Children's Defense Fund

# Medicaid Myths and Facts

November 2011

***Myth*:** *Medicaid is broken.*

**Fact: Medicaid works for children.** It guarantees 38 million children in America – one in every three – health services that are identified through periodic screenings as medically necessary. It helps not only with health and mental health care, but also with the case management and transportation services needed to get our nation's most vulnerable children – low income children, children with disabilities, children in communities of color who are disproportionately in poor health -- the care they need to survive, thrive, and drive the economy of tomorrow.

***Myth*:** *Repealing the Medicaid and CHIP maintenance of effort (MOE) provisions would give states the flexibility they need.*

**Fact: States already have significant flexibility in their Medicaid and CHIP programs.** Broad federal guidelines have allowed states to develop very different programs to meet their needs, so each state has its own rules about who may get coverage, benefits, how much to pay for services, and more. Repealing the MOE would place health coverage at risk for the more than 14 million children covered at state option; additionally, the millions of children who remain eligible would also be at risk of losing coverage as states change eligibility procedures, making it harder to get and keep coverage. According to the Congressional Budget Office (CBO), if the MOE were repealed, two thirds of those who would lose coverage would be children. Further, CBO's analysis indicates that by 2016, half the states would eliminate their CHIP programs entirely. Since child health impacts educational attainment, repealing the MOE would compromise returns on other major investments in children, from Early Head Start to college. The negative impact would be lifelong, affecting adult health, employment, and wages. It would also be a crippling blow to children in communities of color, who constitute more than half of Medicaid and CHIP enrollees today.

***Myth*:** *States cannot afford Medicaid.*

**Fact: Medicaid is a bargain for states.** Currently the federal government contributes approximately one-half to three-quarters of the total program cost, and beginning in 2014, will contribute an even higher share for newly eligible enrollees. Because health needs do not magically disappear when Medicaid or private insurance isn't available, state and local communities would have to absorb the entire cost of care for uninsured children if Medicaid were to be cut. These costs are substantial: an uninsured child costs a local community on average $2,100 more than coverage for a child with Medicaid or CHIP. Without Medicaid, more children would have to rely on locally-funded emergency room care for treatment of illnesses like asthma that could be easily and less expensively managed in an office setting. Simply put, states cannot afford ***not*** to have robust Medicaid programs.

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***Myth*:** *Block granting Medicaid will save states money.*

**Fact: Block grants will actually increase costs for states.** Block grants do not reduce health care spending – they just shift costs to states and local communities, low income beneficiaries, and health care providers. A recent study shows that if a Medicaid block grant had been put in place in 2000, federal Medicaid funds would have fallen by more than 25 percent in most states and by more than 40 percent in others. If Medicaid were block granted and funding reduced to levels currently proposed by the U.S. House of Representatives, states would lose more than $1.4 trillion in federal funds. As a result, they would have to make massive increases in their own contributions, deep cuts to the program, or both. While Medicaid's structure today is flexible to meet the needs of children and adults as the economy fluctuates, block grants are subject to rigid funding caps that cannot adjust to unexpected change (such as a natural disaster or a recession) and do not keep pace with the growth in health care costs. This costs the state more and more money down the road.

***Myth*:** *Medicaid spending is out of control and the program should be capped.*

**Fact: Capping Medicaid would cause many more problems than it would solve, including devastating effects on children, states and communities.** For example, one of the recent Balanced Budget Amendments (H.J. Res 1) proposed to cap total government spending at just 18 percent of the Gross Domestic Product –the lowest level in more than 45 years – and would have lead to deep cuts in critical programs serving children from cradle to college, including Medicaid. In order to shrink the program to the spending level allowed under this massive cut, Medicaid would have to undergo major structural changes that would leave millions of children uninsured or underinsured, and shift costs to states, communities and providers – essentially the same outcome as a block grant. Additionally, the cost of providing care through Medicaid has grown at a much slower pace than private insurance.

***Myth*:** *Medicaid is inefficient.*

**Fact: Medicaid is far more efficient and cost effective than private insurance for children.** It costs 27 percent less to cover a child through Medicaid than through private insurance, and Medicaid administrative costs are about half those of private insurance coverage. Children's coverage, in particular, is cost effective: while children constitute more than half of all Medicaid recipients, they represent about 20 percent of Medicaid expenditures. It costs almost twice as much to cover a non-disabled adult than to cover a non-disabled child under Medicaid, and nearly five times as much to cover an elderly adult. Over the past decade, Medicaid costs per enrollee generally have grown more slowly (4.6% per year on average) than premiums for employer-sponsored coverage (7.7% per year on average) or overall national health expenditures (5.9% per year on average).

***Myth*:** *The Medicaid program of today is unpopular and Americans support changing it.*

**Fact: Public support for Medicaid is similar to Medicare and Social Security, with strong opposition to cuts or structural changes to the program.** Medicaid has covered about 20 percent of adults at some point in their lives, and is expected to serve almost 70 million people this year. It is not simply a program for the poor: it is often the payer of last resort, particularly for children with disabilities and for elderly adults in nursing homes. Additionally, it is a crucial national safety net that has kept health coverage for children stable during the worst recession in a generation.

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