



Medicaid

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Background

Of the federal governments two major health programs, **MEDICARE** and **MEDICAID**, Medicaid has had by far the rockier history. Medicare has enjoyed fairly broad based support in its goal of covering the elderly and disabled. While there has been controversy over the extent of benefits, the basic coverage of the Medicare program has remained the same since it was first enacted, and the federal government has always had primary responsibility for the program.

In contrast, Medicaid has always inspired battles, between the federal government and the states over funding of the program, between conservatives and liberals over what the purpose of the program should be, and between different interest groups whose members argue over how the Medicaid pie should be divided. There have been suggestions from several quarters that Medicaid be ended entirely, either eliminated or turned into something completely different, and these suggestions have increased since welfare reform was passed in 1996.

In part, these controversies stem from the reason Medicaid was originally set up—to enable each state, as far as practicable, to furnish medical assistance to individuals whose income and resources are insufficient to meet the costs of medically necessary services. The goal is simple, but the arguments on how to best accomplish that goal are complex. Although many commentators argue Medicaid has been one of the most successful government programs, in terms of the number of people it has helped, the eventual fate of the program remains to be seen.

History

Medicaid was created in 1965 under Title XIX of the Social Security Act, as part of Lyndon Johnson's War on Poverty. It was enacted at the same time the Medicare program was passed.

Unlike Medicare, Medicaid—the brainchild of Congressman Wilbur Mills, the chairman of the House Ways and Means Committee—involved federal funds given to the states to administer their own programs. The federal government set the basic standards for who was covered by the program, and the states could decide if they wanted to broaden the program beyond those standards

Originally, Medicaid categories were defined by welfare recipient status, but this began to change in the mid-1980's and ceased completely with the passage of welfare reform in the mid-1990's. Over its history, the Medicaid program has changed from a program to provide health insurance to the welfare population to a catch-all program that provides health and long term care services to around 40 million people at a cost of \$170 billion dollars to federal and state governments. As of 2000, Medicaid was the source of health care insurance for one in four American children and covered 40 percent of all births.

Eligibility

Medicaid eligibility has evolved over the years. Originally, it was supposed to assist the so-called "deserving poor," those medically needy people who were aged, blind, disabled, or families with dependant children, or falling into some other status of poverty where assistance was favored. Not every person whose income falls below the poverty line qualifies for Medicaid, and this has always been true of the program.

Medicaid recipients have historically been divided into the "categorically needy," persons who were eligible for Supplemental Security Income (SSI) benefits for [DISABILITY](#), for Aid to Families with Dependant Children (AFDC) benefits, or had been eligible for other government benefit programs; and the "medically needy," persons whose income exceeds financial standards for the above programs but who incur regular medical expenses that, when deducted from their income, bring their income down to the eligibility level for financial assistance. Technically, these categories no longer exist under the current Medicaid system, but state programs that expand Medicaid coverage beyond the traditional categorically needy are still known as "medically needy" programs. Typically these "medically needy" programs cover nursing home and other long-term care.

Currently the program covers the following groups as "categorically needy." For definitional purposes, the poverty level was \$8,350 for an individual, and \$17,050 for a family of four as of the year 2000:

- Medicaid must cover all pregnant women with incomes of up to 133 percent of the poverty level.
- Medicaid must cover all children under the age of six with family incomes below 133 percent of the poverty level and children under age 19 born after 1983 in families with incomes up to 100 percent of the poverty level.
- Medicaid must cover the Medicare premiums and cost-sharing obligations for "Qualified Medicare Beneficiaries" whose income does not exceed 100 percent of the poverty level. It must also cover Medicare Part B premiums for "Specified Low-Income Medical Beneficiaries", persons whose income is between 100 percent and 120 percent of the poverty level. Medicaid also covers nursing home costs for persons below a certain income level or asset level set by the state, and provides outpatient drug coverage for some qualified Medicare recipients.
- Medicaid covers DISABLED PERSONS whose income falls below a certain level, including children eligible for SSI disability benefits. Coverage of other adult disabled recipients is generally mandatory if they receive SSI and are at 74 percent of the poverty level, although some states have been waived in at lower levels than this, and one state, Mississippi, does not cover SSI benefit recipients at all. Many states provide home and community-based care for disabled utilizing Medicaid funds as well.

Medicaid funds also help finance health coverage in several states for persons below a certain income who otherwise would not qualify for Medicaid. In general, states have much leeway in terms of coverage with Medicaid funds. Nearly two-thirds of all Medicaid spending is attributable to optional benefits and services.

How Medicaid Funds Are Administered

The Medicaid program has changed over the years in terms of the way medical and other services are paid for. The original Medicaid law guaranteed recipients their choice of providers. However, beginning in the 1980's, states began making consistent requests for waivers to allow them to enter Medicaid recipients in [MANAGED CARE](#) programs, and in 1997, the law was finally amended to allow states to do this explicitly. As of 2002, there are two types of ways Medicaid funds are administered, the traditional fee-for-service way and through Medicaid Managed Care (MMC).

Fee-For-Service Medicaid

This is the traditional way Medicaid made payments for services and was the only way technically allowed until 1997 by federal Medicaid law, which mandated freedom of choice for all Medicaid recipients. However, there was a catch to this freedom of choice—doctors have the option of opting out of the Medicaid system and refusing to accept Medicaid patients.

Medicaid fees for physicians are set by the state and so vary from region to region. However, they are usually low—paying well below private rates for physician services and usually below what Medicare pays. As a result, the argument has been made that Medicaid recipients often do not get the quality care received by other medical insurance recipients. In many areas, it is difficult to find doctors who will treat Medicare patients because of the low payments, and in other cases doctors have sued to force higher payments from Medicaid programs. Hospitals are more limited in their abilities to turn down Medicaid patients, since they are often tax exempt or have obligations under other federal statutes.

Because states are allowed to set payment rates, such rates can be changes at anytime. Thus, when a state undergoes a budget shortfall or other problem, rates can be and often are lowered.

Medicaid Managed Care

Because of the problems inherent in fee-for-service Medicaid, many states over the years requested waivers from the freedom of choice requirement to allow them to enter Medicaid recipients in managed care programs. Finally, the federal government amended the Medicaid [STATUTE](#) with the 1997 Balanced Budget Act to permit states to require Medicaid recipients to enroll in a Medicaid Managed Care (MMC) program. A [WAIVER](#) is still needed to require Medicare recipients also receiving Medicaid, Native Americans, and special needs children to enroll in an MMC program.

Currently over half of Medicaid recipients receive care through these programs. MMC programs are similar to managed care programs used by the privately insured. The two most common are:

- **The Risk-Based Model:** Under this model, the MMC program is paid a fixed monthly fee per enrollee and assumes some or all the financial risk for a broad range of services. About four-fifths of Medicaid MMC enrollees receive services under this model.
- **Fee-For-Service Primary Care Case Management (PCCM):** Under this model, a health care provider acts as "gatekeeper" to approve and monitor the services given to MMC enrollees. These providers do not assume any financial risk and are paid a per-patient monthly case management fee.

Benefits

Benefits provided under the Medicaid program vary widely from state to state. Twenty-six categories of services are listed under the Medicaid states as services states may cover, in addition to a provision allowing coverage of "any other medical care, and any other type of remedial care, specified by the Secretary."

As of 2002, states must provide Medicaid recipients who are required by federal law to be covered with inpatient hospital services; outpatient hospital services and rural health clinic services; early and periodic screening; other laboratory and X-ray services; nursing facility services; early and periodic screening, diagnostic and treatment services for children; family planning services and supplies, physician services; and nurse-midwife and other certified nurse practitioners services.

Medicaid also covers long-term care. States have considerable flexibility in their long-term care programs. Although states must cover home health services under Medicaid, they have the option of providing personal care services and also may design home and community-based care programs. Medicaid funds half of all nursing home care in this country. Medicaid also pays for much of the care provided by intermediate care facilities for the mentally disabled.

Nursing homes present a special problem for Medicaid, in that many elderly are too well-off to qualify for Medicaid when they go into the nursing home but become impoverished paying for nursing home expenses and other medical expenses. Thirty-six states allow such people to "spend down" their assets until they reach Medicaid asset eligibility levels. At that point, Medicaid assumes the cost of nursing home and medical care. Not all states allow this, only those that cover the medically needy.

Some states cover optional services, such as podiatry, dental care, eyeglasses, or dentures, under Medicaid. These optional services are usually the first to go if there are cutbacks in the program.

State-By-State Guide To Medicaid

States have different Medicaid eligibility requirements, with some states being more generous than others. Here is a state-by-state guide to what the eligibility requirements are. All eligibility levels are expressed as a percent of the federal poverty level for a specific group. For example, a child 1-5 in Alabama must be part of a family that makes 133 percent of the federal poverty level (\$17,050 for a family of four) or less in order to qualify for Medicaid.

- ALABAMA: Infants, Children 1-5, 133%; Children 6-19, 100%; Pregnant Women, 133%; Supplemental Security Income Recipients 74%; No Medically Needy Program.
- ALASKA: Infants, Children 1-5, 200%; Children 6-19, 200%; Pregnant Women, 200%; Supplemental Security Income Recipients, 74%; No Medically Needy Program.
- ARIZONA: Infants, 140%; Children 1-5, 133%; Children 6-16, 100%; Children 17-19, 50%; Pregnant Women, 140%; Supplemental Security Income Recipients, 74%; No Medically Needy Program.
- ARKANSAS: Infants, Children 1-5, 200%; Children 6-19, 200%; Pregnant Women, 133%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 16%; Medically Needy, Couple, 24%.
- CALIFORNIA: Infants, 200%; Children 1-5, 133%; Children 6-19, 100%; Pregnant Women, 300%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 89%; Medically Needy, Couple, 104%.

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- COLORADO: Infants, Children 1-5, 133%; Children 6-16, 100%; Children 17-19, 43%; Pregnant Women, 133%; Supplemental Security Income Recipients 74%; No Medically Needy Program.
- CONNECTICUT: Infants, Children 1-5, 185%; Children 6-19, 185%; Pregnant Women, 185%; Supplemental Security Income Recipients, 69%; Medically Needy, Individual, 71%; Medically Needy, Couple, 70%.
- DELAWARE: Infants, Children 1-5, 133%; Children 6-19, 100%; Pregnant Women, 200%; Supplemental Security Income Recipients 74%; No Medically Needy Program.
- DISTRICT OF COLUMBIA: Infants, Children 1-5, 200%; Children 6-19, 200%; Pregnant Women, 200%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 56%; Medically Needy, Couple, 44%.
- FLORIDA: Infants, 200%; Children 1-5, 133%; Children 6-19, 100%; Pregnant Women, 185%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 27%; Medically Needy, Couple, 27%.
- GEORGIA: Infants, 185%; Children 1-5, 133%; Children 6-19, 100%; Pregnant Women, 235%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 31%; Medically Needy, Couple, 35%.
- HAWAII: Infants, Children 1-5, 200%; Children 6-19, 200%; Pregnant Women, 185%; Supplemental Security Income Recipients, 69%; Medically Needy, Individual, 54%; Medically Needy, Couple, 54%.
- IDAHO: Infants, Children 1-5, 150%; Children 6-19, 150%; Pregnant Women, 133%; Supplemental Security Income Recipients 74%; No Medically Needy Program.
- ILLINOIS: Infants, 200%; Children 1-5, 133%; Children 6-19, 133%; Pregnant Women, 200%; Supplemental Security Income Recipients, 41%; Medically Needy, Individual, 42%; Medically Needy, Couple, 41%.
- INDIANA: Infants, Children 1-5, 150%; Children 6-19, 150%; Pregnant Women, 150%; Supplemental Security Income Recipients 76%; No Medically Needy Program.
- IOWA: Infants, 200%; Children 1-5, 133%; Children 6-19, 133%; Pregnant Women, 200%; Supplemental Security Income Recipients, 41%; Medically Needy, Individual, 72%; Medically Needy, Couple, 53%.
- KANSAS: Infants, 150%; Children 1-5, 133%; Children 6-19, 100%; Pregnant Women, 150%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 71%; Medically Needy, Couple, 53%.
- KENTUCKY: Infants, 185%; Children 1-5, 150%; Children 6-19, 150%; Pregnant Women, 185%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 32%; Medically Needy, Couple, 30%.
- LOUISIANA: Infants, Children 1-5, 200%; Children 6-19, 200%; Pregnant Women, 133%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 15%; Medically Needy, Couple, 21%.
- MAINE: Infants, 200%; Children 1-5, 150%; Children 6-19, 150%; Pregnant Women, 200%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 47%; Medically Needy, Couple, 38%.
- MARYLAND: Infants, Children 1-5, 200%; Children 6-19, 200%; Pregnant Women, 200%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 52%; Medically Needy, Couple, 43%.
- MASSACHUSETTS: Infants, 200%; Children 1-5, 150%; Children 6-19, 150%; Pregnant Women, 200%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 78%; Medically Needy, Couple, 72%.
- MICHIGAN: Infants, 185%; Children 1-5, 150%; Children 6-19, 150%; Pregnant Women, 185%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 61%; Medically Needy, Couple, 60%.

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- MINNESOTA: Infants, 280%; Children 1-5, 275%; Children 6-19, 275%; Pregnant Women, 275%; Supplemental Security Income Recipients, 70%; Medically Needy, Individual, 70%; Medically Needy, Couple, 64%.
- MISSISSIPPI: Infants, 185%; Children 1-5, 133%; Children 6-19, 100%; Pregnant Women, 133%; No Supplemental Security Income Recipients Program; No Medically Needy Program.
- MISSOURI: Infants, Children 1-5, 300%; Children 6-19, 300%; Pregnant Women, 185%; Supplemental Security Income Recipients 74%; No Medically Needy Program.
- MONTANA: Infants, Children 1-5, 133%; Children 6-16 100%; Children 17-19, 71%; Pregnant Women, 133%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 73%; Medically Needy, Couple, 54%.
- NEBRASKA: Infants, Children 1-5, 185%; Children 6-19, 185%; Pregnant Women, 185%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 58%; Medically Needy, Couple, 43%.
- NEVADA: Infants, Children 1-5, 133%; Children 6-16, 100%; Children 17-19, 89%; Pregnant Women, 133%; Supplemental Security Income Recipients 74%; No Medically Needy Program.
- NEW HAMPSHIRE: Infants, 300%; Children 1-5, 185%; Children 6-19, 185%; Pregnant Women, 185%; Supplemental Security Income Recipients, 76%; Medically Needy, Individual, 76%; Medically Needy, Couple, 71%.
- NEW JERSEY: Infants, 185%; Children 1-5, 133%; Children 6-19, 133%; Pregnant Women, 185%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 55%; Medically Needy, Couple, 48%.
- NEW MEXICO: Infants, Children 1-5, 235%; Children 6-19, 235%; Pregnant Women, 185%; Supplemental Security Income Recipients 74%; No Medically Needy Program.
- NEW YORK: Infants, 185%; Children 1-5, 133%; Children 6-19, 100%; Pregnant Women, 200%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 87%; Medically Needy, Couple, 94%.
- NORTH CAROLINA: Infants, 185%; Children 1-5, 133%; Children 6-19, 100%; Pregnant Women, 185%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 60%; Medically Needy, Couple, 50%.
- NORTH DAKOTA: Infants, Children 1-5, 133%; Children 6-19 100%; Pregnant Women, 133%; Supplemental Security Income Recipients, 65%; Medically Needy, Individual, 60%; Medically Needy, Couple, 50%.
- OHIO: Infants, Children 1-5, 200%; Children 6-19, 200%; Pregnant Women, 133%; Supplemental Security Income Recipients 64%; No Medically Needy Program.
- OKLAHOMA: Infants, Children 1-5, 185%; Children 6-19, 185%; Pregnant Women, 185%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 39%; Medically Needy, Couple, 36%.
- OREGON: Infants, Children 1-5, 133%; Children 6-19, 100%; Pregnant Women, 170%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 100%; Medically Needy, Couple, 100%.
- PENNSYLVANIA: Infants, 185%; Children 1-5, 133%; Children 6-16, 100%; Children 17-19, 71%; Pregnant Women, 185%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 63%; Medically Needy, Couple, 49%.
- RHODE ISLAND: Infants, Children 1-5, 250%; Children 6-19, 250%; Pregnant Women, 250%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 83%; Medically Needy, Couple, 66%.
- SOUTH CAROLINA: Infants, 185%; Children 1-5, 150%; Children 6-19, 150%; Pregnant Women, 185%; Supplemental Security Income Recipients 74%; No Medically Needy Program.
- SOUTH DAKOTA: Infants, Children 1-5, 200%; Children 6-19, 200%; Pregnant Women, 133%; Supplemental Security Income Recipients 74%; No Medically Needy Program.

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- TENNESSEE: Infants, Children 1-18 -, eligibility IS based on child's lack of insurance with no upper income limit; Pregnant Women, 185%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 26%; Medically Needy, Couple, 21%.
- TEXAS: Infants, 185%; Children 1-5, 133%; Children 6-19, 100%; Pregnant Women, 185%; Supplemental Security Income Recipients 74%; No Medically Needy Program.
- UTAH: Infants, Children 1-5, 133%; Children 6-19, 100%; Pregnant Women, 133%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 55%; Medically Needy, Couple, 50%.
- VERMONT: Infants, Children 1-5, 300%; Children 6-19, 300%; Pregnant Women, 200%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 110%; Medically Needy, Couple, 82%.
- VIRGINIA: Infants, Children 1-5, 133%; Children 6-19, 100%; Pregnant Women, 250%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 37%; Medically Needy, Couple, 34%.
- WASHINGTON: Infants, Children 1-5, 200%; Children 6-19, 200%; Pregnant Women, 185%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 78%; Medically Needy, Couple, 65%.
- WEST VIRGINIA: Infants, Children 1-5, 150%; Children 6-19, 100%; Pregnant Women, 150%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 30%; Medically Needy, Couple, 30%.
- WISCONSIN: Infants, Children 1-5, 185%; Children 6-19, 185%; Pregnant Women, 185%; Supplemental Security Income Recipients, 74%; Medically Needy, Individual, 86%; Medically Needy, Couple, 65%.
- WYOMING: Infants, Children 1-5, 133%; Children 6-16, 100%; Children 17-19, 67%; Pregnant Women, 133%; Supplemental Security Income Recipients 74%; No Medically Needy Program.

Additional Resources

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The Law of Health Care Organization and Finance, Fourth Edition. Furrow, Barry R., Greaney, Thomas L., et. al., West Group, St. Paul, 2001.

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