



## Medicaid

Medicaid is a critical source of revenue for all providers in our health care system. A strong Medicaid program means stronger hospitals, nursing facilities, community health systems, and physician practices across the country—including those in rural areas and underserved communities. And a stronger health care system benefits all consumers, not just those with Medicaid coverage.

# Medicaid: Supporting Doctors, Hospitals, and the Communities They Serve

## Medicaid Is an Important Source of Funding for Hospitals and Health Systems in Communities across the Country

Hospitals are the cornerstone of our health care system. They provide emergency care, train tomorrow's doctors and nurses, and are major employers in the communities they serve. Many types of hospitals rely on Medicaid as a major source of revenue.<sup>1</sup>

### Safety Net Hospitals

Medicaid is particularly important to the operation of safety net hospitals—hospitals that serve a large number of low-income patients. Medicaid is the largest payer of care that is provided at safety net hospitals, accounting for approximately 35 percent of revenue for these hospitals.<sup>2</sup> Safety net hospitals rely on Medicaid to continue providing

essential health care services to residents in the communities in which they operate.<sup>3</sup>

And while safety net hospitals play an important role in caring for low-income residents, they play an even broader role in most communities. These hospitals are an essential element of a high-functioning health care system.

- » In communities across the country, safety net hospitals provide emergency services, burn care, trauma care, and other intensive care services, often-times serving as the main burn center or trauma center in a region.<sup>4</sup>
- » Safety net hospitals train America's future doctors and nurses: More than three-quarters of these hospitals are teaching hospitals.<sup>5</sup>
- » In many areas, safety net hospitals are among the largest employers in the community, creating jobs and generating economic growth.

## Rural Health Systems

Nearly one in five Americans live in rural or frontier areas, and Medicaid is critical to the health systems they depend on. Compared to urban areas, a higher percentage of rural residents rely on Medicaid.<sup>6</sup> As a result, Medicaid is an essential revenue source for rural health care providers.<sup>7</sup> Without a strong Medicaid program, residents in rural areas could see the health systems that serve them deteriorate.

Medicaid also ensures that rural physicians have a steady stream of funding in areas where job-based coverage is scarce and poverty levels are high. Almost one-third of rural physicians derive 25 percent or more of their patient revenues from Medicaid, compared to only one-fifth of physicians in more urban areas.<sup>8</sup>

## Medicaid Is the Main Payer of Long-Term Care Services

Many people don't realize that Medicare and most job-based private insurance *do not* cover long-term care. Instead, Medicaid is the financial foundation of the nation's long-term care system: It pays for half of all long-term care costs.<sup>9</sup> This includes nursing home care, as well as home care that is provided by home health aides and other community-based providers.<sup>10</sup>

Long-term care is extremely expensive: The average cost of a year's stay in a nursing home is \$87,000.<sup>11</sup> According to the U.S. Department of Health and Human Services, nearly 70 percent of people over age 65 will need long-term care services at some point during their lifetime, and more than 40 percent will need care in a nursing home.

Without Medicaid coverage, many families would not be able to afford this critical care. Medicaid also helps ensure that there are skilled providers to meet the tremendous need for long-term care.

## Medicaid Supports Physicians Who Care for Children and Their Parents

Medicaid is a vital source of funding for the nation's pediatricians and obstetricians/gynecologists (ob/gyns). By providing coverage to millions of parents and children, Medicaid gives them access to the doctors who ensure that children are born healthy and can grow up strong and active.

- » Nationally, Medicaid covers one in four visits to pediatricians.<sup>12</sup>
- » After private insurance, Medicaid is the second largest payer for pediatric care.<sup>13</sup>
- » Similarly, Medicaid is the single largest payer for ob/gyns nationally.<sup>14</sup>
- » In 2010, Medicaid financed nearly half of all births in the United States.<sup>15</sup>

**Medicaid is the financial foundation of the nation's long-term care system: It pays for half of all long-term care costs.**

Most ob/gyns and pediatricians who see Medicaid patients also treat patients with private insurance and patients who are uninsured. Therefore, not only does Medicaid keep children and parents with Medicaid healthy and strong, but it also helps sustain the physician practices that serve everyone, including those who have private insurance or are uninsured.

### **Changes to Medicaid Would Jeopardize Providers and Health Systems**

Most people with Medicaid do not have any other option for affordable health insurance. Without Medicaid, they would be uninsured. But uninsured people still get sick, and when they seek care (which might be at a later stage when problems are more costly to treat), they often aren't able to pay the providers who treat them.

The cost of that care, which is called uncompensated or charity care, is added to the other costs borne

by hospitals and other providers. And when uncompensated care costs put a financial strain on health care providers, providers pass a portion of those costs on to insured patients in the form of higher charges.

By providing a reliable source of payment, Medicaid helps alleviate a lot of that financial burden. And when states expand their Medicaid programs under the Affordable Care Act (ACA), hospital uncompensated care costs can be reduced even more. Data show that states that have chosen to expand their Medicaid programs under the ACA saw significant reductions in uncompensated care costs.<sup>16</sup>

Increased Medicaid coverage for more patients, and increased Medicaid revenue for providers (resulting from expansion under the ACA) reduce the amount of free and charity care hospitals must absorb each year, helping them stay financially solvent so they can care for all patients.<sup>17</sup>

Consumers rely on Medicaid coverage for access to care throughout all stages of their lives. And doctors, hospitals, and other providers rely on Medicaid's financial support to ensure that they can continue serving their patients, investing in new technologies, and improving the quality of care for all health care consumers. Medicaid supports providers and everyone who relies on the health care system.

## Endnotes

- 1 American Hospital Association, *Underpayment by Medicare and Medicaid* (Chicago, IL: American Hospital Association, November 2009).
- 2 National Association of Public Hospitals and Health Systems, *In Uncertain Times: Safety-Net Hospitals Maintain a Commitment to Serve* (Washington, DC: National Association of Public Hospitals and Health Systems, May 2012), available online at <http://essentialhospitals.org/wp-content/uploads/2013/12/NPH227.pdf>.
- 3 Obaid S. Zaman et al., *America's Safety Net Hospitals and Health Systems, 2010* (Washington, DC: National Association of Public Hospitals and Health Systems, May 2012), available online at <http://essentialhospitals.org/wp-content/uploads/2013/12/NPH214.pdf>.
- 4 Teresa Coughlin et al., *Evolving Picture of Nine Safety-Net Hospitals: Implications of the ACA and Other Strategies* (Washington, DC: Kaiser Family Foundation, April 30, 2015), available online at <http://kff.org/health-reform/issue-brief/evolving-picture-of-nine-safety-net-hospitals-implications-of-the-aca-and-other-strategies/>.
- 5 Obaid S. Zaman et al., op. cit. More than 80 percent of the association's public hospital members are teaching hospitals.
- 6 Jon Bailey, *Medicaid and Rural America* (Lyons, NE: Center for Rural Affairs, January 2013), available online at [http://www.rupri.org/Forms/HealthPanel\\_Medicaid\\_Sept2012.pdf](http://www.rupri.org/Forms/HealthPanel_Medicaid_Sept2012.pdf).
- 7 In rural areas, an average of 21 percent of the population has Medicaid coverage, compared to 16 percent in urban areas. Van Newkirk, *The Affordable Care Act and Insurance Coverage in Rural Areas* (Washington, DC: Kaiser Family Foundation, May 29, 2014), available online at <http://kff.org/uninsured/issue-brief/the-affordable-care-act-and-insurance-coverage-in-rural-areas/>.
- 8 Jon Bailey, op. cit.
- 9 Erica Reeves and Mary Beth Muscumeci, *Medicaid and Long Term Services and Supports: A Primer* (Washington, DC: Kaiser Family Foundation, May 8, 2015), available online at <http://kff.org/medicaid/report/medicaid-and-long-term-services-and-supports-a-primer/>.
- 10 SCAN Foundation, *Who Pays for Long Term Care in the U.S.?* (Long Beach, CA: SCAN Foundation, January 2013), available online at [http://www.thescanfoundation.org/sites/default/files/who\\_pays\\_for\\_ltc\\_us\\_jan\\_2013\\_fs.pdf](http://www.thescanfoundation.org/sites/default/files/who_pays_for_ltc_us_jan_2013_fs.pdf).
- 11 Erica Reeves and Mary Beth Muscumeci, op. cit.
- 12 American Academy of Pediatrics, *Profile of Pediatric Visits* (Elk Grove Village, IL: American Academy of Pediatrics, April 2010), available online at [https://www.aap.org/en-us/professional-resources/practice-support/financing-and-payment/Billing-and-Payment/Documents/Profile\\_Pediatric\\_Visits.pdf](https://www.aap.org/en-us/professional-resources/practice-support/financing-and-payment/Billing-and-Payment/Documents/Profile_Pediatric_Visits.pdf).
- 13 Ibid.
- 14 American College of Obstetricians and Gynecologists, *Health Reform Action Center: Medicaid Provisions*, available online at <http://www.acog.org/About-ACOG/ACOG-Departments/Government-Relations-and-Outreach/HCRImplementation/HRACMedicaidExpansion>, accessed on November 2, 2015.
- 15 Anne Rossier Markus et al., "Medicaid Covered Births, 2008-2010, in the Context of the Implementation of Health Reform," *Women's Health Issues* 23, no. 5 (June 28, 2013): e273–e280, available online at [http://www.whijournal.com/article/S1049-3867\(13\)00055-8/fulltext](http://www.whijournal.com/article/S1049-3867(13)00055-8/fulltext); Kaiser Family Foundation, State Health Facts, *Births Financed by Medicaid*, available online at <http://kff.org/medicaid/state-indicator/births-financed-by-medicaid/>, accessed on October 21, 2015.
- 16 Deborah Bacharach et al., *States Expanding Medicaid See Significant Budget Savings and Revenue Gains* (Princeton, NJ: Robert Wood Johnson Foundation and Manatt Health Solutions, April 2015), available online at [https://www.manatt.com/uploadedFiles/Content/5\\_Insights/White\\_Papers/Manatt\\_StateExpandMedicaid\\_4\\_9\\_15.pdf](https://www.manatt.com/uploadedFiles/Content/5_Insights/White_Papers/Manatt_StateExpandMedicaid_4_9_15.pdf).
- 17 Colorado Hospital Association, *The Impact of Medicaid Expansion on Hospital Volumes* (Greenwood Village, CO: Colorado Hospital Association, June 2014), available online at <http://www.cha.com/Documents/Press-Releases/CHA-Medicaid-Expansion-Study-June-2014.aspx>; Dee Mahan and Andrea Callow, *Expanding Medicaid Contributes to a Decline in Hospital Losses on Charity Care*, Families USA blog, July 23, 2014, available online at <http://familiesusa.org/blog/2014/07/expanding-medicare-contributes-decline-hospital-losses-charity-care>.

A selected list of relevant publications to date:

*Medicaid: Providing Vital Health Coverage to Low-Income Adults* (October 2015)

*Medicaid: An Essential Program for States and Their Residents* (September 2015)

*Medicaid: Connecting Low-Income Seniors and People with Disabilities to Health and Long-Term Care* (July 2015)

*Medicaid: Providing Enrollees with Access to Health Care* (July 2015)

This publication was written by:

**Andrea Callow**, Senior Policy Analyst,  
Families USA

**Dee Mahan**, Director of Medicaid Advocacy,  
Families USA

The following Families USA staff  
contributed to the preparation of this  
material (listed alphabetically):

Nichole Edralin, Senior Graphic Designer

Evan Potler, Art Director

Ingrid VanTuinen, Director of Editorial

A complete list of Families USA  
publications is available at:

**[www.familiesusa.org/publications](http://www.familiesusa.org/publications)**

© Families USA 2015 / 005MED010516

**FAMILIESUSA**   
THE VOICE FOR HEALTH CARE CONSUMERS

1201 New York Avenue NW, Suite 1100

Washington, DC 20005

202-628-3030

[info@familiesusa.org](mailto:info@familiesusa.org)

[www.FamiliesUSA.org](http://www.FamiliesUSA.org)

facebook / FamiliesUSA

twitter / @FamiliesUSA