Fact Sheet

Myths about the Medicaid Program and the People It Helps

This fact sheet addresses common misconceptions about Medicaid, a program that serves as an effective safety net for those who are unable to pay for health and long-term care.

Introduction

Medicaid is a federal/state partnership that does much more than provide health insurance for the poor. Medicaid is our nation's largest health insurer, covering one in six Americans. It covers two-thirds of nursing home residents,[1] one in five persons under age 65 with chronic disabilities,[2] more than one-quarter of children,[3] and well over one-third of all births.[4]

A look at the facts about Medicaid shows common misconceptions about the program are simply myths.

***Myth # 1*: Anyone who is poor can receive Medicaid.**

Facts: Millions of Americans, no matter how poor, cannot receive Medicaid because they do not fit into a federally recognized eligibility category.[5] The majority of those excluded are adults who do not fit into one of these categories: low-income pregnant women; low-income adults caring for dependent children; low-income persons age 65 and older; and low-income people with "qualifying" disabilities. Some states provide much-needed coverage to adults without dependent children through "special" waivers; however, in 2006, 55 percent of uninsured adults under age 65 with income at or below the federal poverty level were not "categorically" eligible for Medicaid.[6]

***Myth # 2*: Most Medicaid beneficiaries are on welfare.**

Facts: The vast majority of persons enrolled in Medicaid today receive no cash welfare assistance.[7] Instead, Medicaid has evolved into a health insurance program that provides a safety net for the working poor and their children who otherwise would not have insurance.

***Myth # 3*: Most Medicaid beneficiaries are not working.**

Facts: In 2007, 62 percent of all noninstitutionalized Medicaid beneficiaries lived in families where one or more persons worked.[8] Workers were typically employed in low-wage jobs that did not offer employer-sponsored health insurance coverage, or that offered coverage that their workers could not afford. Between 2002 and 2007, the percentage of the population that had employer-sponsored health insurance coverage decreased from 62 percent to 59 percent.[9]

***Myth # 4*: Hardworking middle-class people who save for their retirement years will not need to rely on Medicaid for long-term care.**

Facts: Medicare and private health insurance do not cover most long-term care (LTC) expenses,[10] making Medicaid the "safety net" for many middle-income persons. To receive Medicaid LTC services, these individuals must become

impoverished and deplete almost all of their assets.[11]

In 2008, the average private pay cost of nursing home care was about $76,000 per year for a private room and $68,000 for a semiprivate room. For services in the community, the average private rate for a home health aide in 2008 was $19 per hour.[12]

Myth # 5: **Family caregivers don't care for their own anymore, and simply rely on Medicaid.**

Facts: More than 90 percent of persons age 65 and older with disabilities who receive help with daily activities are helped by unpaid informal caregivers; 66 percent receive no paid care at all, relying entirely on informal caregivers. [13]

The estimated economic value of informal caregivers' contributions in 2006 ($350 billion) exceeded total Medicaid spending for both health care and LTC ($299 billion in 2006).[14]

Myth # 6: **Medicaid could save lots of money if it cracked down on rich older people who hide their assets to get on Medicaid.**

Facts: Most states permit Medicaid beneficiaries to keep no more than about $2,000 in liquid assets. The value of the home generally is exempt (provided equity does not exceed $500,000 or, at state discretion, $750,000). Eligibility is denied if the applicant has transferred assets in order to qualify for Medicaid. The state looks back five years to determine whether asset transfer rules have been abused.

The Deficit Reduction Act of 2005 implemented strict new policies that prevent people who transferred assets – even for legitimate purposes – from accessing Medicaid coverage for LTC. Medicaid also has a program for recovering the value of LTC services from the estates of deceased beneficiaries.

Myth # 7: **Once you qualify for Medicaid, the government pays for all your care.**

Facts: Medicaid nursing home residents contribute all of their income to help pay for their care, minus a "personal needs allowance" of between $30 and $50 per month in most states. This allowance typically is used to pay for necessities such as laundry, clothing, and toiletries.

Myth # 8: **Medicaid is providing "Cadillac" services that need to be scaled back.**

Facts: Medicaid provides only medically necessary care and serves a poorer, sicker, frailer, and more disabled population than private sector plans do.[15] While persons with higher income can often subsidize their coverage with their own money, low-income Medicaid beneficiaries cannot.

Medicaid is often the only option for persons with severe disabilities who need LTC, and the LTC benefits Medicaid covers are not luxurious. For example, Medicaid reimbursement rates for nursing home care (about $160 per day on average in 2007) are lower than those paid by persons paying privately ($181 per day for a semiprivate room in 2007).[16]

Myth # 9: **Medicaid is unsustainable because of the demographic changes beginning in the next few years.**

Facts: Growth in demand for Medicaid LTC services for older persons is likely to be slow to negative in the near term. In fact, the number of nursing home residents for whom Medicaid is the primary payer declined by 5 percent (from about 970,000 to 920,000) between 2000 and 2007, even as the total number of nursing home residents remained constant at 1.44 million.[17]

Significant demand for LTC services for the Boomers is 15 to 20 years in the future. The oldest Boomers will turn 65 in 2011, but the average age of both long-stay nursing home residents[18] and assisted living residents[19] is 85. The next groups

of older people to need LTC (parents of the Boomers) will be smaller than the groups preceding them, and they have lower rates of widowhood and childlessness.

Myth # 10: **Medicaid spending is out of control because undocumented immigrants are allowed to access the program.**

Facts: Federal law strictly prohibits undocumented immigrants from receiving federally funded services under Medicaid and the State Children's Health Insurance Program, except to help hospitals pay for emergency treatment that they are federally required to provide to everyone.[20] The federal government requires every state to document the citizenship of every Medicaid applicant and existing beneficiary before access to care through Medicaid.[21]

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[1] Charlene Harrington, Helen Carrillo, and Brandee W. Blank. *Nursing Facilities, Staffing, Residents and Facility Deficiencies, 2001 Through 2007*. San Francisco: University of California, 2008.

[2] Kaiser Commission on Medicaid and the Uninsured. *Medicaid's Role for People with Disabilities.* Washington, DC: Author, 2003.

[3] U.S. Census Bureau. *Income, Poverty and Health Insurance Coverage in the United States: 2007*, P60-235. Washington, DC: Author, 2008.

[4] Laura Matthews. *Maternal and Child Health Update 2005: States Make Modest Expansions to Health Care Coverage*, NGA Center for Best Practices, Table 1, 2006. www.nga.org/Files/pdf/0609MCHUPDATE.PDF, accessed November 3, 2008.

[5] Stan Dorn. *Millions of Low-Income Americans Can't Get Medicaid: What Can Be Done?* Washington, DC: AARP Public Policy Institute, September 2008.

[6] Ibid.

[7] Vernon Smith, Kathleen Gifford, Eileen Ellis, Robin Rudowitz, Molly O'Malley, and Caryn Marks. *Headed for a Crunch: An Update on Medicaid Spending, Coverage and Policy Heading into an Economic Downturn. Results from a 50-State Medicaid Budget Survey for State Fiscal Years 2008 and 2009.* Washington, DC: Kaiser Commission on Medicaid and the Uninsured, Author, September 2008.

[8] AARP Public Policy Institute analysis of U.S. Census Bureau, Current Population Survey, March 2008.

[9] U.S. Census Bureau. *Income, Poverty and Health Insurance Coverage in the United States.*

[10] Medicare covers medically necessary home health care, but beneficiaries must be homebound and need skilled care. It also pays for 21 days of skilled rehabilitative nursing home care for beneficiaries with skilled care needs who have had a prior hospital stay of at least three days, as well as a very limited amount for days 21–100.

[11] Most Medicaid nursing home residents are widowed, divorced, or never married. For those with a spouse living in the community, there are some protections for spousal assets. In 2008, the institutionalized spouse can protect up to $1,750 to $2,610 per month in income and $20,880 to $104,400 in assets for the benefit of the community spouse. The exact amount varies by state.

[12] Genworth Financial. *2008 Cost of Care Survey*. *www.genworth.com/costofcare, accessed November 3, 2008.*

[13] B. Spillman and K. Black. *Staying the Course: Trends in Family Caregiving*, 2005-17.. Washington, DC: AARP Public Policy Institute, November 2005.

[14] M. J. Gibson and A. Houser. *Valuing the Invaluable: A New Look at the Economic Value of Family Caregiving*, Issue Brief, IB 82. Washington, DC: AARP Public Policy Institute, June 2007. **Note**: Updated estimates are forthcoming in November 2008.

[15] Kaiser Commission on Medicaid and the Uninsured. *Ten Myths about Medicaid.* Washington, DC: Author, 2005.

[16] Medicaid rates are AARP Public Policy calculations based on *2008 University of North Texas Survey of 2007 Medicaid NF Reimbursement*, funded by the U.S. Department of Housing and Urban Development, unpublished data based on private communication with James Swan, October 31, 2008. Private pay rates are from Genworth Financial, *2007 Cost of Care Survey*.

[17] AARP Public Policy calculations based on Helen Carillo and Charlene Harrington, unpublished

analysis of CMS Online Survey, Certification, and Reporting (OSCAR) database.

[18] J. Kasper and M. O'Malley. *Changes in Characteristics, Needs, and Payment for Care of Elderly Nursing Home Residents: 1999 to 2004*. Washington, DC: The Henry J. Kaiser Family Foundation, 2007.

[19] American Association of Homes and Services for the Aging, American Seniors Housing Association, Assisted Living Federation of America, National Center for Assisted Living, and the National Investment Center for Seniors Housing and Care Industry. *2006 Overview of Assisted Living*. Washington, DC: Author, 2006.

[20] Kaiser Commission on Medicaid and the Uninsured. *Medicaid and SCHIP Eligibility for Immigrants*. Washington, DC: Author, April 2006.

[21] United States Government Accountability Office. *Medicaid: States Reported that Citizenship Documentation Requirement Resulted in Enrollment Declines for Eligible Citizens and Posed Administrative Burdens*. Washington, DC: Author, June 2007.

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