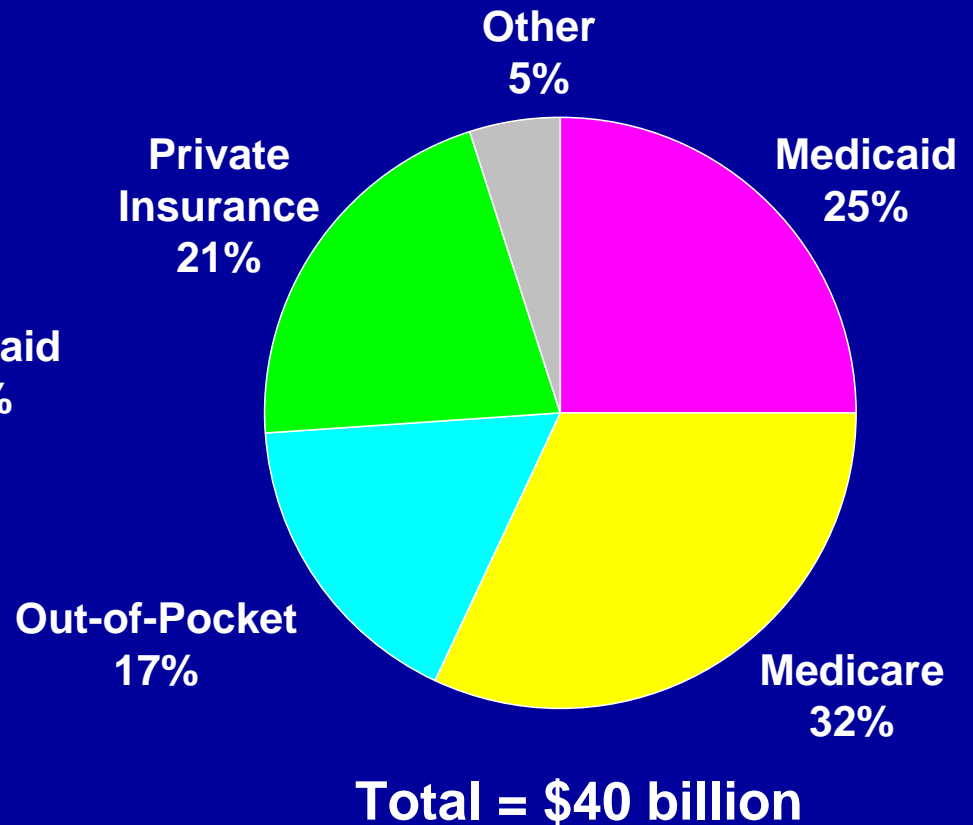
Figure 17

National Spending on Nursing Home and Home Health Care, 2003

Nursing Home Care



Home Health Care



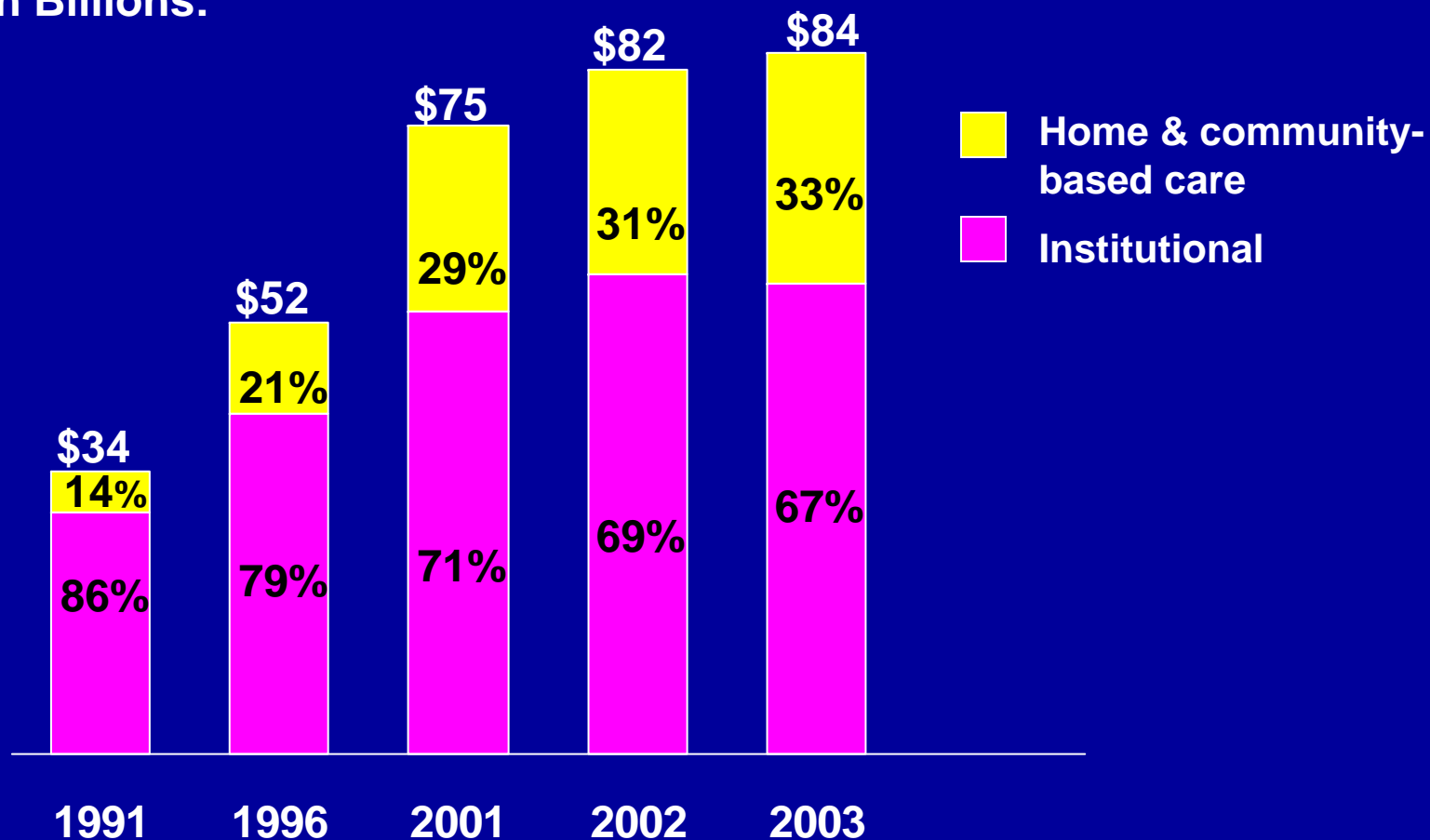
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SOURCE: CMS, National Health Accounts, 2005.

Figure 18

Growth in Medicaid Long-Term Care Expenditures, 1991-2003

In Billions:

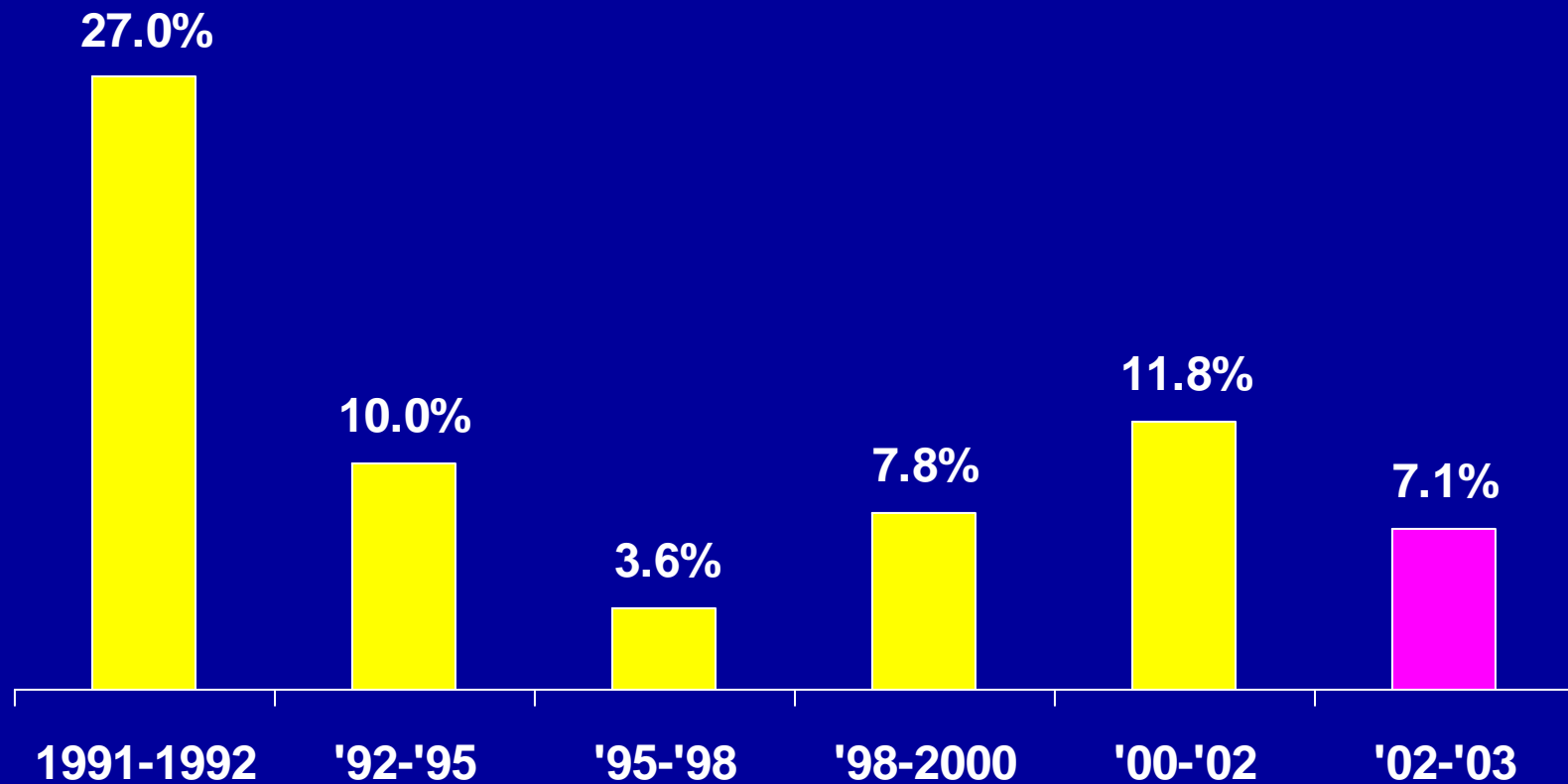


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SOURCE: Burwell et al. 2004, HCFA-64 data.

Figure 19

Average Annual Growth in Medicaid Expenditures, 1991-2003



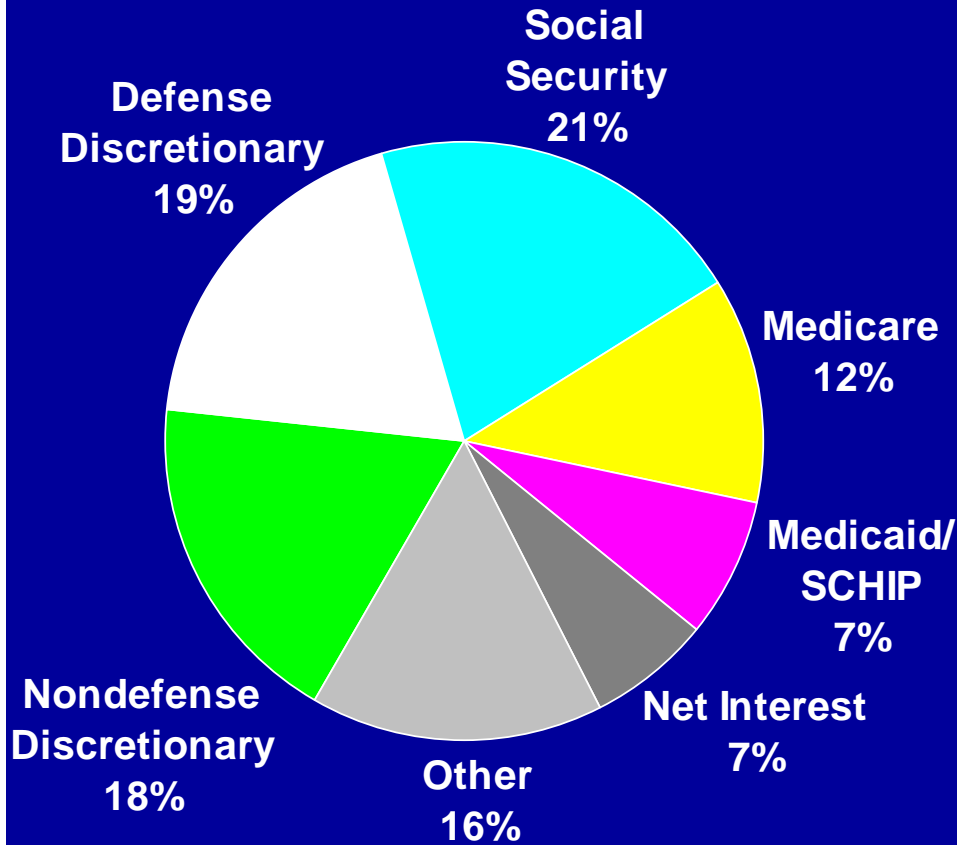
SOURCE: Urban Institute, 2005; estimates based on data from HCFA Financial Management Reports, 2004 (HCFA-64/CMS-64).

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Figure 20

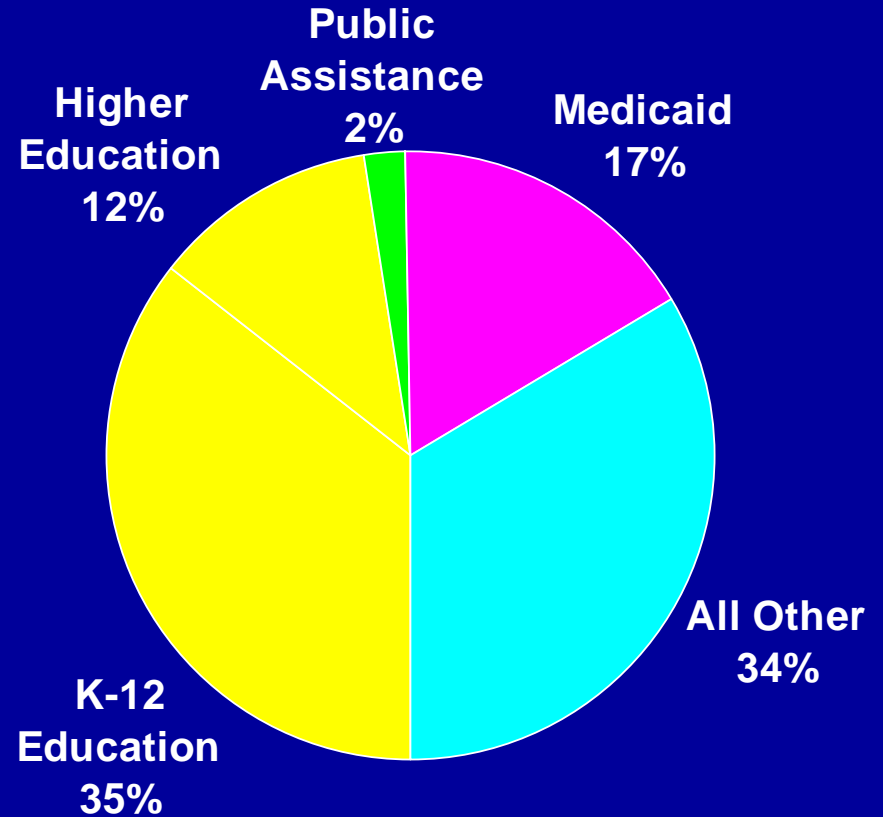
Growing Pressure on Government Spending

Federal Outlays



Total = \$2.3 Trillion

State General Fund Spending



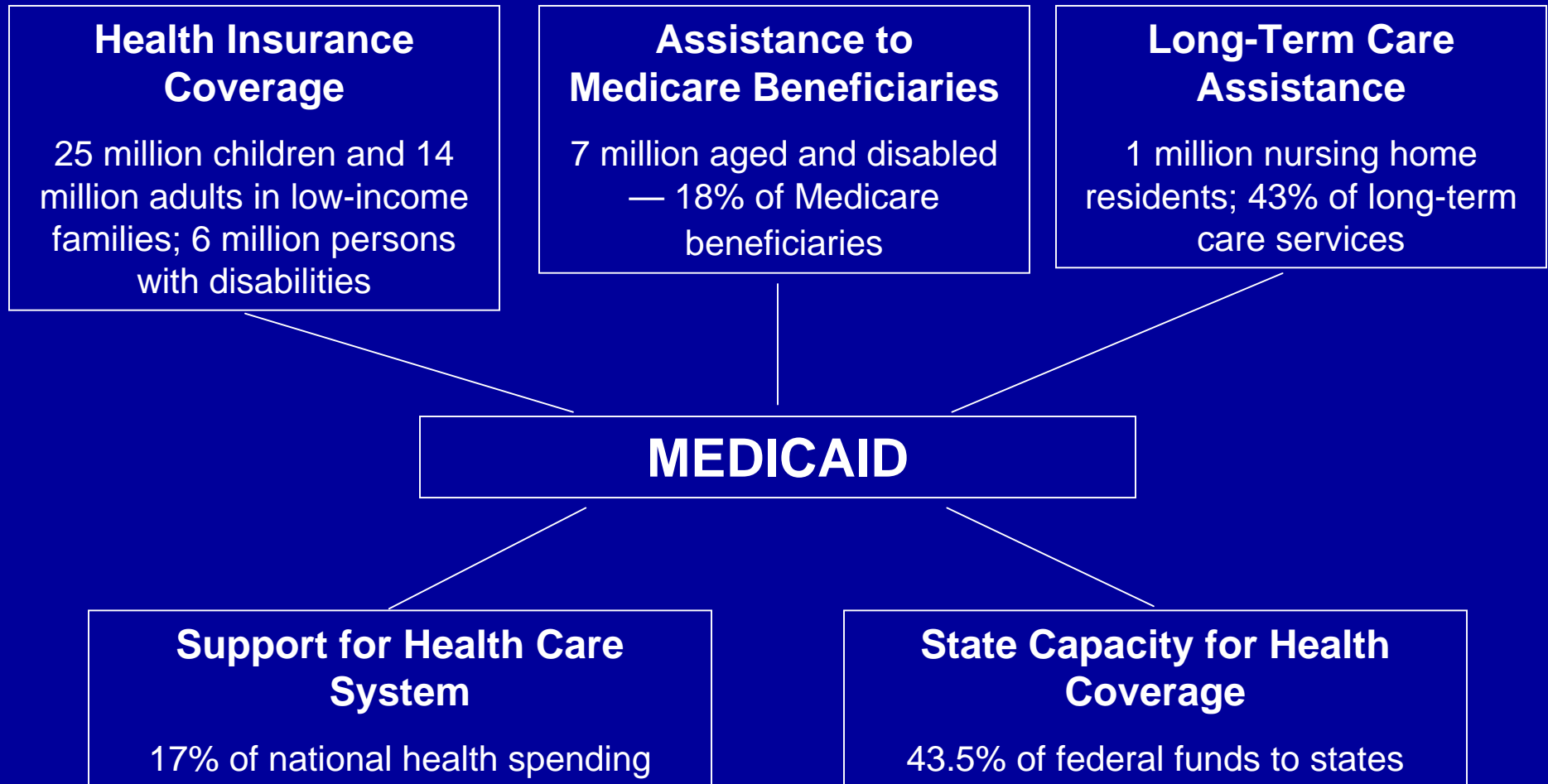
Total = \$499 Billion

SOURCE: CBO, *Baseline Budget Outlook*, January 2005; National Association of State Budget Officers, 2003 State Expenditure Report, 2004.

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Figure 21

What's at Stake in Medicaid Reform



Policy Issues for Medicaid

- **Coverage for low-income families**
 - Reduces uninsured
 - Improves access to care
 - Per enrollee costs low
 - Responds to economic downturn
- **Assistance for the elderly and disabled**
 - Helps poorest and sickest Medicare beneficiaries
 - Essential supplement to Medicare
 - Primary users of prescription drugs and long-term care
 - Per enrollee costs high
- **Fiscal Pressure**
 - Pressure from declining state revenue and growing health costs
 - Need to keep pace with private sector to assure access
 - Most dollars in elderly/disabled and long-term care
 - Fiscal tension between federal government and states
 - Restructuring proposals/state flexibility

