

Medicaid In the Balance

Medicaid has served as an invaluable safety-net program to provide health care services to low-income people since its inception in 1965. Because of its status as a shared entitlement program, meaning that it is supported by both federal and state funding streams, it is also one of the most complex issues within state budgets.

Medicaid spending remains the largest spending item in most state budgets, but the program is also responsible for drawing down more federal funding to states than all other federal grant programs combined. This is due to the federal match (FMAP), which means that for each dollar of state funds a state spends on Medicaid services, it receives a given number of federal dollars for these services. This match is based on a formula largely determined by per capita income and varies by state.

The program's value as a safety-net program is more important than ever, particularly in our current economic crisis. Medicaid now provides health care coverage for more than 61 million individuals, at least seven million of whom have been added to the rolls because of the recent economic downturn. And Medicaid will constitute the bedrock of coverage expansion for the uninsured through the Affordable Care Act, health reform law. Beginning in 2014, all individuals with incomes up to 133% of poverty will be eligible for coverage through the program. And unlike spending on most Medicaid populations, this new expansion group will be fully funded by the federal government for the first several years, with states only beginning to pay approximately ten percent of the costs after 2019.

Having access to health coverage through Medicaid can actually keep individuals healthier and help control their health costs, as indicated by a new study. In 2008, the State of Oregon held a lottery to enroll a limited number of uninsured, childless adults in Medicaid. Those who won the lottery and received services through Medicaid were then surveyed over the next year compared to those in the original pool who did not win the lottery and remained uninsured. The results showed conclusively for the first time that Medicaid beneficiaries use more primary and preventive health care services than do the uninsured, have fewer out of pocket medical expenditures and less medical debt than the uninsured, and report overall better physical and mental health than the uninsured.

There are huge variances in Medicaid spending across states, due to both the volume of services and price. Per capita spending in the ten highest-spending states was \$1,165 above the average national per capita spending rate. In contrast, spending in the ten lowest-spending states was \$1,161 below the national average. The most expensive region for Medicaid spending remains the mid-Atlantic, with the South Central region achieving the distinction of least expensive. Such variations make it difficult to create coherent national policy regarding the efficiency of care within the program.

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The Affordable Care Act contains many promising components to help transform our nation's health delivery system, and most of these will start within public programs such as Medicaid. The law includes payment reforms which will link quality measures (such as reducing hospital readmissions and other preventable complications) to reimbursement rates within both Medicaid and Medicare. These new payment reforms have the potential to help improve individual health outcomes and control costs.

As an entitlement program, Medicaid continues to be a frequent target of Republican law-makers regarding federal deficit reduction. Though Medicaid was officially excluded from the spending cut "trigger" which was the centerpiece of the recent debt reduction agreement, future program spending could be jeopardized by the decisions of the bipartisan commission which will be charged with meeting deficit reduction goals. AFSCME will take an active role in helping shape debate around the future of the Medicaid program.