



Eligibility

Benefits

Financing

Administration

THE MEDICAID RESOURCE BOOK

July 2002

kaiser **commission** on **medicaid** and the **uninsured**

The Kaiser Commission on Medicaid and the Uninsured serves as a policy institute and forum for analyzing health care coverage and access for low-income populations and assessing options for reform. The Commission, begun in 1991, strives to bring increased public awareness and expanded analytic effort to the policy debate over health coverage and access, with a special focus on Medicaid and the uninsured. The Commission is a major initiative of The Henry J. Kaiser Family Foundation and is based at the Foundation's Washington, DC office.

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July 2002

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The Kaiser Commission on Medicaid
and the Uninsured



THE KAISER COMMISSION ON
Medicaid and the Uninsured



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Foreword

Medicaid is the cornerstone of the nation's health care safety net. Begun in 1965 as a program primarily covering people who qualified for cash assistance, Medicaid now provides health and long-term care services to more than 40 million low-income families and elderly and disabled individuals. It insures more than one in seven Americans and accounts for more than 15 percent of our nation's spending on health care. Medicaid is the primary source of federal financial assistance to the states, and represents a major shared state and federal commitment to improving the lives and the health of America's low-income population.

Medicaid's impact on the millions of Americans it has served over its 37 year history has been significant. Medicaid's responsibilities are far-reaching—it is a health insurance program for low-income adults and children, a comprehensive source of medical and long-term care coverage for people with disabilities, and a supplement to Medicare for the elderly, providing assistance with prescription drugs, long-term care, and Medicare premiums and cost-sharing obligations. As Medicaid has evolved, it has drawn on the flexibility built into the program to pioneer innovations in coverage and service delivery, provided a stable source of financing to states to meet the challenges of a rapidly changing health care marketplace, and fostered the development of consumer protections for the frailest and most vulnerable in our society.

To assist the public and policymakers in understanding the structure and operation of the Medicaid program, the Kaiser Commission on Medicaid and the Uninsured is publishing *The Medicaid Resource Book*. Describing four pivotal aspects of how the Medicaid program operates—who it covers, what it covers, how it is financed, and how it is administered—this volume highlights both the breadth and depth of Medicaid as a source of health care coverage and financing in the United States. We hope it will serve as an essential primer to underpin policy discussions of the program's role and its challenges.

To examine the scope and many facets of Medicaid is no easy task. We extend special thanks to the book's primary author, Andy Schneider, whose diligence, thoughtfulness, and insight into how the Medicaid program works made *The Medicaid Resource Book* possible. We are grateful for the many Kaiser Commission staff who have devoted time and intellectual energy to this project, and in doing so have mastered many of the program's details. In particular, we would like to thank Victoria Wachino for her contributions, as well as Risa Elias, Rachel Garfield, and David Rousseau. And finally, we would like to recognize the members of the Kaiser Commission on Medicaid and the Uninsured, who strongly supported this project and provided thoughtful comments as it was developed. We hope you will find this resource book a useful guide to the Medicaid program and its multiple roles.

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Preface

For many years, the House Committee on Ways and Means' *Green Book* has set the standard for a reference source on U.S. social policy. First published in 1981, the *Green Book* is widely used by policymakers, media, and the health care industry. The *Green Book's* objectivity, accessibility of language, and thoroughness have made it a primary source of information on programs such as Social Security, Medicare, Supplemental Security Income, and Temporary Assistance for Needy Families. Its subtitle—"Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means of the House of Representatives"—is almost misleading in its understatement. The 2000 edition of the *Green Book* contains 1,575 pages of text and tables.

The Green Book inspired the "Yellow Book." Formally titled "Medicaid Source Book: Background Data and Analysis," but known universally as the Yellow Book, the first edition of the Yellow Book was published by the House Committee on Energy and Commerce in 1988. Although the *Green Book* contains an overview of the Medicaid program, its treatment of Medicaid is not as comprehensive as that of Medicare and other programs within the jurisdiction of the Ways and Means Committee.

The purpose of the Yellow Book was to provide information and analysis specific to Medicaid. The second edition of the Yellow Book was issued in 1993. Prepared at the direction of the House Committee on Energy and Commerce by the Congressional Research Service (CRS), the 1,127-page 1993 edition was a comprehensive and detailed explanation of the Medicaid program that has served policymakers, analysts, and the media well for many years.

Much has changed in the Medicaid program since 1993. As the program has grown in scope, size, and importance, the need for an up-to-date reference source has increased. *The Medicaid Resource Book* is an attempt to meet that need. It does not approach in thoroughness or scope the work of the CRS team (which was comprised of 12 authors and 7 editors and production staff) who labored to produce the Yellow Book. It does, however, try to explain Medicaid in a way that is consistent with the standards for objectivity, accuracy, and analytic rigor that CRS staff brought to the Yellow Book.

—Andy Schneider



INTRODUCTION

Medicaid is the primary source of health and long-term care assistance for one in seven Americans, accounting for 16 percent of our nation's spending on health care. Jointly financed by the federal and state governments, Medicaid is an essential part of the health coverage and financing system nationally and in every state. Today, Medicaid reaches 44 million Americans, more than Medicare or any other health insurer in the United States. Medicaid represents a major federal and state commitment to improving the health and lives of vulnerable populations. Federal Medicaid expenditures are estimated to reach \$146 billion in the current fiscal year, according to the Congressional Budget Office, and state and local governments may spend as much as an additional \$100 billion.

First enacted in 1965, at the same time as Medicare, Medicaid has faced the daunting challenge of serving low-income people whose health and long-term care needs are extremely complex and fall outside the domain of the private market. Medicaid has evolved from a program providing medical assistance to the welfare population to a broad and multifaceted safety net addressing the needs of low-income families, the elderly, and those with chronic, disabling health conditions. In the face of these challenges, Medicaid has achieved remarkable success in helping to close gaps in access to care and served as an essential safety net for long-term care services in the community and in institutions. The federal government and the states share responsibility for Medicaid, with the federal government setting broad guidelines for the program and the states administering it. The scope and composition of the program varies across states, depending on how states elect to structure their programs in terms of eligibility and benefits. Medicaid's structure, combining federal financing with substantial state flexibility, has enabled federal and state policymakers to shape the program to respond to local needs, while maintaining a national health care safety net.

The Medicaid Resource Book is designed to serve as a comprehensive guide to the Medicaid program. A major publication of the Kaiser Commission on Medicaid and the Uninsured, *The Medicaid Resource Book* is an analytic reference tool that provides information on who the program serves, the services it offers, and how it is

funded and administered. The book is divided into four chapters that reflect the four major dimensions of the Medicaid program: eligibility, benefits, financing, and administration. *The Medicaid Resource Book* could be read cover-to-cover as part of an effort to understand the program as a whole. More often, we expect that readers will turn to it seeking answers to a particular question about what categories of individuals Medicaid covers, what benefits it offers, how it is funded, or what entities carry out particular administrative functions.

The Medicaid Resource Book is organized as follows:

- *Medicaid Eligibility:* This chapter describes the role Medicaid plays for its three major eligibility groups, children and families, the disabled, and the elderly and the pathways by which individuals in these groups become eligible.
- *Medicaid Benefits:* This chapter describes the benefits to which Medicaid beneficiaries are entitled, distinguishing between mandatory and optional benefits, and Medicaid cost sharing policies. It also highlights the health and long-term care needs of the multiple groups served by Medicaid, compares Medicaid's benefits package to benefits offered under commercial insurance and Medicare, and discusses the benefits offered to Medicaid beneficiaries under Medicaid managed care.
- *Medicaid Financing:* This chapter describes the federal and state role in funding the Medicaid program, trends in Medicaid funding over time, waivers, provider payment, and financing issues the program faces.
- *Medicaid Administration:* This chapter describes federal and state administrative responsibilities, provides estimates of how much the states and the federal government spend on administration, and discusses issues related to Medicaid administration.

The Medicaid Resource Book also contains a legislative history of the Medicaid program, indexes to the Medicaid statute and Medicaid regulations, a glossary that defines terms used in the book, and a listing of Internet resources. Although this edition of *The Medicaid Resource Book* is being published in 2002, most of the statistics presented in it are based on fiscal year 1998 data, the most recent

year for which reliable national data is presently available. The Medicaid Resource Book will be both published in hard copy and maintained electronically on the Kaiser Family Foundation's web site, www.kff.org. Because the Medicaid program is constantly changing at both the federal and state levels, the online version of *The Medicaid Resource Book* will be updated periodically to reflect analysis of more recent data and important changes to the program.

Medicaid reaches some of the nation's poorest and most disadvantaged populations in the United States. Over the past three decades, Medicaid has balanced responsibility for providing basic health insurance for low-income families, supplemental coverage to Medicare, and serving as the primary source of financing for long-term care. We hope *The Medicaid Resource Book* will serve as a trusted reference for the policy community to turn to for answers to questions large or small about the program.