

Not just for the poor—the crucial role of Medicaid in America's health care system

June 8 2017, by Simon Haeder

Despite many assertions to [the contrary](#), Senate leaders are [now saying](#) they want to vote on the [replacement bill for Obamacare](#) before the month is out.

Front and center is the planned transformation of America's Medicaid program, which covers 20 percent of Americans and provides the backbone of America's [health care](#) system.

As a professor of public policy, I have [written extensively](#) about the [American health care system](#) and the [Affordable Care Act](#).

Living in West Virginia, perhaps the nation's poorest state, I have also seen the benefits of the ACA's Medicaid expansion since 2014.

To understand how the ACHA's proposed changes to Medicaid would affect people and our [health](#) care system, let's look more closely at the program.

What is Medicaid?

Created in 1965, Medicaid today provides health care services for [75 million Americans](#). It is jointly administered by the [federal government](#) and the [states](#). The federal government pays at [least 50 percent](#) of the costs of the program. For particularly poor states, the federal government's contribution [can exceed 75 percent](#).

Medicaid was initially envisioned to provide medical assistance only to individuals [receiving cash welfare benefits](#). Over time, the program has been significantly expanded in terms of benefits and eligibility to make up for the growing shortcomings of private insurance markets, including [rapidly growing premiums and increasing rates of uninsurance](#).

Like all health care programs, spending on Medicaid has increased dramatically since its inception in 1965. Today, we are spending about [US\\$550 billion annually](#). This compares to about [\\$300 billion in 2007](#).

What does Medicaid do?

As Medicaid evolved, it has become more than just a program for America's poor. Indeed, it is the largest single payer in the American health care system, [covering more than 20 percent of the population](#). This amounts to [75 million American children, pregnant women, parents, single adults, disabled people and seniors](#).

To put this in perspective, this is about the same number of individuals as [the nation's two largest commercial insurers combined](#).

Roughly half of all enrollees [are children](#).

Medicaid also pays for about [50 percent of births in the U.S.](#) In some states like New Mexico, Arkansas, Wisconsin and Oklahoma, close to [two-thirds of births are paid for by Medicaid](#).

Medicaid helps many Americans who are generally not considered "needy." For example, the [Katie Beckett program](#) provides support to families with children with significant disabilities without regard to parental income.

Medicaid is also critical for elderly Americans. It is Medicaid – not the

federally run insurance program for the elderly, Medicare – that is the largest payer for long-term care in the United States. These services include, for example, [nursing facility care, adult daycare programs, home health aide services and personal care services](#). It pays for roughly [50 percent of all long-term care expenses and about two-thirds of nursing home residents](#). And it also provides help with Medicare premiums for [about 20 percent of seniors](#).

Indeed, the vast majority of costs in the Medicaid program, [about two-thirds, are incurred by elderly or disabled individuals who make up only a quarter of enrollment](#).

How did the Affordable Care Act, or Obamacare, change Medicaid?

One of main components of the Affordable Care Act was the [expansion of Medicaid](#) to 138 percent of the Federal Poverty Line (FPL). For a family of four, this amounts to \$2,800 per month.

However, the [Supreme Court rejected the ACA's mandatory expansion of Medicaid and made it optional](#). To date, 31 states and Washington, D.C. have chosen to expand their Medicaid program. Not surprisingly, [the uninsurance rate in those states has dropped significantly more](#) than in states refusing to expand their Medicaid programs.

Nonetheless, Medicaid enrollment increased [by about 30 percent since the inception of the ACA](#).

The expansion has also resulted in [better access and better health](#) for individuals.

It has also helped to [fight the nation's opioid epidemic](#).

In states that did not expand Medicaid, [hospital closures occurred disproportionately](#).

What would the Republican-backed AHCA and the Trump budget do to Medicaid?

Overall, the [American Health Care Act](#) cuts more than \$800 billion from Medicaid by 2026. The cuts focus on two major components.

First, the AHCA significantly reduces funding for the Medicaid expansion under the Affordable Care Act. These changes reduce the federal government's contribution from 90 percent to an [average of 57 percent](#). The large associated costs for states [would virtually eliminate the expansion in most if not all states](#).

However, the American Health Care Act goes further. Specifically, it alters the funding mechanism for the entire Medicaid program. Instead, it provides a set amount of funding per individual enrolled in Medicaid. In doing so, it ends the federal government's open-ended commitment to providing health care to America's neediest populations.

Over time, these per capita payments are adjusted based on the Medical Consumer Price Index. In states like West Virginia, these increases [will not keep pace with rising costs for the state's sick and disabled](#).

In addition to the more than \$800 billion in cuts to Medicaid under the AHCA, the [proposed budget by President Trump](#) would further cut Medicaid by more than \$600 billion over ten years.

One major way to achieve this is to further reduce the [growth rate of the per capita payments](#).

What would be the effects of dismantling Medicaid?

Both the American Health Care Act and the Trump budget would be challenging for the program. In combination, I believe they would be truly devastating.

The cuts would force millions of Americans into uninsurance. Confronted with medical needs, these Americans will be forced to choose between food and shelter and medical treatment for themselves and their families. They would also [force millions of Americans into medical bankruptcy](#), similar to the situation prior to the ACA.

The cuts would also affect the broader American health care system. They would create incredible burdens on American hospitals and other safety net providers. Many of them are already operating [on very thin margins](#).

Medicaid is particularly important in keeping doors open at [rural, inner-city and essential service hospitals](#).

The cuts would cause tremendous burdens for million of Americans [with disabilities and their families](#).

They would shrink the program [virtually in half](#) over the next decade.

Unable to raise the necessary funds, states will be forced to [cut either eligibility, benefits or both](#).

In my view, both the American Health Care Act and the proposed budget by the Trump administration will cause dramatic, avoidable harm to millions of our families, friends, neighbors and communities.

This article was originally published on [The Conversation](#). Read the

[original article](#).

Provided by The Conversation

Citation: Not just for the poor—the crucial role of Medicaid in America's health care system (2017, June 8) retrieved 5 May 2024 from <https://medicalxpress.com/news/2017-06-poorthe-crucial-role-medicaid-america.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.