

Medicaid

Bill Evans
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4 main groups

- Low income women and children
- Low income elderly (picks up what Medicare does not cover)
- Low income/high medical spending disabled
- Low income/asset people in long term care

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Basics of Medicaid

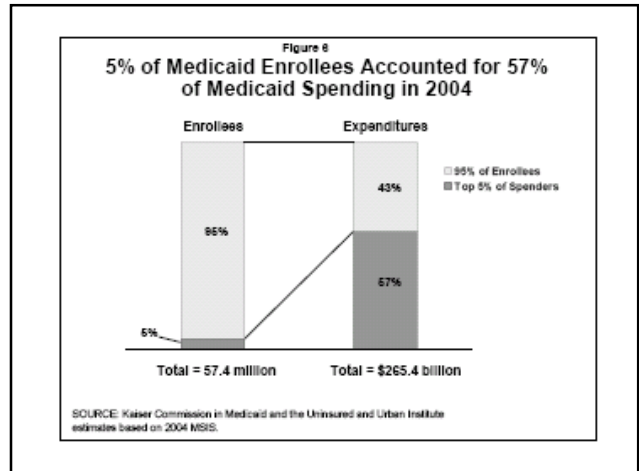
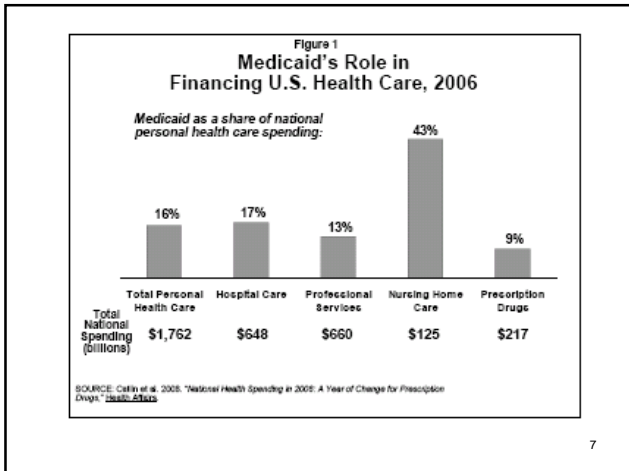
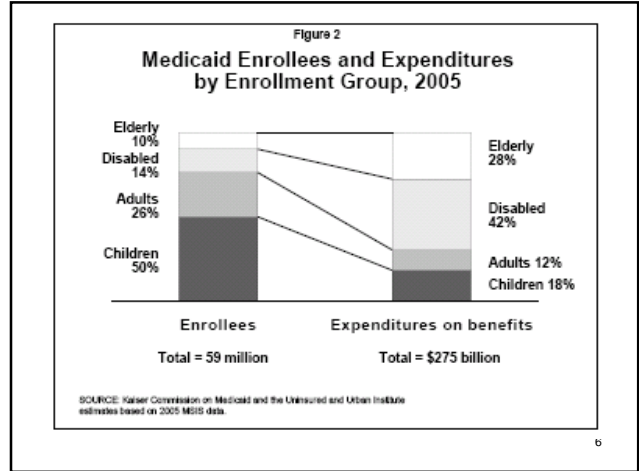
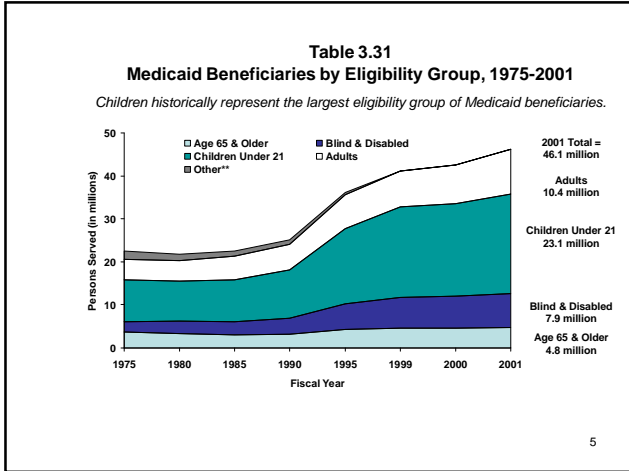
- Federally mandated but programs run by states
 - 51 different Medicaid programs
- Federal government determines
 - Minimum eligibility requirements (e.g., TANF recipients are by definition eligible)
 - Minimum benefit levels
- States can expand eligibility, expand scope of services, determine payments rates for services

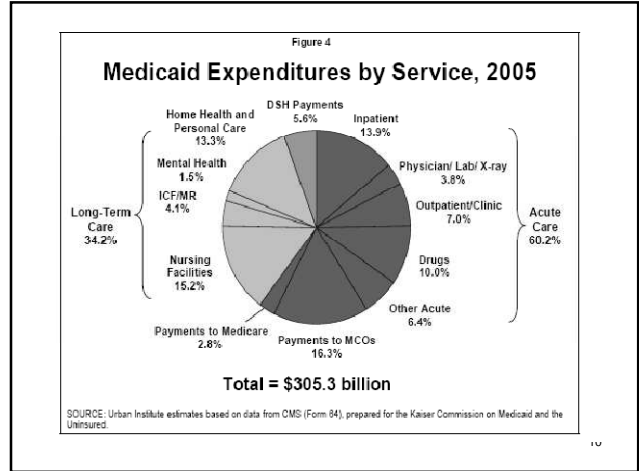
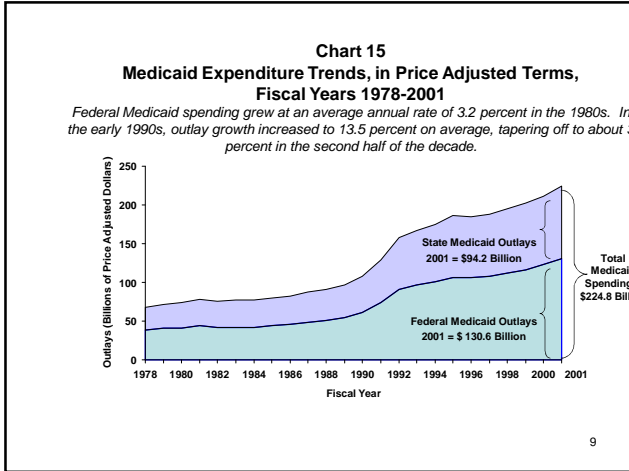
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Two paths to eligibility

- Categorical eligibility – if participate in TANF (welfare) or Supplemental Security Income (Disability insurance)
- Income/asset tests
 - Children with low income
 - Pregnant women with low income
 - Elderly w/ high expenses or low income
 - Poor in long term care
- Last 20 years – Medicaid has expanded along this second dimension a lot

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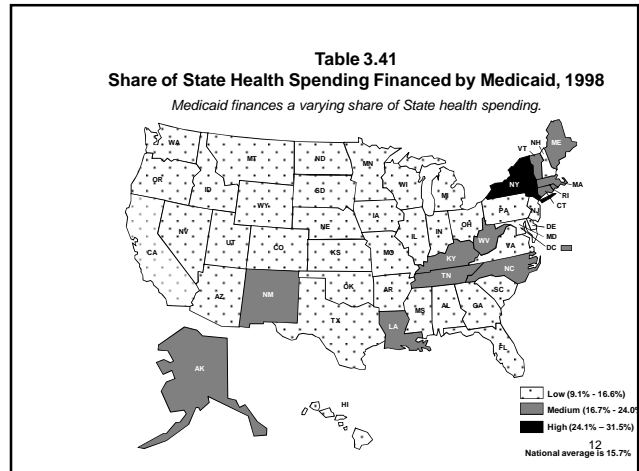




Financing of Medicaid

- Financed jointly by Feds and states
 - Both paid for out of general revenues
- Reimbursement rates across states vary depending on per capita income of state
- Problem for states: as federal government expands program, they are forced to eat the additional costs --

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Medicaid Expansions –

- Before late 1980s, Medicaid was available for non-elderly people in cash assistance programs, e.g. AFDC
- AFDC eligibility was determined by income/asset/expenses test and lack of spouse
- Could also become eligible if 'medically needy' e.g., high medical bills 'spend down' income past income limit
- Income line was well below poverty level (average across states was 60% of PL)
- States have always had the option to expand Medicaid past federal mandates

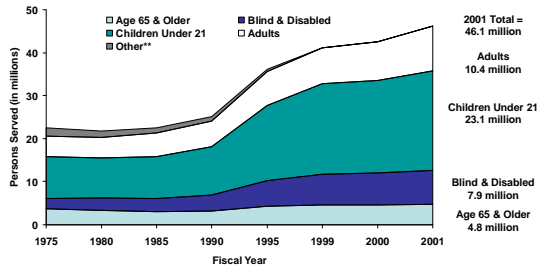
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- Starting in 1985, Medicaid was expanded to include women and children not eligible for welfare, but still poor
- Severed the link with welfare
- Hoped to provide insurance without the disincentive associated with welfare participation
- Example, by 1990, Medicaid covered all kids < 9 born after 9/30/83 and <100% FPL
 - Some states expanded

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**Table 3.31
Medicaid Beneficiaries by Eligibility Group, 1975-2001**

Children historically represent the largest eligibility group of Medicaid beneficiaries.



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MEDICAID ELIGIBILITY

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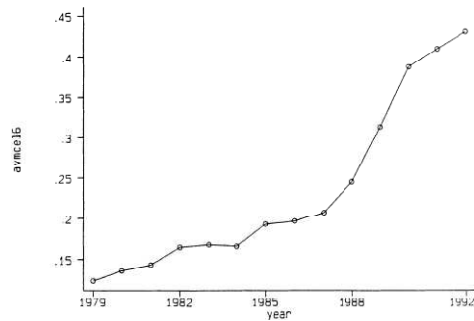
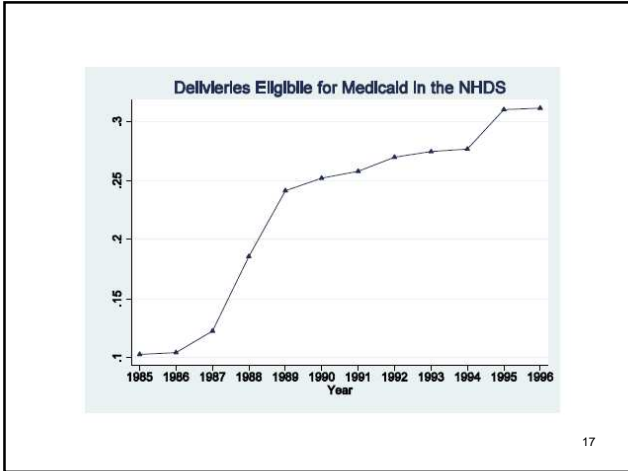


FIG. 2.—Medicaid eligibility trends

Fraction of women, 14-44, eligible for Medicaid if they became pregnant

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**TABLE I
MEDICAID ELIGIBILITY AND COVERAGE**

Year	% of children eligible	% of children eligible—fixed population	% of children covered
1984	13.1	16.1	13.2
1985	13.2	16.4	13.5
1986	13.0	16.0	13.8
1987	13.3	16.7	13.5
1988	13.8	20.2	12.8
1989	21.4	21.6	13.9
1990	25.7	26.2	18.5
1991	23.7	28.1	19.3
1992	31.2	30.3	20.6

Based on data from March 1985–March 1993 CPS. Column 1 shows the percent of children eligible for Medicaid in each year. Column 2 shows the percentage of the 1984 sample that would have been eligible for Medicaid in each subsequent year (including their children's enrollment and including income-appropriate). Column 3 gives the percentage of children actually covered in each year. Figures are from the authors' calculations as discussed in the text and in Appendix I.

Eligibility rates double (94%) but fraction insured increases by 56%
Big increase in eligibility after 1989

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- Big changes in eligibility across states (Kids)
- 3 biggest 1984-92
 - TX (6.9 to 34.8, 27.9)
 - SC (7.9 to 33.5, 25.6)
 - LA (11.7 – 35.7, 25.1)
- 2 smallest
 - WY (26.6 to 21.8, -4.8)
 - PA (22.3 to 21.8, -0.5)

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- ### Crowd out
- Some with emp. provided private insurance may pay large chunk premiums OOP.
 - They may also be eligible for Medicaid under the new expanded coverage
 - Could respond to expansions by dropping e.p. coverage, pick up Medicaid
 - Expansions could increase eligibility, increase Medicaid use, but not increase coverage

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- Derive utility from consumption of H (health insurance) and X (all other goods)
 - $U=U(X,H)$
- Budget: I = after tax income
 - Can spend on X or H (dollar value of each)
 - $X+H=I$
- If receive Medicaid, can receive H_m health insurance value – without and loss in X

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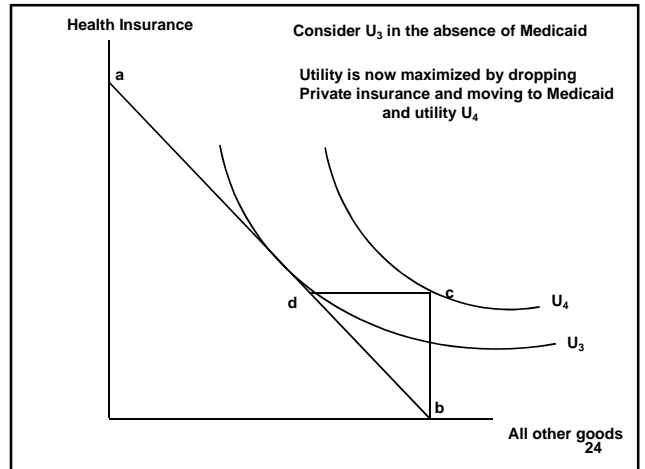
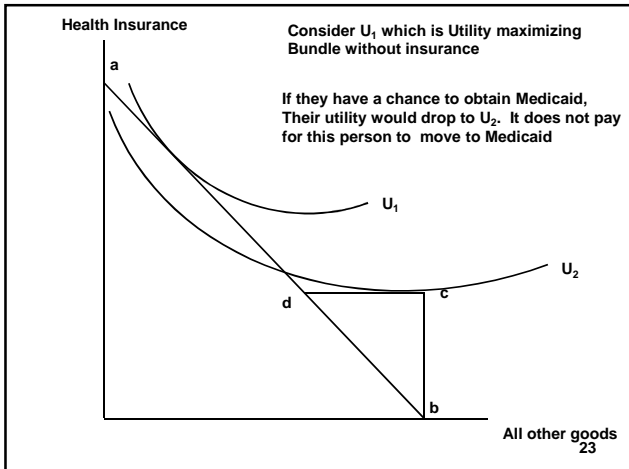
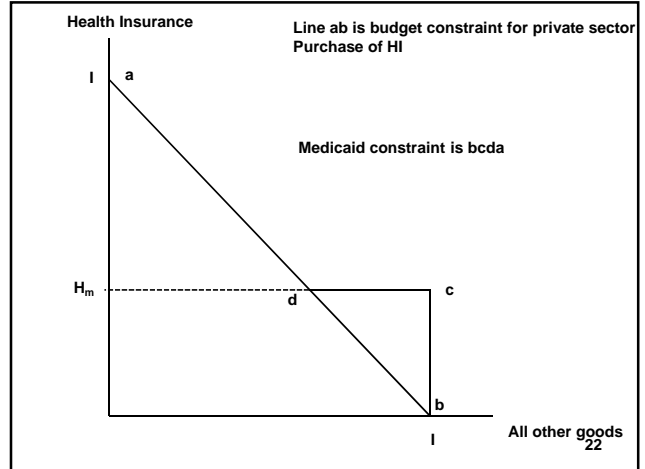


TABLE II
SOURCES OF INSURANCE COVERAGE FOR THE NONELDERLY POPULATION, 1987

Group	Insurance status		
	Private	Public	Uninsured
All	76%	14%	14%
Children	74%	19%	13%
Women of child-bearing age	76%	13%	15%
Men with no children or women of child-bearing age in family	84%	8%	11%
Other adults	75%	12%	18%
Children and women of child-bearing age			
Eligible in 1987	31%	50%	25%
Made eligible between 1987 and 1992	65	15	25
Not eligible by 1992	89	6	8

65% of those who were made eligible for Medicaid had Private insurance in 1987

Ability to crowd out is therefore very high

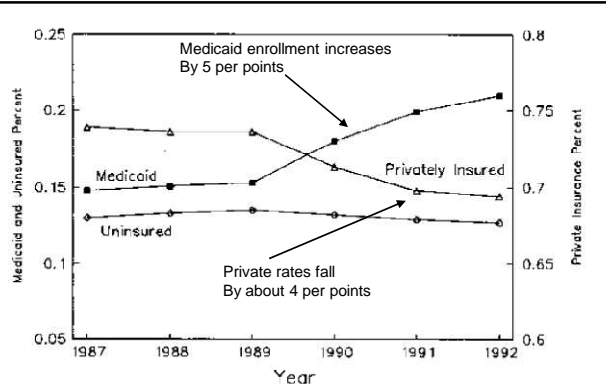


FIGURE IIa
Percent of Children with Different Types of Insurance

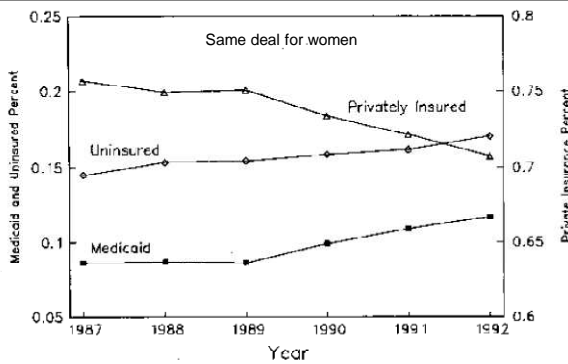
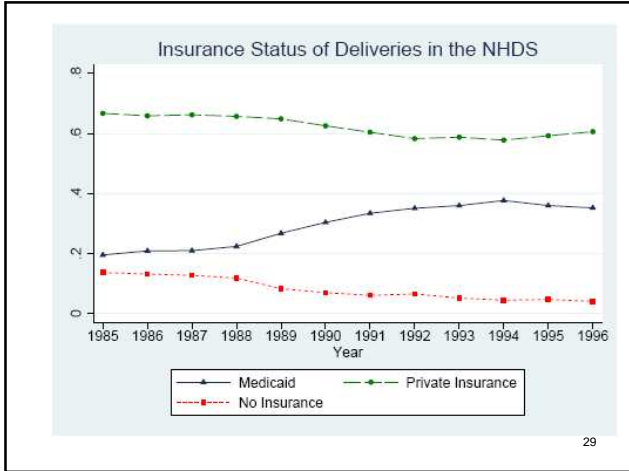


FIGURE IIb
Percent of Women 15-44 with Different Types of Insurance

TABLE IV
REGRESSIONS EXPLAINING COVERAGE FOR WOMEN AND CHILDREN

Independent variable	Children		
	Medicaid	Private	Uninsured
Eligible for Medicaid	0.235 (0.017)	-0.074 (0.021)	-0.119 (0.018)

Kids: Medicaid increases by 23 per points, but 1/3 of that is wiped out by a reduction in private insurance rates



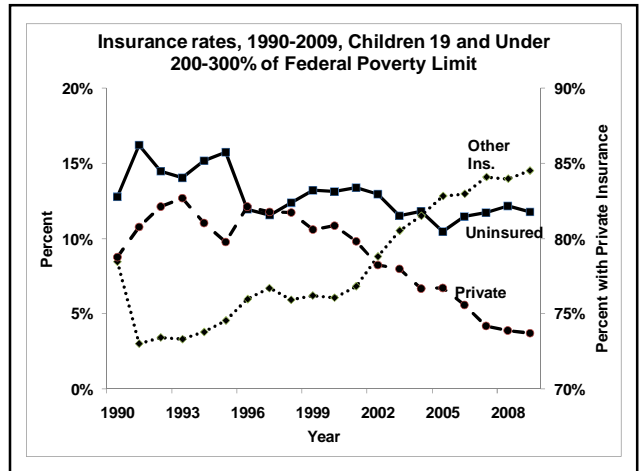
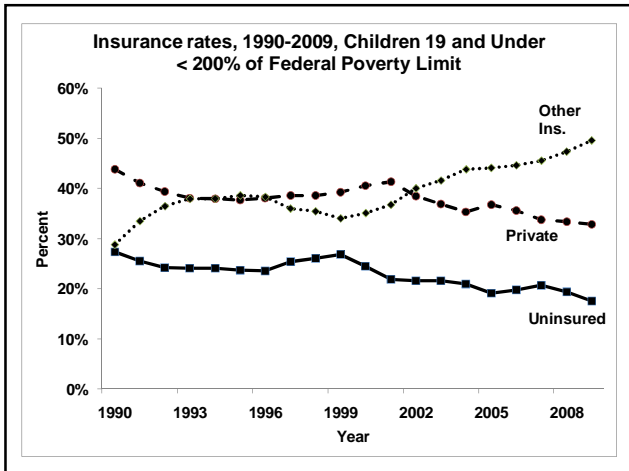
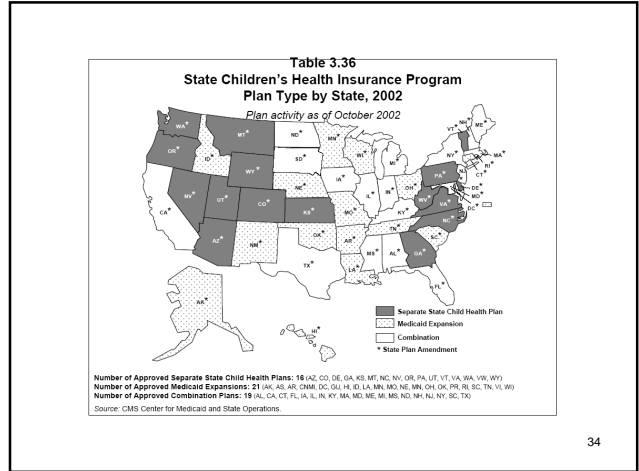
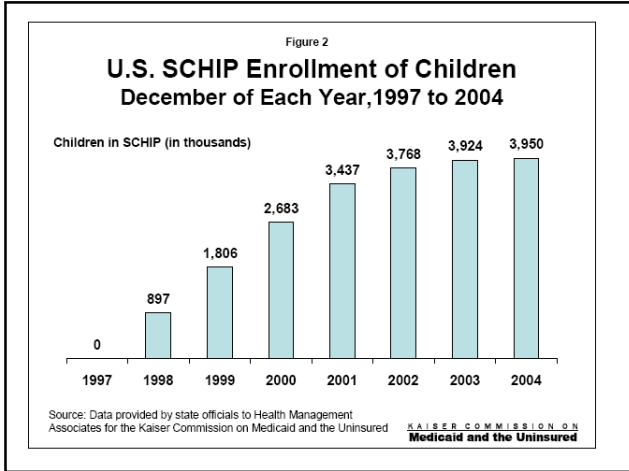
SCHIP

- State Children’s Health Insurance Plan
- Designed to provide health insurance to children not poor enough for Medicaid but too poor to purchase health insurance
- States given autonomy to run program. Can use funds to
 - Run independent program
 - Use funds to expand Medicaid to include more kids

- 19 states expanded Medicaid, 15 had separate SCHIP programs, rest had combination
- 11 states enacted programs in 1997, 34 states in 1998, 6 states in 1999/2000
- Tremendous variation across states in eligibility
- SCHIP important to many health care reform proposals

Variation in coverage levels SCHIP

State	FPL cutoff, 1-5		FPL cutoff, 15 y.o.	
	1996	2000	1996	2000
CT	185	300	81	300
ID	133	150	29	150
NY	133	192	51	192
RI	250	250	51	250
TX	133	133	17	100
TN	400	400	100	400



	Children, 0-19 < 200% of FPL			Children, 0-19 200-300% of FPL		
	Un- ins.	Other Ins.	Pvt. Ins.	Un- ins.	Other Ins.	Pvt Ins.
1997	25.4	36.0	38.6	11.5	6.2	81.8
2009	17.5	49.6	32.8	10.7	14.2	75.0
Diff.	-7.9	13.6	-5.8	-0.8	8.0	-6.0

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