

Medicaid and the Children's Health Insurance Program (CHIP) Soften the Blow during Tough Economic Times

In 2008, as the recession deepened, more and more people lost their jobs and their health coverage. According to the Census Bureau data that were released on September 10, 2009, the percentage of Americans with job-based health coverage fell from 59.3 percent in 2007 to 58.5 percent in 2008, meaning 1.1 million people lost their job-based health insurance in 2008.¹ In addition, the number of people living in poverty increased by an additional 2.5 million individuals (from 37.3 million in 2007 to 39.8 million in 2008), and the number of uninsured Americans rose by 600,000.

While the new Census data paint a stark picture of our economy, they also reveal that Medicaid and CHIP have served as an effective health care safety net for many of the newly uninsured and impoverished families. Studies have found that, with every 1 percentage point increase in the unemployment rate, there are quantifiable losses in job-based coverage and increases in the number of people who are uninsured—but there are also corresponding increases in Medicaid and CHIP enrollment.² Medicaid and CHIP have greatly softened the blow of the recession and offset some of the losses in job-based coverage. In 2008, Medicaid provided an additional 3 million low-income Americans with comprehensive, affordable health coverage. More than half of this increase was among children, demonstrating that the Medicaid and CHIP safety net worked especially well for low-income children (for whom eligibility levels are generally higher than the eligibility levels for their parents). This repeats a phenomenon that was seen in last year's Census Bureau data, which showed that, as the child poverty rate increased (which meant more children became eligible for Medicaid or CHIP), so did the number of children enrolled in Medicaid and CHIP.³

However, Medicaid in its current form cannot help all of the low-income individuals who have been affected by the recession, for a couple of reasons. First, many states have set their Medicaid eligibility levels for parents at extremely low levels: The national median eligibility level for parents is a mere 67 percent of the federal poverty level (\$12,268 for a family of three in 2009). Second, adults without dependent children are not eligible for Medicaid coverage in 42 states, regardless of their income. Without health reform, millions of individuals who are living in extreme poverty will continue to fall through the cracks in our health care system, adding to the growing ranks of the uninsured.

Medicaid and CHIP Work for Low-Income Individuals

In 2008, Medicaid and CHIP acted exactly as they are intended to, providing America's most vulnerable families with comprehensive and affordable health coverage when they needed it most. Under Medicaid and CHIP, low-income families are protected against unaffordable out-of-pocket costs and receive a benefits package that uniquely fits their needs. For example, Medicaid covers transportation to doctors' appointments, services for people with disabilities, and services provided at rural and community health centers. Medicaid also has specific protections that are designed to ensure that children get the health care they need when they need it. These robust services help keep families who have been affected by the recession healthy while they get back on their feet.

This Trend Is Expected to Continue

As the economy continues to worsen, an increasing number of people rely on Medicaid for their care. Every 1 percentage point increase in the unemployment rate is associated with a 0.79 percentage point increase in the proportion of children who are enrolled in Medicaid or CHIP and a 0.2 percentage point increase in the proportion of non-elderly adults who are enrolled in Medicaid.⁴ Even though the Census Bureau will not publish its estimates of insurance coverage for 2009 until next year, states are already reporting unprecedented increases in Medicaid enrollment. For example, Arizona expects to see 300,000 additional people enroll in its Medicaid program in 2009—that's five times the number of new enrollees in previous years.⁵ Colorado is also experiencing record enrollment in Medicaid: Enrollment in the state's program was 14 percent higher this June than in June of last year.⁶ Economists predict that these numbers will continue to increase over the coming years. Florida, for instance, expects the number of children enrolled in Medicaid to surge by 20 percent, or nearly 100,000, in 2010.⁷

The System Is Fragile

While Medicaid and CHIP are softening the blow of the economic downturn by providing millions of Americans with comprehensive, affordable health coverage, millions more continue to fall through the cracks. What's more, the rise in demand for safety net programs has placed an increased financial burden on states, forcing many to cut vital services even as they are receiving additional federal funds for Medicaid through the economic stimulus package.

Enacting national health reform will likely raise the Medicaid eligibility level to 133 percent of poverty for all Americans, giving states the opportunity to close the holes in the health care safety net so that all low-income individuals have access to high-quality, affordable health care. However, as the federal government moves forward with health reform legislation, policy makers must keep in mind the financial strain that the proposed Medicaid expansion may place on states. States should be provided with a full federal match for this Medicaid expansion for as many years as possible. This will ensure that states can continue providing the same level of services as they now provide without shifting costs to low-income Americans by increasing premiums or cost-sharing to unaffordable levels.

Endnotes

¹ Carmen DeNavas-Walt, Bernadette Proctor and Jessica Smith, *Income, Poverty and Health Insurance Status in the United States: 2008* (Washington: U.S. Census Bureau Current Population Reports, September 2009).

² John Holahan and A. Bowen Garrett, *Rising Unemployment, Medicaid, and the Uninsured* (Washington: Kaiser Commission on Medicaid and the Uninsured, January 2009), available online at <http://www.kff.org/uninsured/upload/7850.pdf>.

³ Carmen DeNavas-Walt, Bernadette Proctor, and Jessica Smith, op. cit.

⁴ John Holahan and A. Bowen Garrett, op. cit.

⁵ Jeff Brady, "Arizona Faces 'Financial Tsunami' over Medicaid," *National Public Radio*, September 1, 2009.

⁶ Tim Hoover, "Colorado Medicaid List Swells to Record," *Denver Post*, July 28, 2009, available online at http://www.denverpost.com/ci_12926875.

⁷ "Medicaid, Kid Enrollment Up" *Health News Florida*, July 21, 2009, available online at <http://www.healthnewsflorida.org/index.cfm/go/public.articleView/article/13019>.



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