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Medicaid: A Fact Sheet

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Summary

Medicaid is the largest of the joint federal/state entitlement programs. The program provides payments for health care for certain groups of low-income individuals. Medicaid can be thought of as three distinct programs: one program funds long-term care for chronically ill, disabled, and aged individuals; another provides comprehensive health insurance for low-income children and families; and the disproportionate share (DSH) program assists hospitals with the cost of uncompensated care. In 2000, the most recent year for which enrollment data is available, there were 44.3 million Medicaid enrollees. Total program spending in FY2000 was almost $206.1 billion. The federal share of the cost for the same year was $116.9 billion.

Table 1. Federal Share and Total Medicaid Spending for Last 5 years, 1998 - 2002

($ in billions)

Year	Total Medicaid spending	Federal share	Percentage change in federal share
1998	$177.3	$100.1	6.6%
1999	$189.9	$107.4	7.3%
2000	$206.1	$116.9	8.8%
2001	$228.0	$129.8	11.0%
2002	$258.2	$146.2	13.0%

Sources: 1998-2001, CMS summary program data at [http://www.cms.hhs.gov/medicaid/mbes/sttotal.pdf]. 2002, CRS tabulations of preliminary CMS Form 64 data.

Each state establishes its own eligibility rules within broad federal guidelines. States must cover certain population groups such as recipients of Supplemental Security Income (SSI), and have the option of covering others. Historically, Medicaid eligibility for poor families was linked to receipt of cash welfare payments. In recent years, Medicaid's ties to welfare have been loosened. The welfare reforms of 1996 included provisions severing the automatic link with Medicaid but allowed states to maintain linked eligibility with the new Temporary Assistance for Needy Families program as an option. The federal government shares in a state's Medicaid costs by means of a statutory formula designed

to provide a higher federal matching rate to states with lower per capita incomes. These rates, or federal medical assistance percentages (FMAPs), are the percentage of Medicaid costs paid for by the federal government. FY2002 FMAPs ranged from 50% to 76%.

Medicaid does not cover everyone who is poor, reaching only 40.5% of persons in poverty in 2001. Eligibility is also subject to "categorical" restrictions; benefits are available only to members of families with children, pregnant women, persons who are aged, blind, or disabled or who belong to a group that has been specifically identified in the law such as those with tuberculosis or breast and cervical cancer. Beginning in 1984, Congress expanded eligibility for pregnant women and children. More recently, states have expanded Medicaid's reach through research and demonstration and home and community based waivers. Enrollment in Medicaid declined briefly following welfare reform in 1996, but has since resumed a steady upward climb — and has increased by almost 78% between 1990 and 2000.

Special eligibility rules apply to persons receiving care in nursing facilities and other institutions. Many of these persons have incomes well above the poverty level but qualify for Medicaid because of the high cost of their care. Medicaid has thus emerged as the largest source of third-party funding for long-term care. It is also a major source of federal support for programs to serve the mentally retarded and developmentally disabled. In FY2000, the latest year for which spending data by type of enrollee are available, the aged, blind and disabled represented 25% of Medicaid enrollment but accounted for 70% of program spending. Non-disabled children and adults, in contrast, comprised 67% of enrollment but only 26% of spending.

The State Child Health Insurance Program (SCHIP), created in 1997, is closely related to Medicaid. SCHIP provides federal matching funds for states to expand health benefits coverage for modest income children through Medicaid, through a separate state program, or through a combination of both. The federal matching percentages for the costs associated with SCHIP-authorized children, whether enrolled in Medicaid or a separate program were between 65% and 83.3% in FY2002 . In the same year, a total of about 5.3 million children were covered.

Each state defines its own package of Medicaid covered medical services. Federal law mandates some, such as hospital, nursing facility, and physician care; others, such as prescription drugs and dental care, are at state option. States also set their own reimbursement rules. Many states pay considerably less under Medicaid than providers' costs or customary charges. As a result, many medical care providers refuse to accept Medicaid patients or limit the number of such patients they will treat. Still, Medicaid beneficiaries appear to have significantly better access to care than comparable uninsured individuals.

Before 1990, most Medicaid services were provided on a fee-for-service basis by any health care practitioner who was willing to accept Medicaid. By 1997, almost half of Medicaid recipients were enrolled in some kind of pre-paid managed care organization (MCO). This shift to managed care provided the impetus for a set of laws passed as part of the Balanced Budget Act of 1997. Among other things, they make mandatory enrollment into MCOs easier for states and establish quality and other standards for Medicaid MCOs.