

Cutting Medicaid Funding Would Hurt States and Families

Why Medicaid Funding Is Important

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, children, and people with disabilities.

More than 96% of federal Medicaid spending goes to enrollees’ medical and long-term care costs.



96%

When some members of Congress start talking about Medicaid cuts, there are several important facts to keep in mind about Medicaid. Other than the health care services that seniors, 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 the most vulnerable Americans.

When Medicaid Is Targeted for Federal Funding Cuts: 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 96 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 respond to federal cuts by reducing provider payments or cutting administrative costs. States would have to make up for lost federal funds by tapping other state revenue sources—or by cutting Medicaid services.

What Federal Medicaid Cuts Might Mean

■ Cuts in Health Care for Seniors and People with Disabilities

Nearly a quarter of all Medicaid enrollees are seniors or people with disabilities. Health care and long-term care for seniors alone make up 64 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. Medicaid also helps them pay their Medicare cost-sharing, including out-of-pocket costs such as deductibles, copayments, and co-insurance. Without the help of Medicaid, many health care consumers could not afford to see a doctor or pay for the medications they need. Federal Medicaid cuts would force states to cut health care services for millions of seniors and people with disabilities.

■ Cuts in Long-Term Care

Contrary to what many people think, Medicare *does not* cover most long-term care—Medicaid *does*. 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, and 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.

■ Cuts in Children's Health Care

Half of all Medicaid enrollees are children, and Medicaid has a proven record of significantly improving their health.⁷ 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.⁸ Federal Medicaid cuts would put health care for millions of American children at risk.

■ A Greater Financial Burden on American Families

Medicaid helps relieve the burden that long-term care costs place on families that have a child, parent, or grandparent who needs that type of care. Federal Medicaid cuts would mean that more long-term care costs would fall on seniors, people with disabilities, and their families.

■ A Weakened Health Care Infrastructure

Medicaid helps hospitals stay in business, accounting for about 17 percent of hospital spending.⁹ It is a vital source of funding particularly for safety net hospitals. In many communities, those hospitals are crucial sites for trauma care and training for medical students.¹⁰ Cutting Medicaid would force states to reduce hospital payments, which would strain our health care system and make it less able to serve all of us.

Medicaid's Structure Should Not Be Changed

- **Medicaid's Structure Allows States to Decide How to Respond in Times of Crisis**

The federal government matches each state's Medicaid spending using a state-specific formula. Under that formula, federal payments cover at least half of program costs, often more.¹¹ Linking federal spending to state costs means that states can count on increased federal support—and respond 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 Enrollees**

Making changes to 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, people with disabilities, and children.

The Bottom Line: Medicaid Works

- **People with Medicaid Like Their Health Care**

People covered through Medicaid are very satisfied with their care. They have higher levels of satisfaction than people with private insurance and are able to get care when they need it.¹²

- **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 in enrollees' financial well-being and mental health, lower mortality rates, and better reported health status.^{13, 14}

Medicaid works.

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

Endnotes

- ¹ Kaiser Family Foundation, State Health Facts, *Medicaid Managed Care Enrollees as a Percent of State Medicaid Enrollees*, data for 2011 available online at <http://kff.org/medicaid/state-indicator/medicaid-managed-care-as-a-of-medicaid/>, accessed on September 12, 2013.
- ² In 2010, administrative costs accounted for only 3.8 percent of all federal Medicaid spending. Robert Greenstein et al., *Romney's Charge That Most Federal Low-Income Spending Goes for "Overhead" and "Bureaucrats" Is False* (Washington: Center on Budget and Policy Priorities, January 23, 2012), available online at <http://www.cbpp.org/files/1-12-12bud.pdf>.
- ³ Congressional Budget Office, *Long-Term Analysis of a Budget Proposal by Chairman Ryan* (Washington: CBO, April 5, 2011), available online at http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/121xx/doc12128/04-05-ryan_letter.pdf.
- ⁴ Kaiser Family Foundation, State Health Facts, *Distribution of Medicaid Payments by Enrollment Group, FY 2010*, available online at <http://kff.org/medicaid/state-indicator/payments-by-enrollment-group/>, accessed on September 8, 2013.
- ⁵ Kaiser Family Foundation, State Health Facts, *Distribution of Medicaid Enrollees by Enrollment Group, FY 2010*, available online at <http://kff.org/medicaid/state-indicator/distribution-by-enrollment-group/#>, accessed on September 8, 2013.
- ⁶ Kaiser Family Foundation, State Health Facts, *Distribution of Medicaid Spending by Service*, data for 2011, available online on at <http://kff.org/medicaid/state-indicator/spending-by-service/>, accessed on September 8, 2013.
- ⁷ Kaiser Family Foundation, State Health Facts, *Distribution of Medicaid Enrollees by Enrollment Group, FY 2010*, op. cit.
- ⁸ Approximately 90 percent of children who are covered by Medicaid have a regular source of care, compared to 89 percent of privately insurance children and just 48 percent of uninsured children. Leighton Ku et al., *Medicaid Works: A Review of How Public Insurance Protects the Health and Finances of Children and Other Vulnerable Populations* (Washington: First Focus, June 2011), available online at <http://www.firstfocus.net/sites/default/files/MedicaidWorks.pdf>.
- ⁹ Department of Health and Human Services, *Medicaid Cost Savings Opportunities* (Washington: Department of Health and Human Services, February 3, 2011), available online at http://www.hhs.gov/news/press/2011pres/02/20110203tech.html#_edn2.
- ¹⁰ Obaid Zaman et al., *America's Safety Net Hospitals and Health Systems 2010: Results of the Annual NAPH Hospital Characteristics Survey* (Washington: National Association of Public Hospitals and Health Systems, May 2012), available online at <http://www.naph.org/Main-Menu-Category/Publications/Safety-Net-Financing/2010-NAPH-Characteristics-Report.aspx?FT=pdf>.
- ¹¹ Federal matching levels in the traditional Medicaid program vary by state. The federal government pays no less than 50 percent of program costs, and in the state with the highest matching rate, 73.4 percent of costs. In states that take up the Medicaid expansion, the federal matching rate for the newly covered expansion population will be much higher.
- ¹² Department of Health and Human Services, Agency for Healthcare Research and Quality, *2011 Consumer Assessment of Healthcare Providers and Systems Survey Chartbook, "Overall Rating of Health Plans"* (Washington: HHS, report generated May 2, 2012). Based on 2011 reported satisfaction data for adults with Medicaid and adults with private commercial insurance, 54 percent of respondents with Medicaid rated their care at 9 or 10 on a 10-point scale, with 10 being the highest. Only 29 percent of adults with commercial insurance rated their coverage as highly. Approximately 81 percent of respondents with Medicaid said they "usually" or "always" got the care they needed quickly.
- ¹³ Separate letters to the editor from Ross Boylan and Joel Hay, *New England Journal of Medicine*, 369: 581-583, published on August 8, 2013, in response to the article, "Effects of Medicaid on Clinical Outcomes." The correspondence is available online at <http://www.nejm.org/doi/full/10.1056/NEJMc1306867?query=TOC>.
- ¹⁴ Benjamin Sommers et al., "Mortality and Access to Care among Adults after State Medicaid Expansions," *New England Journal of Medicine*, July 25, 2012, available online at <http://www.nejm.org/doi/pdf/10.1056/NEJMsa1202099>. The authors compared several years of data from states that had voluntarily expanded Medicaid coverage to adults (who are generally not covered by the program) with data from neighboring states that did not expand Medicaid. In states that had expanded Medicaid, the authors found significant reductions in (adjusted) all-causes of mortality, decreased rates of delayed care due to costs, and improved self-reported health status.

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This publication was written by:

Dee Mahan, Director of Medicaid Advocacy

1201 New York Avenue NW, Suite 1100
Washington, DC 20005

The following Families USA staff contributed to the preparation of this publication:

Shannon Donahue, Government Affairs Associate
Ingrid VanTuinen, Deputy Director, Publications
Carla Uriona, Director of Publications
Nancy Magill, Senior Graphic Designer

202-628-3030 • info@familiesusa.org
www.FamiliesUSA.org

www.facebook.com/FamiliesUSA
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