

STRENGTHEN SOCIAL SECURITY

...don't cut it.

Why Medicaid Is Important to Seniors

For over 50 years, Medicaid has provided vital health insurance protections to seniors in nursing homes and low-income Americans of all ages. Although the majority of Medicaid beneficiaries are children and working-age adults, Medicaid spends more money on long term care for seniors and people with disabilities than anything else.¹ In addition to the provision of long term care support and services, Medicaid also finances critical acute care for our nation's low-income seniors who cannot afford Medicare's out-of-pocket costs and who struggle to meet basic costs of living, let alone health care costs.

Medicaid is not just important to seniors with already low incomes, but for middle class and relatively well-off seniors as well. Because the United States lacks affordable long-term care services, Medicaid has become the default insurer for long-term care for seniors of all income levels. Even well-off and middle class seniors faced with long-term care and nursing home costs are forced to rely on Medicaid to cover these services. These seniors often "spend down" to Medicaid's stringent income and assets levels in order to obtain the long term care they need. As a result, Medicaid has become essential to ensuring that all of our nation's seniors, regardless of income, can receive much needed health care coverage.

Why Medicaid Works for Seniors

Although Medicare is more commonly known as the nation's primary health insurer for Americans ages 65 and older, Medicaid today provides critical and irreplaceable health care coverage to our nation's seniors. In 2015, 6 million seniors received health care services through Medicaid.² And while seniors account for just 1 in 12 (8 percent) of those receiving Medicaid, the protections that they receive are significant—14 percent of all Medicaid spending goes to healthcare services for our nation's seniors.³ In order to receive coverage under Medicaid, these seniors must meet stringent income and asset limits—typically the same eligibility limits as those required for Supplemental Security Income (SSI).⁴

Several aspects of Medicaid make the program especially vital to our nation's seniors:

- **Protection against high out-of-pocket costs.** Medicaid helps to shoulder the burden of Medicare's high out-of-pocket costs for seniors that live in or near poverty. For seniors living at or below the monthly federal poverty limit, Medicaid pays for Medicare premiums and cost-sharing obligations. Medicaid also provides assistance in paying Medicare premiums for seniors living just above the poverty line (typically those with incomes of 100-120 percent of the federal poverty limit).⁵
- **Coverage of critical services.** In addition to assisting low-income seniors with out-of-pocket healthcare costs, Medicaid provides coverage for a range of critical healthcare services that are not covered by Medicare. These services, which are especially vital to seniors, include prescription drugs, eyeglasses, and hearing aids.⁶ Medicaid ensures that seniors who already struggle to cover their basic costs of living do not have to forgo these important healthcare services.

- **Long-Term care.** The Centers for Medicare and Medicaid Services estimate that at least 70 percent of Americans ages 65 and older will one day need long-term care services and supports,⁷ which include nursing facilities, home health aides, personal care, and family caregiving. Because Medicare’s coverage of long-term care is extremely limited, and similar coverage under private insurance is typically unaffordable, seniors with chronic conditions who require assistance with daily living often exhaust their resources paying for long-term care services. For these seniors, Medicaid is often the insurer of last resort.⁸ Long-term care is one of Medicaid’s most critical, and invaluable, protections for our nation’s seniors. Indeed, one-fifth of Medicaid’s overall budget is spent on long term care.⁹
- **Nursing home services.** In addition to covering long-term care, Medicaid provides critical coverage for seniors who rely on nursing home care. Such coverage is usually expensive, especially for seniors with limited means—according to a 2015 survey, the typical annual cost of a semi-private room in a nursing home is \$80,300.¹⁰ Without Medicaid, seniors living in or near poverty would be forced to forego much-needed nursing home care.

Medicaid’s Long-Term Care Protections are Irreplaceable for Seniors of All Income Levels

The United States faces a long-term care affordability crisis. Virtually all Americans lack access to affordable long-term care, especially today’s seniors. Medicare does not provide long-term care coverage, and private insurance coverage is often too expensive, even for those with higher assets and resources. As a result, Medicaid has become the default provider for long-term care for seniors of all income levels. Even relatively well-off and middle class seniors are forced to divest their assets and spend down in order to meet Medicaid’s stringent income and asset requirements.

The numbers of seniors who will likely rely on Medicaid to cover their long-term care needs is significant—an estimated 70 percent of Americans ages 65 and older will one day need long-term care services and supports.¹¹ Given that more than half (52 percent) of the nation’s working age households are expected to be unable to maintain their standard of living in retirement even before taking into account their healthcare needs and expenses,¹² the vast majority of Americans will likely depend on Medicaid to cover this care.

Medicaid’s long-term care protections are invaluable, and must be maintained, not only for already low-income seniors, but for middle class seniors who lack access to affordable coverage for long-term care services and supports. In addition to maintaining Medicaid’s invaluable protections for these seniors, policymakers should begin expanding our nation’s long-term care infrastructure to reflect the needs of today’s retirees, and tomorrow’s. Medicare should be expanded to include affordable long-term care coverage for our nation’s seniors, to ensure that no one is forced to spend down their incomes or divest their assets in order to receive much-needed care.

Cuts to Medicaid Hurt Seniors

Because Medicaid is operated jointly by states and the federal government, Medicaid coverage and eligibility for seniors already varies from state to state. Yet oversight and funding from the federal government ensure that all states provide coverage for a guaranteed set of benefits, including doctor and certified nurse practitioner services; inpatient and outpatient hospital services; laboratory and x-ray services; rural health clinic/federally qualified health center services; and nursing facility and home

health care.¹³ States can provide coverage for additional services, but all seniors living in or near poverty have access to these critical core services, regardless of their state of residence.

Proposals to cut Medicaid by replacing federal funding with per capita caps or block grants to the states would significantly cut Medicaid's federal funding and harm low-income seniors. For example, a per capita cap on federal Medicaid funding, as proposed in the GOP's "Trumpcare" legislation, would shift \$116 billion in Medicaid costs to the states over the next decade.¹⁴ And while proposals to block grant Medicaid claim to offer states greater flexibility, the removal of federal oversight would also give states significant power to restrict eligibility and cut benefits.¹⁵ In the absence of federal oversight, there is no guarantee that Medicaid's vital protections for seniors—in particular, the irreplaceable long-term care coverage it provides—will be maintained. Moreover, efficiencies that are gained from a system that has some commonality across the nation would be lost, as well.

These cuts to Medicaid are not only harmful to our nation's seniors; they are also unnecessary. Medicaid is already extremely cost-effective: from 1987 to 2014, Medicaid spending per beneficiary grew at an average of 4.2 percent per year, compared to 7 percent for private insurance.¹⁶ And Medicaid spending is expected to continue growing at slower rates than private insurance over the coming years, despite the need to administer costly and complicated means tests. Moreover, beyond basic requirements to provide a core set of services to specific populations, states already have significant flexibility in designing and executing their Medicaid programs. Converting Medicaid into a block grant or placing per capita caps on spending would not provide states more flexibility, but would likely force them to carry a greater share of Medicaid costs and to cut services and limit eligibility.¹⁷

Medicaid's Promise to Seniors Must Be Kept

Medicaid is a critical component of our nation's anti-poverty infrastructure, and has played a significant role in ensuring that Americans living in or near poverty do not have to forgo critical, and sometimes lifesaving, healthcare services. For over five decades, Medicaid has been a promise to Americans of all ages that poverty will never be a barrier in accessing necessary and critical healthcare services. This promise is especially important to our nation's seniors.

Seniors who receive Medicaid are among our nation's most vulnerable: they often have the greatest healthcare needs and already have insufficient incomes and resources to cover their daily costs of living, let alone the out-of-pocket healthcare costs required by Medicare. Many with debilitating and chronic conditions have exhausted all other resources, and rely on Medicaid as an insurer of last resort. Medicaid shields these seniors from high healthcare costs, which would otherwise exhaust their limited resources, and ensures that they can receive vital care regardless of income.

While Medicaid is critical to seniors who already have low incomes, middle class and well-off seniors rely on its protections as well. The vast majority of our nation's seniors do not have access to affordable, sufficient coverage for long-term care services and supports, and many are forced to spend down and divest their assets in order to receive coverage for such care through Medicaid. In the absence of other affordable coverage options for long-term care, cuts to Medicaid are simply unaffordable—and unacceptable—for all of our nation's seniors.

¹ Center on Budget and Policy Priorities, "Policy Basics: Introduction to Medicaid," August 16, 2016. <http://www.cbpp.org/research/health/policy-basics-introduction-to-medicaid>

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- ⁴ Most states use the same eligibility rules as the Social Security Administration’s rules for Supplemental Security Income (SSI) to determine eligibility for Medicaid. Eleven states (Connecticut, Hawaii, Illinois, Indiana, Minnesota, Missouri, New Hampshire, North Dakota, Ohio, Oklahoma, and Virginia) have differing eligibility rules. Social Security Administration, “What is Medicaid?” accessed November 23, 2016. <https://www.ssa.gov/disabilityresearch/wi/medicaid.htm>
- ⁵ Molly O’Malley Watts, Elizabeth Cornachione, and MaryBeth Musumeci, “Medicaid Financial Eligibility for Seniors and People with Disabilities in 2015,” The Henry J. Kaiser Family Foundation, March 1, 2016. <http://kff.org/report-section/medicaid-financial-eligibility-for-seniors-and-people-with-disabilities-in-2015-report/>
- ⁶ Medicaid.gov, “Seniors & Medicare and Medicaid Enrollees,” accessed November 23, 2016. <https://www.medicaid.gov/medicaid/eligibility/medicaid-enrollees/index.html>
- ⁷ Centers for Medicare and Medicaid Services, “Medicare and You 2015,” September 2014. https://www.medicare.gov/pubs/ebook/pdf/Medicare_and_You-2015.pdf
- ⁸ Erica L. Reaves and MaryBeth Musumeci, “Medicaid and Long-Term Services and Supports: A Primer,” The Henry J. Kaiser Family Foundation, December 15, 2015. <http://kff.org/medicaid/report/medicaid-and-long-term-services-and-supports-a-primer/>
- ⁹ MACPAC, “MACStats: Exhibit 17. Total Medicaid Benefit Spending by State and Category, FY 2015 (millions),” December 2016. <https://www.macpac.gov/wp-content/uploads/2015/01/EXHIBIT-17.-Total-Medicaid-Benefit-Spending-by-State-and-Category-FY-2015-millions.pdf>
- ¹⁰ Genworth, “Genworth 2015 Cost of Care Survey,” 2015. https://www.genworth.com/dam/Americas/US/PDFs/Consumer/corporate/130568_040115_gnw.pdf
- ¹¹ Centers for Medicare and Medicaid Services, “Medicare and You 2015,” September 2014. https://www.medicare.gov/pubs/ebook/pdf/Medicare_and_You-2015.pdf
- ¹² Alicia H. Munnell, Wenliang Hou, and Anthony Webb, “NRRI Update Shows Half Still Falling Short,” Center for Retirement Research at Boston College, no. 14-20, December 2014. http://crr.bc.edu/wp-content/uploads/2014/12/IB_14-20-508.pdf
- ¹³ Center on Budget and Policy Priorities, “Policy Basics: Introduction to Medicaid,” August 16, 2016. <http://www.cbpp.org/research/health/policy-basics-introduction-to-medicaid>
- ¹⁴ Edwin Park, “House GOP Medicaid Provisions Would Shift \$370 Billion in Costs to States Over Decade,” Center on Budget and Policy Priorities, March 7, 2017. <http://www.cbpp.org/blog/house-gop-medicaid-provisions-would-shift-370-billion-in-costs-to-states-over-decade>
- ¹⁵ Edwin Park, “Medicaid Block Grant Would Slash Federal Funding, Shift Costs to States, and Leave Millions More Uninsured,” Center on Budget and Policy Priorities, November 30, 2015. <http://www.cbpp.org/research/health/medicaid-block-grant-would-slash-federal-funding-shift-costs-to-states-and-leave>
- ¹⁶ Edwin Park, Matt Broaddus, Hannah Katch, and Jesse Cross-Call, “Frequently Asked Questions About Medicaid,” Center on Budget and Policy Priorities, August 10, 2016. <http://www.cbpp.org/research/health/frequently-asked-questions-about-medicaid>
- ¹⁷ Edwin Park, “Medicaid Block Grant Would Slash Federal Funding, Shift Costs to States, and Leave Millions More Uninsured,” Center on Budget and Policy Priorities, November 30, 2015. <http://www.cbpp.org/research/health/medicaid-block-grant-would-slash-federal-funding-shift-costs-to-states-and-leave>