

TEN MYTHS ABOUT MEDICAID

Medicaid is the nation's largest health coverage program measured by enrollees (53 million) and spending (over \$300 billion of federal and state government spending). Through its 40 year history, the program has transformed from a welfare-based health coverage program to a health insurance and long-term care program serving both low-income individuals and families and providing long-term care services for individuals with disabilities and the low-income elderly. Because Medicaid has such a diverse set of obligations and is run jointly by federal and state governments there is much misunderstanding about facts related to the program.

■ **Myth 1—Medicaid is an antiquated program and needs to be modernized.**

□ **FACT: Medicaid has demonstrated throughout its history that it is an innovative program and evolves with the changing American health care system.**

Ever since the original passage of Medicaid, the waiver process has allowed states to experiment with new concepts of benefit design, eligibility, and delivery systems. After evaluating these demonstrations, innovations can be adopted as standard options that don't require a waiver from the federal government. Managed care is an example of an innovation that became a standard option—about 60 percent of beneficiaries are in managed care. A current innovation that several states are experimenting with is moving long-term care services towards a home and community based setting. Additionally, Medicaid's structure has allowed it to expand and readily adapt to emerging issues in the American health system like the HIV/AIDS crisis.

■ **Myth 2—Medicaid is a rigid, one size fits all program.**

□ **FACT: States have taken advantage of Medicaid's flexibility to customize their program—about two-thirds of Medicaid spending is for “optional” services or populations.**

Medicaid is designed with minimum federal standards, which require states to cover certain populations and provide certain benefits to key populations. In many ways it is a system that operates as 50 separate state coverage programs, with states having the choice to cover populations and services beyond minimum standards.

■ **Myth 3—Medicaid spending is out of control.**

□ **FACT: The per enrollee cost growth in Medicaid (6.1 percent) is lower than the per enrollee cost growth in comparable coverage under Medicare (6.9), private health insurance (10.6), and monthly premiums for employer-sponsored insurance (12.6). Medicaid is a program that is most in demand when the country is experiencing economic difficulties.**

Over the past few years Medicaid spending growth increased due to a sharp rise in enrollment of children and parents in low-income families during tough economic times. However, the spending growth has moderated as the economy has improved. Although Medicaid costs continue to increase, so do health care costs throughout the American health system, indicating there is a more systemic issue of rising costs.

■ **Myth 4—Medicaid provides “Cadillac” insurance coverage that is more than a person needs.**

□ **FACT: The Medicaid program serves several populations that require services not readily available in standard health insurance plans.**

While Medicaid functions as an acute care plan for low-income families, it is also the only option available for many individuals with disabilities and low-income elderly, who require more intensive services like long-term care. Additionally, Medicaid has limited cost-sharing for its beneficiaries in recognition that there are financial issues associated with health access for poor people. Medicaid’s broad benefits package and financial protection reflect the program’s unique role as a catchall for the weaknesses in our health system.

■ **Myth 5—Medicaid covers too many people and crowds out private health insurance.**

□ **FACT: Most of the people who are covered by Medicaid do not have access to other insurance, because their employers do not offer them coverage, or they are ineligible for it or cannot afford it, or because they are priced out of the private market due to illness or disability.**

Medicaid enrollment has swelled in recent years with children and parents in low-income families due to poor economic conditions and the loss of employer-sponsored insurance. Many studies of Medicaid eligibility expansions for women and children in the 1980s and early 1990s conclude that substitution of Medicaid or private coverage is limited, as most people newly enrolled in the program were previously uninsured. Medicaid addresses many of the private insurance market’s failures, acting as the “safety net” that covers populations and services that the private system, by its design, excludes.

■ **Myth 6—Medicaid is a welfare system for people who don't work.**

□ **Fact: Sixty-five percent of people who receive Medicaid are from working families.**

The program was originally designed to provide coverage to welfare recipients, but it was separated from the welfare system in 1996. Among those beneficiaries who are out of the workforce—such as individuals with severe disabilities—Medicaid coverage serves as a supplement to their cash assistance and provides needed health coverage.

■ **Myth 7—Medicaid pays the nursing home bill for wealthy seniors.**

□ **Fact: Medicaid eligibility is limited to the very poor or those with large health expenses who have depleted their savings.**

Medicaid prohibits individuals from transferring savings to others in an attempt to qualify for nursing home care without exhausting their assets. Sixty percent of nursing home residents are not on Medicaid at the time of their admittance into a facility. With the average annual cost of nursing home care being \$60,000, the longer an individual remains in a facility, the more likely they are to deplete their financial resources and qualify for Medicaid coverage. Even after individuals deplete their assets, they are still required to apply their income, including Social Security and pension checks, towards their care costs, except for an average monthly \$30 personal needs allowance.

■ **Myth 8—Medicaid's open-ended federal financing encourages overspending.**

□ **Fact: During the most recent economic downturn, states worked hard to contain costs in their programs even as they served more people.**

All 50 states implemented actions to control Medicaid spending in fiscal year (FY) 2004 and all planned to implement new cost control actions in FY2005.

Medicaid's shared federal-state financing is designed to follow the needs of the American population. During tough economic times, as more people need Medicaid coverage, spending increases. However, most states are required to balance their budgets, unlike the federal government, so they have a disincentive to spend beyond their means.

■ **Myth 9—The Medicaid program is inefficient.**

□ **FACT: Medicaid compares favorably to other parts of the American health system when measuring administrative efficiency and per enrollee costs.**

Compared to private health programs, Medicaid has lower administrative costs per claims paid when compared to private sector plans. Medicaid per capita growth has been consistently about half the rate of growth in private insurance premiums. Both of these factors show that despite program growth, Medicaid is an efficient program.

■ **Myth 10—Medicaid is a poor-quality program that has little impact on access to care or health and people on Medicaid dislike the program.**

□ **FACT: Medicaid has secured access to primary and preventive health care for its beneficiaries that is comparable to that of the privately insured and greatly exceeds that of the uninsured.**

A large body of evidence demonstrates Medicaid’s role in improving access to care for the people it serves. Studies also show how Medicaid expansions to pregnant women and children in the 1980s and 1990s helped reduce infant mortality and acute health conditions, thus improving the health of beneficiaries. Medicaid beneficiaries value their coverage, are grateful for the assistance it provides, and often report satisfaction with their coverage at the same levels as those with private coverage.

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