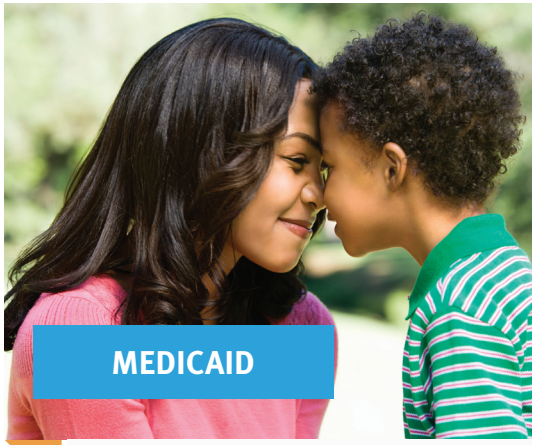

Cutting Medicaid Would Hurt States and Families

The Medicaid program is a state-federal partnership that has enabled states to provide health care to millions of low-income Americans. Medicaid is a flexible, efficient program with almost no administrative "fat." Cuts in federal Medicaid funding will simply pass health care costs on to states, which will largely be unable to replace those lost funds. Instead, many states will be forced to cut the health care services needed by seniors, working families, children, and people with disabilities.

When some members of Congress start talking about Medicaid restrictions, there are several important facts to keep in mind about Medicaid.

Other than the health care services that seniors, working families, children, and people with disabilities rely on, there is little to cut in Medicaid. Cuts in federal funding or changes to Medicaid's structure would undoubtedly lead to cuts in vital health care for low-income and vulnerable Americans.

When Congress Threatens to Cut Federal Medicaid Funding: Some Facts to Remember

» **Medicaid is already a flexible program that gives states the option to use private health plans:** States have considerable flexibility to design their Medicaid programs to meet the needs of their residents and to build on their existing health care delivery systems. This includes options for states to contract with private managed care plans to provide Medicaid services. Nearly 75 percent of those in Medicaid are in managed care.[1]

» **Medicaid is an efficient program with almost no administrative "fat":** More than 91 percent of federal Medicaid spending goes to paying for enrollees' medical and long-term care, not administrative overhead.[2]

» **There's no room to cut provider payments:** Medicaid payments to health care providers are already low. Cutting rates further could mean that fewer providers participate in the program.[3]

» **States can't make up for cuts in federal payments:** Because there is little administrative overhead in the Medicaid program, there isn't much room for states to reduce provider payments or cut administrative costs. States would have to make up for lost federal funds by tapping into other state revenue sources—or by cutting Medicaid services.

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What Federal Medicaid Cuts Might Mean

- **Cuts in health care for seniors and people with disabilities:** More than a quarter of all Medicaid enrollees are seniors or people with disabilities. Health care and long-term care for seniors alone make up 63 percent of Medicaid costs.[4,5] These beneficiaries rely on Medicaid to help them pay for services that Medicare doesn't cover, such as long-term care. Without the help of Medicaid, these health care consumers could not afford to see a doctor or pay for the medications they need.

- **Cuts in long-term care:** Medicaid is the country's largest payer for long-term care services, which make up 30 percent of Medicaid spending.[6] It helps seniors and people with disabilities pay for home-based care so that they can continue to live in their communities. When that is no longer possible, it helps them pay for nursing home care. Cuts in federal Medicaid spending would force states to cut payments for home care and nursing home care and place a greater burden on middle class families that have a child, parent, or grandparent who needs long-term care.

- **Cuts in children's health care:** Half of all Medicaid enrollees are children, and Medicaid has a proven record of significantly improving their health and contributing to their future success in life.[7,8] Having access to a regular source of care is a key measure of children's health, and nearly all children covered by Medicaid have a regular source of care.[9]

- **Cuts in health care for parents:** All states provide some Medicaid coverage to parents.[10] Cutting Medicaid will cut valuable health services from parents who are working hard to rear their children. That can make a difference in children's health, too. When parents have health coverage, their children are more likely to have health coverage and a regular source of health care.[11]

- **Cuts in health care for working families:** In states that have expanded Medicaid, hard-working people who were previously uninsured now have a chance to get affordable health coverage. In Medicaid expansion states, 56 percent of people who stand to benefit are working. Another 25 percent are not in the workforce. That includes students, stay-at-home moms and family caregivers. A full 81 percent of those who can benefit from Medicaid expansion are working or not in the workforce.[12]

- **A weakened health care infrastructure:** Medicaid helps hospitals stay in business. Nationwide, Medicaid accounts for 16 percent of hospital costs.[13] The importance of Medicaid is even higher for rural and safety-net hospitals.[14, 15] In many communities, those hospitals are crucial sites for trauma care and may be the only source of hospital care for miles.[16] Cutting Medicaid would strain these critical hospitals and make it harder for them to serve everyone in their communities.

When parents have health coverage, their children are more likely to have health coverage and a regular source of health care.

Medicaid's Structure Should Not be Changed

- **Medicaid's structure gives states flexibility to respond in times of crisis:** The federal government matches each state's Medicaid spending. That is true for both traditional Medicaid and for those newly covered in states that have expanded Medicaid. Because federal spending is linked to state costs, states can count on increased support if their residents' health care needs change. That allows states to move more nimbly if their residents' health care needs rise unexpectedly, as might happen during a natural disaster, flu epidemic, or other crisis.
- **Changes in Medicaid's structure would hurt states and enrollees:** Changing the way Medicaid is structured solely to save the federal government money—such as adopting per-capita caps or block grants—will ultimately shift the financial burden to states. This will result in cuts to state funding and then to cuts in health care for seniors, working families, people with disabilities, and children.

The Bottom Line: Medicaid Works

- **People with Medicaid like their health care:** The vast majority of Medicaid enrollees report being satisfied with their health care and getting the care they need *when* they need it.[17]
- **Medicaid improves people's health and financial security:** Medicaid coverage increases people's ability to obtain medical care. It is also associated with significant improvements to people's financial well-being and mental health, lower mortality rates, and better reported health status.[18]

Medicaid works. Cuts to Medicaid or changes in its structure should be off the table.

Endnotes

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12 Percent derived from an analysis of working status of uninsured adults ages 19 to 64 residing in Medicaid expansion states who had incomes below 138 percent of poverty, the income cut-off level for Medicaid expansion eligibility. This is the population that stands to benefit from a state's decision to expand Medicaid. Analysis by Families USA using American Community Survey data, 2010 through 2012.

13 In 2012, Medicaid accounted for 16 percent of hospital costs nationwide. The American Hospital Association, *Chartbook Chapter 4, Trends Affecting Hospitals and Health Systems, Chart 4.5: Distribution of Hospital Costs by Payer Type, 1980, 2000 and 2012*, (Chicago: The American Hospital Association, February 2015) available online at http://www.aha.org/research/reports/tw/chartbook/ch4.shtml, accessed on February 10, 2015.

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A selected list of relevant publications to date:

How Per Capita Caps in Medicaid Would Hurt States (January 2015)

Momentum on Medicaid Expansion (September 2014)

Protecting Health Care Programs from Spending Cuts (December 2012)

For a more current list, visit:
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