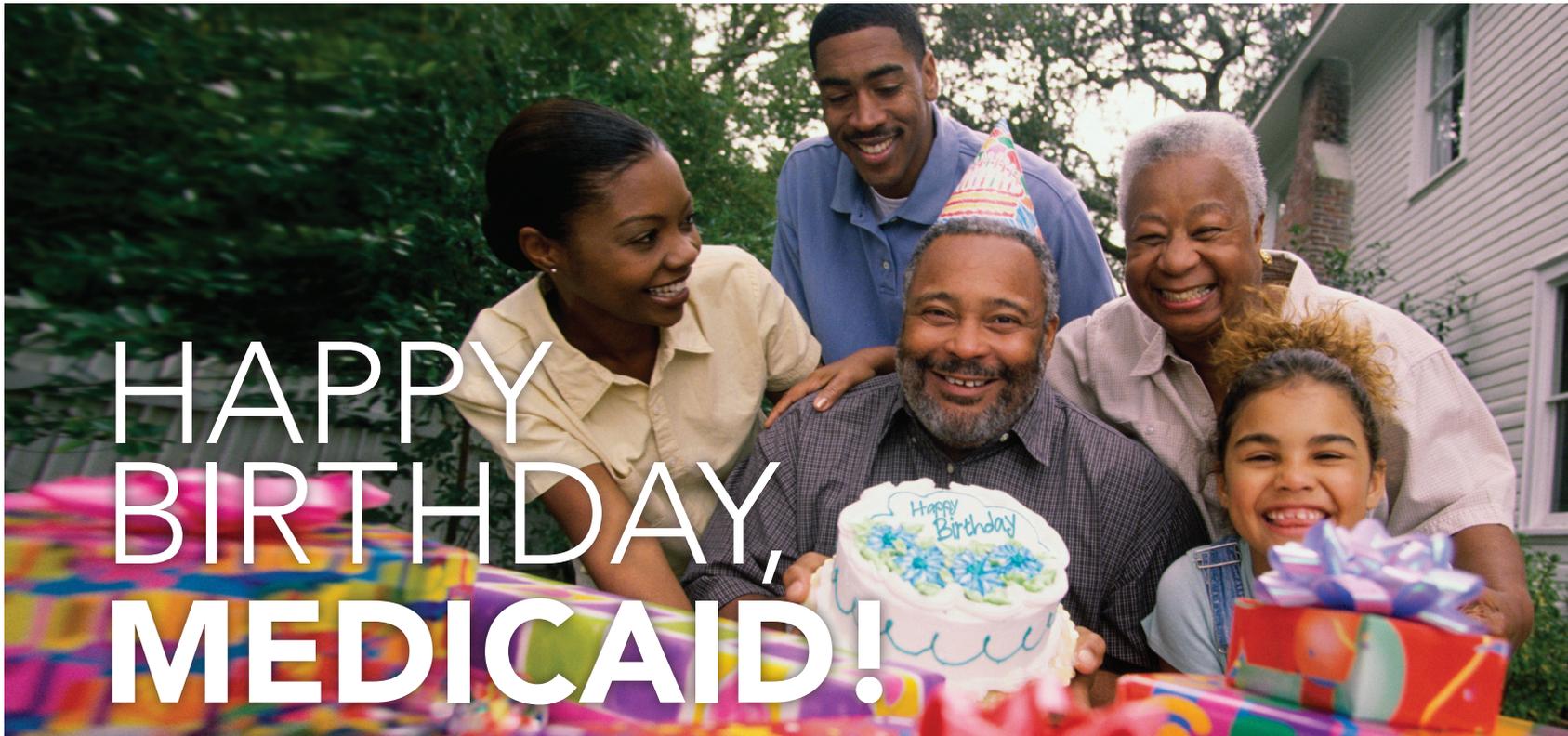


# JustSouth QUARTERLY



WINTER 2016



## The 50<sup>th</sup> Anniversary of Medicaid and Medicare

BY FRED KAMMER, S.J.

On July 30, 1965, President Lyndon B. Johnson signed into law the bill that led to the Medicare and Medicaid programs that we know today. Medicare is widely popular, especially among seniors, as the health insurance program that covers 52.3 million Americans: 43.5 million elders and 8.8 million people who are disabled.<sup>1</sup> Medicaid insures one in five Americans and one in three American children. Medicaid, as a “health welfare” program covering poor children, parents, elders, persons with disabilities, and others, continues to be controversial despite its many successes for the American people. This article traces its reach, impact, and costs.

### Beneficiaries of Medicaid

As reported by the Center on Budget and Policy Priorities (CBPP),<sup>2</sup> the Medicaid program reached 80 million low-income Americans in 2014 with essential health care services. This included 31 million children, 19 million adults (most of whom

were low-income working parents), 5 million seniors (many of whom receive nursing home care), and 9 million persons with disabilities. In terms of participation, 87.2 percent of the children who are eligible for Medicaid or the Children’s Health Insurance Program (CHIP) participate in the program, as do 65.6 percent of low-income adults with children who are eligible under the program guidelines.

In the Gulf South, Medicaid helps 11,677,200 persons, a majority of whom are children, elderly, or persons with disabilities:<sup>3</sup>

| AREA              | Total Beneficiaries | Children         | Elders           | Persons with Disabilities |
|-------------------|---------------------|------------------|------------------|---------------------------|
| Alabama           | 1,062,400           | 540,600          | 118,000          | 221,600                   |
| Florida           | 3,703,400           | 1,897,500        | 470,200          | 573,700                   |
| Louisiana         | 1,285,400           | 678,800          | 117,100          | 237,300                   |
| Mississippi       | 781,700             | 407,200          | 90,000           | 170,800                   |
| Texas             | 4,844,300           | 3,124,700        | 447,300          | 636,000                   |
| <b>Gulf South</b> | <b>11,677,200</b>   | <b>6,648,800</b> | <b>1,242,600</b> | <b>1,839,400</b>          |

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# HAPPY BIRTHDAY, MEDICAID!

## The 50<sup>th</sup> Anniversary of Medicaid and Medicare

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### Benefits of Medicaid Coverage

The benefits of Medicaid coverage vary for different beneficiaries and at different ages:

**First, Medicaid enrollment means that extremely low-income persons have health coverage that they could not otherwise afford for ordinary and chronic conditions.**

A landmark study in Oregon found that Medicaid beneficiaries were 40 percent less likely to have suffered a decline in health in the previous six months than similar people without health coverage. They also were more likely to “use preventive care (such as cholesterol screenings), to have a regular clinic where they could receive primary care, and to receive a diagnosis of and treatment for depression and diabetes.”<sup>4</sup>

**Second, as Americans age, Medicaid has provided many with multiple options for care.** It allows more seniors and people with disabilities to get the long-term care they need in nursing homes. For others, it has given them the chance to remain in their local communities instead of moving to a nursing home by providing access to other forms of in-home care.<sup>5</sup>

**Third, Medicaid has cut infant mortality significantly.** “The program’s coverage of pregnant women and children has been a major factor in reducing the country’s infant mortality rate—from 26 of every 1,000 births in 1960 to 6.1 in 2010.”<sup>6</sup>

**Fourth, Medicaid coverage of children has long-term benefits across their lifespans.** A recent study from Georgetown University showed three distinct results of Medicaid coverage for children: (a) a 26 percent decline in the incidence of high blood pressure in adulthood, as well as lower rates

of hospitalizations and emergency room visits in adulthood, and lower rates among adolescents of eating disorders, use of alcohol, and mortality; (b) a 9.7 percent decline in high school dropouts, and a 5.5 percent increase in graduation rates from college; and (c) higher incomes



later in life, greater economic mobility, incomes exceeding their parents, less reliance on safety net programs, and increased tax contributions.<sup>7</sup>

### Costs and Cost Effectiveness

Medicaid is funded by a combination of federal and state revenues. The federal government sets minimum standards for coverage, including the categories of people that all states must cover. Besides these minimum requirements, states determine whom they cover, what benefits they provide, and how they deliver health care services. As a result, Medicaid eligibility and costs vary substantially from state to state.

The federal share of the costs or “matching rate,” which has been largely unchanged for some years, is based on a formula that considers state economic conditions.<sup>8</sup> Total spending for Medicaid by federal and state governments (and U.S. territories), including administrative costs, in Fiscal Year 2014 was \$492.3 billion—60 percent from the federal government and 40 percent on average from the states, although in some

states the federal share was as high as 70 percent.<sup>9</sup> This compares to \$583.9 billion total expenditures (in FY 2013) for the Medicare program, which covers more than 25 million fewer people.<sup>10</sup>

In general, Medicaid administrative expenses are lower than private health insurance and have increased at a lower rate.<sup>11</sup> Medicaid’s costs per beneficiary are substantially lower than for private health insurance and have been growing more slowly, as well. Medicaid benefits are more comprehensive than private insurance with significantly lower out-of-pocket costs for beneficiaries. Medicaid’s lower payment rates to health care providers and lower administrative costs make the program very efficient, although lower payments

to providers cause some doctors and others to refuse to participate in the program. It costs Medicaid much less than private insurance to cover people of similar health status.<sup>12</sup>

From the point of view of Medicaid’s low-income beneficiaries, Medicaid coverage has an economic benefit as well. In 2010, for example, Medicaid raised 2.6 million people out of poverty, which is equivalent to a 0.7 percent drop in the poverty rate. According to CBPP: “Research from Oregon’s Medicaid program also shows that beneficiaries were 40 percent less likely to go into medical debt or leave other bills unpaid in order to cover medical expenses, and that Medicaid coverage nearly eliminated catastrophic out-of-pocket medical costs.”<sup>13</sup>

The health and economic benefits would be even greater if the five Gulf South states (and about 18 others) were to avail themselves of the significant expansion in Medicaid provided for under the Affordable Care Act and funded almost totally with federal dollars.

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## HAPPY BIRTHDAY, MEDICAID! The 50th Anniversary of Medicaid and Medicare

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### ENDNOTES

- <sup>1</sup> National Committee to Preserve Social Security and Medicare, *Fast Facts about Medicare*, at <http://www.ncpssm.org/Medicare/MedicareFastFacts> (accessed October 13, 2015).
- <sup>2</sup> Edwin Park, *Medicaid at 50: Ten Key Facts*, Center on Budget and Policy Priorities, July 30, 2015, at <http://www.cbpp.org/blog/medicaid-at-50-ten-key-facts> (accessed October 13, 2015).
- <sup>3</sup> Center on Budget and Policy Priorities, *Medicaid Works: State Fact Sheets*, July 10, 2015, at <http://www.cbpp.org/research/health/medicaid-works-state-fact-sheets> (accessed October 13, 2015). An additional 2 million persons in the Gulf South who are not children, elderly, or disabled are also covered by Medicaid.
- <sup>4</sup> Park, op.cit.
- <sup>5</sup> Families USA, *Medicaid: 50 Years of Helping States Achieve Health and Economic Gains*, at <http://familiesusa.org/blog/2015/07/medicaid-50-years-helping-states-achieve-health-and-economic-gains> (accessed October 13, 2015).
- <sup>6</sup> Ibid.
- <sup>7</sup> Georgetown University Health Policy Institute/Center for Children and Families, *Medicaid at 50: A Look at the Long-Term Benefits of Childhood Medicaid*, July 27, 2015, at <http://ccf.georgetown.edu/ccf-resources/medicaid-50-look-long-term-benefits-childhood-medicaid/> (accessed October 13, 2015).
- <sup>8</sup> Families USA, op. cit.
- <sup>9</sup> Henry J. Kaiser Family Foundation, *State Health Facts*, at <http://kff.org/medicaid/state-indicator/total-medicaid-spending/> (accessed October 13, 2015).
- <sup>10</sup> National Committee to Preserve Social Security and Medicare, *Fast Facts about Medicare*, at <http://www.ncpssm.org/Medicare/MedicareFastFacts> (accessed October 13, 2015).
- <sup>11</sup> Edwin Park, Matt Broaddus, Jessica Schubel, and Jesse Cross-Call, *Frequently Asked Questions About Medicaid*, Center for Budget and Policy Priorities, June 29, 2015, p. 1, at <http://www.cbpp.org/research/health/frequently-asked-questions-about-medicaid> (accessed October 13, 2015).
- <sup>12</sup> Ibid.
- <sup>13</sup> Park, *Medicaid at 50*, op. cit.

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