

What Is Medicaid's Value?

What is Medicaid?

Medicaid is the public health insurance program for people with low income, including children, some adults, pregnant women, and people with disabilities. It was created in 1965 along with Medicare, the federal program that covers the elderly, to expand access to a range of health services and to improve health outcomes for these groups.

Nearly [72 million people](#) are enrolled in Medicaid, making it the single largest insurer in the United States. It is the principal source of health insurance for poor Americans and covers a wide range of services, from preventive care to hospital stays and prescription drugs. Medicaid also pays for nearly half of all U.S. births, as well as end-of-life care for millions of Americans.

While the federal government and the states jointly fund Medicaid, each state runs its own program, subject to federal requirements. The federal government covers between 50 percent and 76 percent of the cost of insuring people with Medicaid, depending on the state.

What is Medicaid expansion?

The Affordable Care Act (ACA) expanded the number of Americans who are eligible for Medicaid and increased the federal government's contribution toward covering these new enrollees. Starting in 2014, states became eligible for this additional federal funding if they expanded Medicaid eligibility for all adults up to 138 percent of the federal poverty level (about \$23,000 for a family of two). The ACA also made it [easier for people to enroll in Medicaid](#), such as by eliminating the need for in-person interviews, reducing the amount of information applicants need to provide, and using data from other federal and state agencies to electronically verify eligibility information.

So far, [33 states, along with Washington, D.C.](#), have expanded Medicaid as allowed under the ACA. In 2019, the federal government paid 93 percent of the coverage costs for new enrollees under the expansion; in 2020 and each year thereafter, the federal contribution will be 90 percent.

What is Medicaid's impact on health care access and health outcomes?

There is ample evidence showing that Medicaid coverage helps people gain better access to health care services, leading to improvements in health and well-being. Researchers found that [low-income adults in Arkansas](#), which has expanded Medicaid eligibility, have better access to primary care and preventive health services, improved medication compliance, and better self-reported health status than their counterparts in Texas, which has not expanded eligibility for the program. (It should be noted, however, that some of Arkansas's gains were eroded in 2018, when the state became [the first to implement work requirements](#) for Medicaid beneficiaries.)

[Other studies](#) show Medicaid expansion is associated with increased cancer diagnosis rates, improved treatment for diabetes and other prevalent conditions, and better access to medications and services for people with behavioral and mental health problems.



What Is Medicaid's Value? (continued)

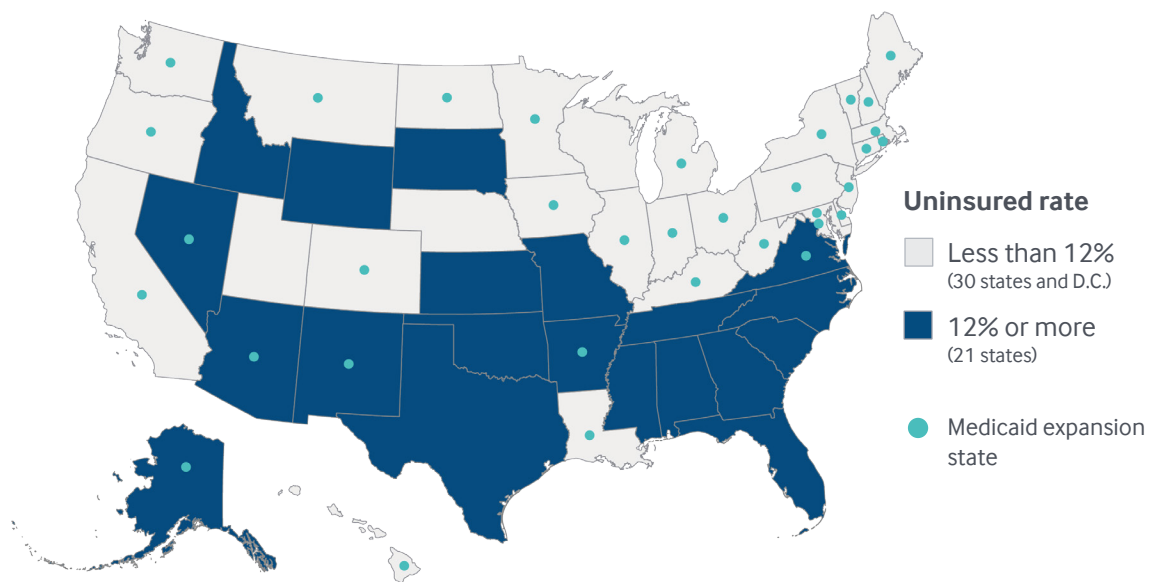
How does Medicaid expansion affect uninsured rates?

States that have expanded Medicaid have a much lower uninsured rate than states that haven't, and the gap continues to widen. The uninsured rate in expansion states **dropped 6.4 percentage points between 2013 and 2017**, from 13 percent to 6.6 percent, according to census data.

Moreover, **health care disparities narrowed** between whites, blacks, and Hispanics in expansion states, with smaller differences seen in uninsured rates among working-age adults, as well as in the percentage who skipped needed care because of costs or lacked a usual care provider.

The coverage gains in states that have expanded their Medicaid program are not solely the result of newly eligible individuals enrolling. Some of the gains are due to the enrollment of individuals who were already eligible for Medicaid and simply took the opportunity to sign up for the first time (this is what's known as the "welcome mat effect").

In general, states that have not expanded Medicaid eligibility have higher uninsured rates



Data on Medicaid expansion: "Status of Medicaid Expansion and Work Requirement Waivers," Commonwealth Fund, updated Oct. 31, 2019; data on uninsured rate: American Community Survey, Public Use Micro Sample (ACS-PUMS), 2018.

What are the financial impacts of Medicaid expansion?

A study comparing the experiences of low-income adults in Texas, which has not expanded Medicaid, to those of low-income adults in three Southern states that have expanded Medicaid found that Texas respondents were much more likely to report financial barriers to getting health care.

Some Medicaid expansion states project they will **continue to realize net budget savings** even when the federal contribution for covering the newly eligible falls to 90 percent. There is also evidence that Medicaid expansion provides an **economic boost** to states.