

CHAPTER 9

MEDICAID

HEALTH CARE FOR LOW- AND MIDDLE- INCOME AMERICANS

When Medicaid started in 1965, good-hearted Americans wanted it to help a limited number of low-income people younger than 65 pay for their basic health care needs.

Medicaid entitled people with few financial assets to access a basic set of necessary health care services. From its original limited mission, however, it has exploded into an extended maze of overlapping programs that deliver health care services to more than 36.5 million people....

QUALIFYING INCOME LEVELS

States set their own income and asset guidelines for those who qualify for Medicaid. Some states pay benefits to people who have incomes up to 150 percent of the federal poverty threshold. Other states provide Medicaid to middle-income persons earning as much as 275 or even 280 percent of the federal poverty threshold (see Table 1 on the next page).

In a single-parent family with three children younger than 18, the poverty threshold for 2005 is \$19,350. This family could receive Medicaid health care coverage if the family income was as high as \$53,213 in some states. There may be additional government programs to help pay other health care costs not covered by Medicaid. As well, these families are often eligible for other government programs, such as food stamps, rent subsidies, educational programs, and job training. The definition of needy has obviously changed radically since Medicaid's inception. So has the definition of basic health care benefits....

TIME TO CHANGE

Governments spent more than \$766 billion¹⁴ for health care in 2003. That amounts to 46 percent of all health care spending. As of the end of 2003, there were 130 million working

Americans and another 10.3 million self-employed people. These 140.3 million people pay the bulk of Medicare and income taxes. The cost of these programs average \$5,460 per working person each year. A portion of these payments are, of course, recovered through Medicare and Medigap premiums, co-payments and co-insurance. Even if these payments covered 50 percent of the cost, the working person and his or her employer would still be responsible for \$2,800 a year in various taxes to subsidize health care for other people. Working families and their employers are already paying thousands of dollars a year in health insurance premium, and also carry the tax burden of those who receive government health care benefits.

The simple fact is that 77 million Americans use Medicare and Medicaid programs and the costs are skyrocketing....