



## Fact Sheet: Medicaid and People with Disabilities

### What is Medicaid?

Medicaid is a public insurance program that provides coverage to more individuals than other health insurance program: 20%<sup>i</sup> of the population of the United States (this varies widely from state to state). Medicaid represents \$1 out of every \$6 spent on health care in the US<sup>ii</sup>.

### What does Medicaid pay for?

As a health insurance program, Medicaid pays for a variety of traditional health care services (preventive care, emergency care, hospitalization, prescription drugs, medical equipment, etc.). In addition, Medicaid can also fund a variety of long-term services and supports, including employment-related supports for individuals with disabilities.

### Are their federal requirements for coverage of individuals and services?

The federal government requires that states cover certain individuals and pay for certain services under Medicaid. Under federal rules, states also have the option to provide coverage to additional individuals and pay for additional services. All states provide some level of optional Medicaid services.

### How is Medicaid financed?

Medicaid is a federal-state partnership. If a state participates in Medicaid (and all states do), the federal government will pay at least \$1 for every dollar that a state pays for Medicaid funded services. This FMAP figure varies, based on the state's poverty rate; the federal government pays 75% of Medicaid cost in the poorest states.<sup>iii</sup> In addition, for certain populations, coverage, and services, the state match requirements are less than the standard FMAP figure.

### Do states have a wide degree of flexibility in terms of how Medicaid operates?

Yes. While they need to comply with core federal requirements, states have broad discretion regarding how they operate their Medicaid programs, in terms of individuals and services covered. Under various initiatives, states also have the opportunity and flexibility to make changes in Medicaid to make it more effective and efficient, and as a result, states have developed numerous innovations. Medicaid should not be thought of as a monolithic federal program, but instead as 51 individual state health insurance programs that the federal government supports.

### Why is Medicaid called an "entitlement"?

An entitlement means that if an individual qualifies for a benefit, the government is required to provide it; the availability of the benefit is not limited by a budget allocation (i.e., Congress does not cap the amount of Medicaid funds available). If an individual qualifies for Medicaid in their state, they have the right to enroll, and Medicaid is required to pay for any service approved in that state per the state's Medicaid rate structure. As a federal entitlement, states have guaranteed federal financial support for a major portion of their Medicaid programs.



### **How are costs controlled under Medicaid?**

Medicaid costs are controlled via several mechanisms.

1. The federal government has a series of rules and regulations regarding who may qualify for Medicaid, and what services Medicaid can and cannot pay for.
2. States control costs in many ways:
  - States have a high degree of discretion regarding provision of optional services beyond the core federal requirements. States can control costs by deciding which optional populations to serve and optional services to provide.
  - Each state determines its own rate structure for services (based on federal regulations and rules). Medicaid payment rates are generally below those of private insurance.
3. Medicaid is a “payer of last resort” (i.e., all other options for payment of the service must be used prior to Medicaid), which also helps to control costs.

### **Is Medicaid cost efficient?**

Yes. Studies have shown that Medicaid provides beneficiaries with access to health care that is comparable to but less costly than what they would receive through employer-sponsored insurance. Medicaid has lower administrative costs and lower payment rates to providers and thus costs substantially less than private insurance to cover individuals with similar health needs. Costs per individuals have also grown more slowly over the past decade as compared to employer-sponsored insurance.<sup>iv</sup> Looking to the future, Medicaid is also expected to grow no more rapidly over the next several years than spending per individual for people with private insurance.<sup>v</sup>

### **How many individuals with disabilities are covered under Medicaid?**

Based on the most recently available data, in 2015 of the 68 million individuals who received Medicaid coverage, ten million qualified for Medicaid because of a disability. While only 15% of individuals with Medicaid have a disability, 42% of Medicaid funding pays for care for individuals with disabilities<sup>vi</sup>, demonstrating the high degree of need by people with disabilities for Medicaid funded services.

### **How are individuals with disabilities eligible for Medicaid?**

Under federal rules, in most states, individuals on Supplemental Security Income (SSI) from Social Security are automatically eligible for Medicaid. However, 10 states use more restrictive criteria for Medicaid eligibility under section 209(b), and therefore not every individual on SSI in those states is Medicaid eligible. There are also additional ways that individuals with disabilities may qualify for Medicaid. This includes the “Medically Needy” option available in numerous states. Also, in the 44 states with a Medicaid buy-in program, individuals with disabilities can purchase Medicaid if their employment earnings or level of assets otherwise disqualify them for Medicaid.<sup>vii</sup>

### **Why is Medicaid important for people with disabilities?**

Numerous studies have shown that Medicaid has made millions of Americans (including individuals with disabilities) healthier by improving access to preventive and primary health care, and providing



care for serious diseases, illnesses, and injuries.<sup>viii</sup> In addition, Medicaid is important specifically for people with disabilities for several reasons:

- Individuals with disabilities have limited access to private insurance.
- Medicaid covers a full scope of services that individuals with disabilities often need, and are not covered by private insurance or Medicare, even when private insurance or Medicare is available.
- Private insurance and Medicare do not provide the same level of financial protection as Medicaid.
- Many people with disabilities need long-term services and supports. Medicaid is the only source of funding for these long-term services.

### **What are Medicaid Home and Community-Based Services?**

Home and community-based services (HCBS) provide opportunities for Medicaid beneficiaries to receive services in their own home or community rather than institutions or other isolated settings. These programs serve a variety of targeted populations groups, such as people with intellectual or developmental disabilities, physical disabilities, and/or mental illnesses.

### **What is the relationship between Medicare and Medicaid?**

Medicare is the federally funded health insurance program for people over 65 and some people with disabilities. Unlike Medicaid, Medicare is not limited to those with lower incomes and limited assets. Individuals with disabilities can be covered under both Medicare and Medicaid, and approximately 40% (4 million individuals) with disabilities on Medicaid are on Medicare – i.e., “dual eligibles”.<sup>ix</sup> As the payer of last resort, Medicaid only pays for services not covered under Medicare.

### Resources:

- **Congressional Budget Office – Medicaid and CHIP** - <https://www.cbo.gov/topics/health-care/medicaid-and-chip>
- **CMS Medicaid Website** - <https://www.medicaid.gov/medicaid/index.html>
- **CMS Medicaid Information on Home and Community-Based Services** - <https://www.medicaid.gov/medicaid/hcbs/>
- **Medicaid and CHIP Payment and Access Commission** (*a non-partisan legislative branch agency that provides policy and data analysis and makes recommendations to Congress, the Secretary of the U.S. Department of Health and Human Services, and the states on a wide array of issues affecting Medicaid and the State Children’s Health Insurance Program*) - <https://www.macpac.gov>
- **The Henry J. Kaiser Family Foundation** (*a non-partisan source of facts, analysis and journalism, focusing on national health issues*) - <http://kff.org>



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- <sup>i</sup> *Health Insurance of the Total Population* - The Henry J. Kaiser Family Foundation – <http://kff.org/other/state-indicator/total-population/?currentTimeframe=0>
- <sup>ii</sup> Laura Snyder, Robin Rudowitz, *Medicaid Financing: How Does it Work and What are the Implications?* – The Henry J. Kaiser Family Foundation, May 20, 2015– <http://kff.org/medicaid/issue-brief/medicaid-financing-how-does-it-work-and-what-are-the-implications>
- <sup>iii</sup> The FMAP Rates for all states are available from The Henry J. Kaiser Family Foundation at: <http://kff.org/medicaid/state-indicator/federal-matching-rate-and-multiplier/?currentTimeframe=0>
- <sup>iv</sup> Lisa Clemans-Cope, et. al., *Medicaid Spending Growth Compared to Other Payers: A Look at the Evidence* - The Henry J. Kaiser Family Foundation, April 13, 2016 – <http://kff.org/report-section/medicaid-spending-growth-compared-to-other-payers-issue-brief>
- <sup>v</sup> *June 2016 Report to Congress on Medicaid and CHIP - Trends in Medicaid Spending* – Medicaid and CHIP Payment and Access Commission, June 2016 - <https://www.macpac.gov/wp-content/uploads/2016/06/Trends-in-Medicaid-Spending.pdf>
- <sup>vi</sup> Julia Paradise, *Medicaid Moving Forward* – The Henry J. Kaiser Family Foundation, March 9, 2015 - <http://kff.org/health-reform/issue-brief/medicaid-moving-forward>
- <sup>vii</sup> Molly O'Malley Watts, *Medicaid Financial Eligibility for Seniors and People with Disabilities in 2015* - The Henry J. Kaiser Family Foundation, March 1, 2016 – <http://kff.org/medicaid/report/medicaid-financial-eligibility-for-seniors-and-people-with-disabilities-in-2015>
- <sup>viii</sup> Edwin Park, et. al., *Frequently Asked Questions about Medicaid*, Center on Budget and Policy Priorities, August 10, 2016 - <http://www.cbpp.org/research/health/frequently-asked-questions-about-medicaid>
- <sup>ix</sup> Julie Paradise, et. al., *Medicaid at 50* - The Henry J. Kaiser Family Foundation, May 2015 - <http://kff.org/medicaid/report/medicaid-at-50>