

MEDICAID

Medicaid is the nation's largest public health insurance program for low-income individuals. It is jointly funded by federal and state governments.

WHO IS COVERED?

- In 2003 Medicaid provided health insurance coverage to 40.4 million people, including 4.3 million elderly, 7.7 blind and disabled, 19.6 million children, and 8.8 million adults.
- Individuals must meet financial criteria and be part of a group that is federally mandated as “categorically needy” to qualify for Medicaid. These may include children, pregnant women, people with disabilities, the elderly, parents, and certain Medicare beneficiaries.
- States may optionally cover other groups. Optional groups share characteristics with the federally mandated populations, but eligibility criteria are more liberally defined. These groups include “optional targeted low-income children” under the State Children’s Health Insurance Program (SCHIP) and institutionalized individuals eligible under a “special income level” of up to 300 percent of the federal Social Security Income (SSI) payment rate.
- States may also elect to cover “medically needy” individuals. These people would be eligible for Medicaid under mandatory or optional groups, except that their income and/or resources are above the eligibility level set by their state. Thirty-eight states have medically needy programs.

PROGRAM COSTS

- Federal and state governments share Medicaid costs based on a formula called the Federal Medical Assistance Percentage (FMAP). Under FMAP, states with higher per capita income levels are reimbursed with a smaller share of Medicaid costs. The average FMAP paid by the federal government to the states is 57 percent of Medicaid costs.
- In 2002, federal and state Medicaid expenditures totaled 258.2 billion. The federal share totaled 146.6 billion and the state share totaled \$111.6 billion.
- Children comprise 47 percent of beneficiaries and 16 percent of program expenditures; the elderly and disabled account for 26 percent of beneficiaries and 71 percent of expenditures. Of the elderly and disabled those “dually eligible” for Medicaid and Medicare comprise 19 percent of beneficiaries and 35 percent of expenditures.
- Medicaid expenditures covered institutional and nursing home care (\$43.8 billion); inpatient/outpatient hospital services (\$33.1 billion); prescription drugs (\$20.0 billion); home health/community care (\$14.7 billion); and physicians and other practitioners (\$8.9 billion).

ADDITIONAL INFORMATION:

NGA Center for Best Practices:
<http://www.nga.org/center/divisions>

National Association of Budget Officers:
<http://www.nasbo.org>

U.S. Centers for Medicare and Medicaid Services:
<http://www.cms.gov/medicaid/>

Kaiser Family Foundation:
<http://www.kff.org/content/2003/2236/>
<http://www.kff.org>

WHY IS THIS ISSUE IMPORTANT TO GOVERNORS?

- Medicaid typically accounts for 20 percent of state general fund expenditures.
- Escalating program expenditures coupled with a dramatic slowdown in state revenue has forced states to seriously review and implement cost-containment options, including containing pharmaceutical costs, reducing or eliminating benefits; and reducing or eliminating eligibility.