

## The Issue

The Medicaid program is the largest single source of health care coverage in the United States, covering nearly half of all children, over 40% of births (including nearly 50% of births in rural communities), many low-income elderly and disabled individuals, and working adults in low-wage jobs that do not offer affordable coverage. Congress is currently considering policy options that could collectively reduce federal spending for the Medicaid program by trillions of dollars over the next 10 years. These options include proposals to directly reduce federal spending on the program and limit states' ability to generate funding for the state share of the costs.

## AHA Take

Even a small portion of the proposed reductions could have wide-ranging negative consequences for the health and well-being of both Medicaid enrollees and the broader health care system. **AHA urges Congress to reject reductions to the Medicaid program that would not only strip access to health care from some of the most vulnerable populations but also destabilize hospitals and health systems, leading to a loss of services that would impact patients and communities nationwide.**

## Why?

- Medicaid provides critical health coverage to a wide variety of people in every community across the nation. This coverage helps ensure patients can receive the medical services needed to live healthier and more productive lives.
- Medicaid covers over 40% of births in the U.S., including nearly 50% of births in rural communities.<sup>1</sup> It is also a vital source of prenatal and postpartum care for women across the country.
- State Medicaid programs pay hospitals less than the cost hospitals incur to provide care to Medicaid patients. In 2023, the difference between Medicaid payments and costs, known as “Medicaid shortfall,” was \$27.5 billion.<sup>2</sup>
- Medicaid is an important source of support for the health care system. The impact of cuts to Medicaid would not be limited to just Medicaid beneficiaries. It would stress the availability of health care services for everyone. Today, hospitals that serve disproportionately high rates of Medicaid and other public-payer patients routinely operate with negative margins and are often forced to terminate service lines or close entirely. Reductions in federal support for Medicaid would exacerbate these pressures, which could strip essential health care services for an entire community.
- Medicaid is one of the most cost-efficient forms of coverage. It has lower total and per capita costs than all other major health programs, including Medicare and private health insurance.
- Most of the spending on Medicaid is for disabled and elderly individuals. States could not absorb the magnitude of the proposed cuts by solely reducing enrollment or services for working-age adults — the disabled and elderly populations would also be negatively impacted.

## Background

Medicaid is a joint federal-state program that covers primary and acute care services, as well as long-term care services and supports, for low-income populations, including children and their families, seniors, disabled individuals and adults, many of whom work. Medicaid provides health care coverage to one in five Americans — more than 70 million people — including 40% of all children and 60% of all nursing home residents.<sup>3</sup>

The federal and state governments jointly finance Medicaid. The federal government sets the basic framework for covering certain mandatory populations and benefits, as well as regulates the delivery of health care services and reimbursement. The federal government also pays a share of states' Medicaid expenses based on the state's federal medical assistance percentage (FMAP), which varies from a federal floor of 50% up to 76% depending on a state's per capita income relative to the national average. States, in turn, have latitude in the design and administration of their programs. In addition, states can use waiver and demonstration authorities approved by the Centers for Medicare & Medicaid Services (CMS) to test opportunities for innovation by operating their Medicaid programs outside of certain federal rules.

## Who Is Covered Through Medicaid

The federal government sets the minimum eligibility standards, and states may expand eligibility within federal limits. Medicaid eligibility is generally determined based on an individual's age, health condition and income level (including, in some cases, an asset test). Approximately 42% of Medicaid beneficiaries are adults, 36% are children, 10% are disabled, and 10% are age 65 or older.<sup>4</sup> Individuals who are eligible based on disability or age make up a small share of beneficiaries overall but account for over half of all Medicaid spending.

## Selected Examples of Mandatory and Optional Medicaid Eligibility Categories

States are required to cover certain populations, while others are classified as optional. Despite being eligible for coverage at state option, many of these populations are among the most vulnerable. Yet, when states face budget shortfalls, they often look to optional groups for benefit reductions.

Mandatory	Optional
» Children through age 18 in families with incomes at or below 133% Federal Poverty Level (FPL)	» Infants in families with incomes above 185% FPL » Children receiving certain state adoption assistance
» Pregnant women with incomes at or below 133% FPL	» Pregnant women between 133-185% FPL
» Certain parents or caretakers with very low incomes	» Adults (parents or childless) with incomes at or below 133% FPL
» Most seniors and people with disabilities who receive cash assistance through Supplemental Security Income	» Seniors with incomes above 135% FPL » Nursing home residents with incomes above 200% FPL » Home and Community Based Services Waiver Enrollees

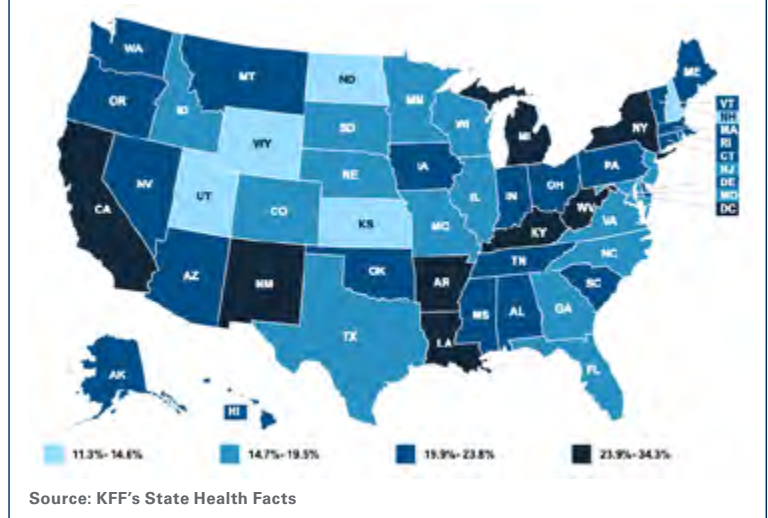
**Note:** FPL is defined as \$15,060 for an individual in 2024.

## Selected Examples of Mandatory and Optional Medicaid Eligibility Categories

(continued)

Medicaid covers millions of people across the U.S., reaching individuals in all regions, from rural communities to urban centers. In addition to children, pregnant women, and low-income elderly and disabled individuals, Medicaid covers working adults in low-wage jobs. This opportunity for health care coverage provides a valuable resource for businesses that employ low-wage workers.

Health Insurance Coverage of the Total Population: Medicaid, 2023



### What Services Medicaid Covers

States are required to provide coverage for certain benefits and have the option of covering additional services. This results in significant variation across states in terms of what care Medicaid covers. In addition, Medicaid is statutorily prohibited from paying for services in an institute for mental disease for adults aged 21 through 64, and federal law prohibits the use of federal funds to pay for abortion services.

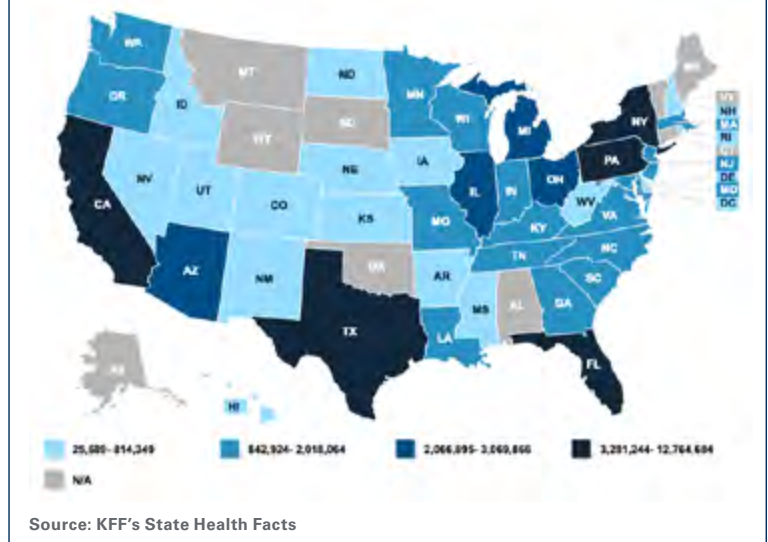
Mandatory	Optional
» Inpatient hospital services	» Prescription drug coverage
» Outpatient hospital services	» Dental services
» Physician services	» Physical and occupational therapy
» Lab and x-ray services	» Speech and hearing services
» Rural and federally qualified health clinic services	» Eyeglasses
» Nurse midwife services	» Prosthetics
» Nursing facility services	» Clinic services
» Home health care services for people qualified for nursing facility services	» Hospice
» Smoking cessation services for pregnant women	» Inpatient psychiatric services for people under 21 years old
» Free-standing birth center services	-
» Family planning services	-

## Payment

States have broad authority to design reimbursement methods for providers, subject to federal approval. State Medicaid agencies pay providers for services and may make additional supplemental payments. Medicaid payment rates are low relative to other payers.

Many states choose to provide Medicaid coverage by contracting with private Medicaid managed care organizations (MCOs). Medicaid MCOs are often paid on a capitated basis, and states must submit capitation payment rates annually for federal approval. About 74% of Medicaid beneficiaries are enrolled in Medicaid managed care.

**Total Medicaid MCO Enrollment: Comprehensive Risk-Based Managed Care Enrollees, 2022**



- 1 AHA analysis of Centers for Disease Control and Prevention (CDC), National Center for Health Statistics (NCHS), National Vital Statistics System (NVSS), Natality data on the CDC WONDER Online Database (2023).
- 2 AHA analysis.
- 3 [www.aha.org/medicaid](http://www.aha.org/medicaid)
- 4 <https://www.macpac.gov/publication/medicaid-enrollment-by-state-eligibility-group-and-dually-eligible-status/>