

Medicaid: THE FACTS

February 2007

Medicaid is a Health Care Program, not a Welfare Program

- During FY2006, there were 1,475,700 people on a monthly basis who relied on the Medicaid program for their health care coverage; 1 in 7 citizens.
- Over 1.0 million needed only health care services; they received no cash benefits from the State.
- Declines in employer-sponsored insurance impact low-income workers and their families disproportionately, leading to higher Medicaid caseloads and more uninsured individuals and families.
- Without accessible, available, affordable coverage, many low-income workers have no

- other option than to apply for Medicaid when a medical condition demands treatment.
- Lack of health care coverage discourages many uninsured/underinsured from seeking treatment.
- Retiree health care coverage is also declining as companies attempt to reduce "legacy" costs to become more competitive.

The increase in the population over the 10 year period 1995—2005, is only slightly larger than the combined increase in the uninsured and those eligible for Medicaid (see table below).

Comparison of Population, Number of Uninsured, Number Eligible for Medicaid, and Percentage of Employers Offering Health Care Coverage 1995–2005

	Michigan Population	Uninsured	Percent of Population Uninsured	Medicaid Eligible	Percent of Population Medicaid Eligible	Percent of Employers Offering Healthcare Coverage
1995	9,543,462	772,000	8.1%	1,178,900	12.4%	74.4%
2000	9,956,111	1,004,000	10.1%	1,066,100	10.7%	69.0%
2005	10,120,860	1,118,050	11.0%	1,430,100	14.0%	60.0%

Notes: The 2005 population is estimated. The number of uninsured reflected in 2005 is actually 2004 uninsured. Source of employer coverage for 2000 and 2005 is Kaiser Commission on Medicaid and the Uninsured report, October 2006.

Medicaid Copayments

Medicaid copayments apply to persons age 21 and older with the exception of: Medicare/Medicaid dual eligibles, services provided to pregnant women, family planning services, nursing facility residents, mental health services provided by Prepaid Inpatient Health Plans, state psychiatric hospitals, state Developmental Disabilities Center, or the Center for Forensic Psychiatry. Some argue that without financial consequences, Medicaid recipients may use medical care when it is not necessary. Copayments provide a perceived economic commitment in care, or what is called "skin in the game." Research, according to the Kaiser Commission on Medicaid and the Uninsured, "has not substantiated concerns that low or no costsharing might lead to overutilization."

Current Medicaid Copayments

Dental Services – \$3

Physician Visits – \$2

Podiatric Services – \$2

Hearing Aid Services – \$3

Chiropractic Services – \$1

First Day of Inpatient Hospital Stay – \$50

Vision Services – \$2

Outpatient Hospital Visit – \$1

Hospital Emergency Room Visit – \$3, with \$3

increase included in FY2007 budget

Pharmaceutical Services – \$1 generic, \$3 brand name drugs

In 2002, national figures indicated that non-disabled, non-elderly Medicaid recipients spent an average of 2.4 percent of their incomes on out-of-pocket medical costs, while those with private insurance and higher incomes spent 0.7 percent of their incomes on out-of-pocket expenses. The poor already spend 3 times more on health care costs than privately insured persons, even before increases required by the FY2006 or FY2007 budgets.

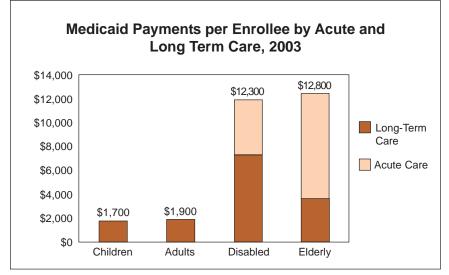
Aging Population Pressures

- Nearly sixty-six percent of nursing home residents are covered by Medicaid.
- Persons over the age of 85 are the most likely to need nursing home care.
- People over the age of 85 are the fastest growing segment of the population.
- The first wave of "Baby Boomers" will reach age 65 in 2011.

■ Health Care is in Crisis, not just Medicaid

The health care crisis has been identified as a critical issue facing everyone, not just state Medicaid programs.

- Industry, including General Motors and others, has identified health care as a major issue impeding competitiveness.
- Due to cost, many employers are reducing or terminating coverage or shifting cost to employees. The percentage of companies offering health care coverage has declined from 69 percent in 2000 to 60 percent in 2005.



Source: Kaiser Commission on Medicaid and the Uninsured and the Urban Institute

- In Michigan, more than 80 percent of the uninsured households have at least one adult who is employed; of those employed, 73 percent work at least 40 hours per week at one or more jobs.
- The average premium cost in Michigan for family coverage in 2004 was \$9,763—nearly equivalent to the salary for a low-wage job.
- Costs are shifted to businesses that provide accessible, affordable coverage by those companies that do not.
- The number and capacity of health care providers, at all levels, are projected to be inadequate as the "baby boom" population begins retiring and needing more care.
- The status quo cannot continue—the number of uninsured persons continues to increase, and significant increases are projected through 2010.

- Medicaid experiences cost shifts (higher enrollment) by low-wage employers who cannot or will not provide accessible, affordable care for their employees.
- Medicaid pays for a disproportionate share of long term care costs due to the absence of a comprehensive benefit under Medicare.
- Medicaid experiences cost shifts by the federal government—states must finance 90 percent of the cost of the Medicare Part D program for those eligible for Medicaid and Medicare; policies included in the FY2006 and FY2007 federal budgets will reduce federal cost sharing.
 - Healthcare issues are among the top priorities for the 110th Congress, the President, the National Conference of State Legislatures, and numerous Governors, including Michigan's.



Medicaid: A PERSPECTIVE

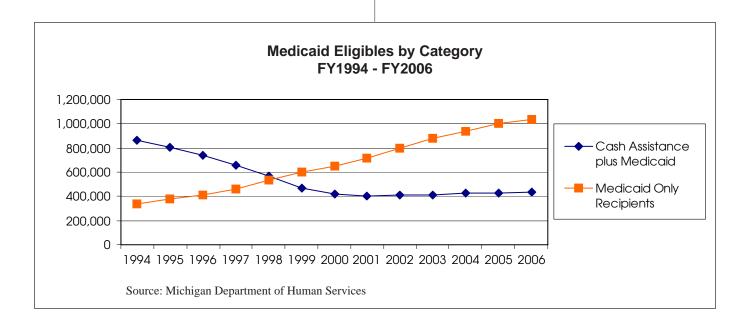
February 2007

t a time when the Medicaid program is under attack by the current Administration in Washington, it is important to recognize the critical importance of this program to the State of Michigan—its citizens, its families, its businesses, its economy. A well-designed and adequately funded Medicaid program benefits everyone in the state, including employers.

There are few programs that serve individuals from birth to death and every step of the way, as does Medicaid. The program provides needed health care services to pregnant women and their newborn infants, and pays for more than one-third of deliveries in this state. Medicaid provides critical services to the elderly, including long term care services in a nursing home, paying for about half of nursing home services, or paying for services that allow elderly or disabled persons to remain in their communities.

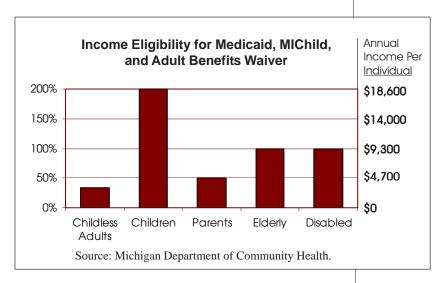
In spite of the "PAC MAN" descriptor, Medicaid provides critical health care benefits to millions of people who are eligible, just as the Unemployment Insurance program serves those who are eligible. In addition, Medicaid plays a similar role to Unemployment Insurance, providing economic stability and fiscal stimulus during economic downturns. During the last several years of overall job loss in Michigan, health care services is the only major industry to experience sustained growth, which contributes to the Michigan economy.

The following chart displays the evolution of the Medicaid program from the health care companion of the cash assistance programs to the health care program for low-income families, disabled persons, and elderly persons who only need health care coverage. From 2000 – 2005, the percentage of employers offering health care coverage has declined by nine



percentage points (Kaiser Commission on Medicaid and the Uninsured, October 2006). Over the last four years, 90 percent of the Medicaid caseload growth has been low-income families.

Michigan's Medicaid program currently serves low-income families, low-income pregnant women, persons with disabilities, and the elderly who do not have private insurance or have inadequate insurance to meet their health care needs. The program provides the opportunity for low-income working families to secure health care coverage if it is not available or affordable through their employers. Medicaid provides a range of benefits that not only supplements Medicare benefits, but allows the elderly and the disabled to



receive needed care in the settings of their choice, ranging from their homes to their communities to institutional settings. While the benefits available to Medicaid recipients are sometimes more comprehensive than private coverage available to those with lowwage jobs, Medicaid benefits reflect the high needs and poorer health status of the population the program serves.

To qualify for Medicaid eligibility, one must be part of a federally defined category as well as have very low income. The above chart depicts the income eligibility requirements for Medicaid, MIChild, and the Adult Benefits Waiver (covering childless adults).

Medicaid currently provides health care to 1 in 7 Michigan residents, more than 1.5 million people, and likely touches nearly every person in the state—a beneficiary, a family member, a relative, a friend, a neighbor, an acquaintance. With the recently announced job cuts in the automotive industry, Medicaid could become the health care safety net for some of those families as well.

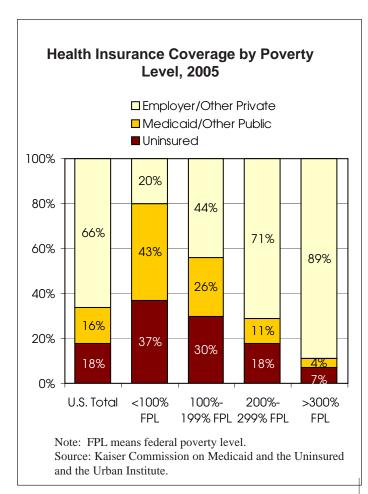
Some argue that Medicaid is a drain to the state coffers and needs to be reigned in. Health care needs, however, are not based on state or federal budgets, and do not diminish or simply go away during tough budget times. Reductions in Medicaid coverage or eligibility likely translate to more uncompensated care and care that is provided in the most expensive setting (e.g., hospital emergency room).

A closer look also reveals the economic importance of this program to the state not only in terms of the return of federal dollars to the State, but also because the health care industry is the largest employer in the state, and retaining jobs is currently a key focus of state policymakers. As mentioned above, health services is the only major industry to sustain growth during the current economic downturn. The Medicaid program is a partnership between the state and federal governments and provides the largest return of federal dollars to the state. The federal government pays about \$.56 of every Medicaid

health care dollar spent; the State must contribute the other \$.44. In Michigan, 12 of every 100 jobs, about 658,000, are directly or indirectly related to health care. In many Michigan communities, health care is the largest employer.

For many low-wage workers and their families, Medicaid is the answer to not being able to afford employer-based coverage or not qualifying for it. The chart on the following page displays, on a national basis, the small percentage of low-income workers that are covered by employer-sponsored or other private health insurance.

In Michigan, the rate of uninsurance is highest at income levels between \$10,000 and \$15,000, at 25.5



percent. At lower income levels, individuals and families may qualify for Medicaid, but at this income level, they would likely not qualify for Medicaid, but have inadequate income to purchase coverage through an employer, or from the private market.

It is critical that business recognize the importance and benefit of the Medicaid program. In a report issued in June 2005, Families USA, a Washington based health care consumer organization, estimates that \$274/individual, and \$730/family is added to private employer premiums to cover the cost of the uninsured (Paying a Premium, The Added Cost of Care for the Uninsured, June 2005). In addition to mitigating the number of uninsured, Medicaid also helps to maintain a healthy workforce. Workers without health care coverage are in poorer health and experience higher absenteeism, deliver lower productivity and result in higher costs for the employer (Urban Institute Study for the Blue Cross Blue Shield of Massachusetts Foundation, November 2004). The Medicaid program also provides coverage to persons with disabilities,

often in addition to limited private coverage, that allows the individual to remain in the community and perhaps in the work-force. An adequately funded Medicaid program, with sufficient reimbursement rates, is of great financial importance to business. Adequate Medicaid reimbursement rates avoid revenue gaps that result from below-cost Medicaid reimbursements which are often shifted to employer-sponsored health insurance premiums.

The cost of health care is increasing each year to the point that many employers are reducing or eliminating coverage, or shifting much of the cost increase to the employees. Some employers do not offer health insurance at all to their employees, while others who do, do not provide accessible, affordable, available coverage. And so the cycle begins. Low-income families who cannot afford the premiums or do not qualify for employer-sponsored coverage must either apply for Medicaid or be uninsured. As indicated above, over the last four years, 90 percent of the Medicaid caseload growth has been low-income families. This is readily understandable when one considers the following: since 2000, premiums for family coverage have increased 73 percent, compared with inflation growth of 14 percent, and wage growth of 15 percent (Kaiser Family Foundation, Employer Health Benefits for 2005). Thousands of families have been priced out of the private market and forced into public programs. The future appears even more bleak. In the report Declining Job-Based Health Coverage in the United States and California, the authors project that nationally 76 percent of the newly uninsured from 2004 to 2010 will be low to middle income groups (100 – 400 percent of the federal poverty level), and that by 2010, the uninsured will increase by 7.7 million and enrollment in public programs will increase by 5.6 million.

The situation is further compounded by the fact that some particularly large and profitable companies choose not to invest in health care for their employees shifting costs to the public system and to other businesses that do provide affordable, available, accessible benefits to their employees. This in turn adds pressure to the public system as caseloads increase. Resulting cost increases are mitigated by reducing provider reimbursement rates. Reduced provider reimbursement through public programs leads providers to increase the rates charged to private paying businesses

which results in less accessible health care at a higher cost for all.

Is there a need for change and reform? Absolutely. The status quo, from nearly everyone's perspective, is unacceptable and untenable. The country is in a health care crisis and Medicaid is only one component of the problem. The nation's health care crisis has been identified as a critical issue by industry (*Health Care 101*, by General Motors), by health care providers (The Partnership for Michigan's Health and the Michigan State Medical Society), by Legislators (NCSL Reform Initiatives), by Governors (NGA Reform Initiatives), and by Advocacy Groups (*President Bush's State of the Union and the Health Care Crisis*, Families USA).

Health care issues are now in the spotlight at all levels of government. At the federal level, health care issues have assumed a high priority for the new Congress and the President. The National Council of State Legislatures has announced its top 10 policy issues forecast for 2007. Two of the top ten issues are healthcare related.

At the state level, the Governor continues to work with the Department of Health and Human Services Secretary, Michael Leavitt, to secure federal approval for her proposed Michigan First Healthcare Plan. This plan would expand health care coverage to more than 500,000 uninsured individuals, and reduce the number of uninsured in the state by nearly half. While the initiative has few details available at this time, two benefits are very clear: access to affordable health care for more than 500,000 citizens who are uninsured, and reduced subsidies for uncompensated care (often provided in the most expensive setting) by businesses and taxpayers. This may be a positive first step in controlling health care costs for the State of Michigan—its citizens, its families, and its businesses.

After considerable research, the Kaiser Commission on Medicaid and the Uninsured concluded in their report *Health Coverage for Low-Income Americans: An Evidence-Based Approach to Public Policy* (November 2006), "In analyses that model the major alternatives for reducing the number of low-income uninsured Americans, expansion of public insurance

programs emerges as the strategy that can best target the formerly uninsured and those with the most health needs. As a result, it is estimated to be a more costefficient investment of public dollars compared with other approaches."

Well-designed, thoughtfully-implemented government programs are for the good of the people.