



# Medicaid fact sheet

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## What is Medicaid?

Medicaid is a \$391 billion jointly-funded state and federal health program for low-income individuals and families and disabled children and adults. Each state administers its own program, setting its own guidelines regarding eligibility and benefits offered above the basic federal requirements. As a result, Medicaid operates as more than 50 distinct programs — one in each state, the District of Columbia, and each of the Territories. Medicaid does not pay money to beneficiaries; instead, it sends payments directly to health care providers.

## History of the program

Medicaid was enacted by Congress on July 30, 1965, through the Title XIX of the Social Security Act. The Centers for Medicare and Medicaid (CMS), in the U.S. Department of Health and Human Services, monitors the state-run program and establishes requirements for service delivery, quality, funding, and eligibility standards. State participation in Medicaid is voluntary but all states participate.

## Eligibility

By design, Medicaid covers low-income and high-need populations. Medicaid plays an especially large role in covering children and pregnant women. It also covers millions of low-income Medicare beneficiaries and individuals with disabilities and chronic conditions. Currently, nearly all low-income children can qualify for Medicaid or the Children's Health Insurance Program. But Medicaid eligibility for low-income parents is far more limited and varies widely by state and federal law categorically excludes adults without dependent children. Some higher-income beneficiaries of Medicaid include people whose children or other close relatives suffer severe disabilities. In those situations, Medicaid can pay for their personal care, physical therapy, medications, and when necessary, institutional care. Medicaid also covers long-term nursing home and community care for the elderly with low incomes. The number of people eligible for Medicaid coverage has been growing significantly because of the recent economic recession.

## Delivery of health services

States have built delivery systems designed to serve their Medicaid population. State Medicaid programs may purchase services on a fee-for-service basis or by pay premiums to managed care plans under contracts or a combination of both approaches. Under managed care, Medicaid beneficiaries can receive services through various care models. The two main models of managed care are managed care organizations (MCO), such as AmeriHealth Mercy, and primary care case management (PCCM). MCOs are paid on a capitation basis and assume the financial risk for comprehensive Medicaid services or a defined set of services (e.g., ambulatory care, dental services). In PCCM, the primary care provider receives a small fee per person per month to provide basic care and coordinate specialist care and other needed services, which are usually paid fee-for-service. The Kaiser Family Foundation has estimated that approximately 70% of Medicaid enrollees receive some or all of their services through managed care.

## Enrollment

Medicaid serves roughly 58 million poor, elderly, and disabled Americans.

## Medicaid fact sheet (continued)

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### State budgets for Medicaid

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On average, Medicaid represents 22 percent of total state spending. Escalating health care costs and the growth of people eligible for the program has made Medicaid the second largest state budget obligation after education, according to a 2010 report from the National Association of State Budget Offices.

### Medicaid and health care reform

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A major expansion of the Medicaid program is integral to the national coverage framework established by the health reform law. Approximately, an additional 16 million people will be added to Medicaid with the expansion of the income requirement to 133 percent of the federal poverty level in 2014. Current restrictions on eligibility for non-elderly adults will be removed so that nearly everyone under age 65 with income below the national floor will be eligible. Millions of the uninsured will gain Medicaid coverage as a result, and the federal government will finance the vast majority of increased coverage over the next decade. To prepare Medicaid for its broader, national role, the reform law strengthens the program through provisions and investments to simplify Medicaid enrollment, improve Medicaid access and quality of care, ensure coordination with the new insurance exchanges, and achieve other goals of reform.

### Other key facts<sup>1</sup>

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- Medicaid is the primary payer for long-term care services.
- Medicaid helps generate jobs in state economies.
- Since the start of the recession in June 2007, to June 2010, more than seven million more enrolled in Medicaid.
- Medicaid programs have adopted innovative payment, delivery system, and quality improvement models.

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<sup>1</sup> Kaiser Commission on Medicaid and the Uninsured, February 2011