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MEDICAID

By Marjorie Dion, M.A., LWVNWV, June, 2017

Prior to the Industrialized Age, people who were ill were treated by family members, itinerant doctors, or just plain quacks. Although there were hospitals, these institutions were regarded as places to go to die. Medical treatments were cheap and mostly ineffective. As America industrialized, charities, often religiously based, began to offer health care to ill or injured workers paid for by donations and employers. These charities often helped the less fortunate as well.

Some early forms of health insurance were introduced during the 1930's responding to more expansive and improved medical training, and care as well as hospitalization. Most healthcare was still provided by charities.

During and after WWII, there were dramatic improvements in both healthcare and medications. Western Europe, recovering from the devastation of war, chose to use government to help provide healthcare to their people. This resulted in various forms of socialized medicine. The U.S. chose not to go this route, fearing socialism which might lead to communism. Both political parties were in agreement with this position.

During WWII, the foundation of our present system of employer based insurance coverage arose out of the National War Labor Boards freezing of wages and salaries. This occurred at a time of robust economic growth. Since companies could not entice new workers with better wages, they found that health insurance benefits were a highly-prized benefit. Congress soon allowed companies to deduct the cost of provided health insurance from their taxes. Between 1940 and 1955, insured employees increased from 10% to 60%. To provide this service, insurance carriers needed to make a profit. This employer based, profit motivated insurance provided the foundation of our present healthcare system.

- **The development of present-day Medicaid,** occurred in 1965 when both Medicare and Medicaid were introduced through an amendment to Social Security under Democratic President Lyndon Johnson. Most Republicans and virtually all Southern Democrats opposed this change. Medicare is a federally funded program offering healthcare to

citizens 65 or older. Medicaid is a program jointly funded by the federal and state governments. It was originally designed to help low income children, pregnant women and individuals with disabilities. Although initially opposed by Republicans, the Party supported this program as well as Medicare allowing both programs critical modifications over time. (An American Sickness), Elisabeth Rosenthal, Penguin Press, 2017

MEDICAID AND THE AFFORDABLE CARE ACT (ACA) 2010

In 2010, 48 million Americans were not covered with health insurance. Within a few years after the passage of the ACA, the uninsured number fell to 28.6 million. Today, Medicaid covers 74.6 million American adults and children. Children are covered by CHIP (Children's Health Insurance Program). Nearly 1 in 5 Americans are covered through Medicaid: 33 million children, 10 million elderly and disabled and over 4 million in long-term care. These categories comprise a large proportion of Medicaid recipients. The program provides care for maternity and pediatric care, assistance for disabled adults and children, nursing home care as well as support services covering mental illness and addiction disorders. (http://www.kff.org/health-reform/issue-brief/medicaid-moving-forward/)

Medicaid is funded jointly by the federal and state governments. It comprises 17% of all state budgets and 9% of all federal spending. Federal monies are received from taxes on individuals at the top percentile of American income. Additional revenues come through taxes on health insurers, pharmaceutical companies and manufacturers of medical devices. The rest of the funding is derived from state taxes. Because of their contributions, states are given wide leeway in establishing installment and administrative procedures. (http://www.cbpp.org/research/state-budget-and-tax/policy-basics-where-do-our-state-tax-dollars-go)

What benefits are covered for Medicaid beneficiaries through the ACA?

- Essential Benefits: These include coverage for maternity, emergency services, hospitalization, and include insurance for disabled children and adults as well as mental and addiction services. For (https://en.m.wikipedia.org/wiki/Essential_health_benefits) Medicaid pays for nearly half of all childbirths in America as well as 2/3rds of the care of nursing home patients. (https//: www.cms.gov/Medicare-Medicaid-Coordination/Fraud-Prevention/Medicaid-Integrity-Education/Downloads/nursinghome-beneficiary-factsheet.pdf)

- Individual Mandate: All citizens must have health insurance.

- Community Rating: People with pre-existing conditions would not pay more for insurance than those without these conditions.

- Among many other benefits, there is an emphasis on prevention and public health support at the local, state and federal levels. Hospitals in areas with large Medicaid populations, often in rural areas, also receive additional financial support.

The ACA expanded Medicaid coverage to childless adults with incomes up to 138% of the FPL (Federal Poverty Level). This includes individuals making $15,417 or a family of 3 making $26,347 annually. (https://www.americanprogress.org/issues/healthcare/news/2013/04/02/58922/10-frequently-asked-questions- n/about-medicaid-expansion/) Thirty- two states, including D.C. joined increasing coverage to an additional 11million people.

In NFIB vs. Sibelius, 2012, the Supreme Court ruled that the although the ACA was constitutional, mandatory expansion was not since it was deemed coercive. However, if states wished to join the expansion they were free to do so.

Ninety -one percent of states that did not expand coverage are located in the South. Those not covered are: White (43%), Black (30%) and Hispanic (22%). (http://www.kff.org/disparities-policy/issue-brief/the-impact-of-the-cvoverage-gap-in-states-not-expanding-medicaid-by-race-and-ethnicity/)

The effects of passage of the ACA and its expansion are significant in terms of positive health results. For example, The New England Journal of Medicine's 2012 study shows that for every Four-hundred and forty-seven people covered by insurance, one life is saved. With 74.5 million Medicaid citizens covered, this means tens of thousands of lives were saved. (https://www.washingtonpost.com/posteverything/wp/2017/01/23/repealing-the-affordable-care-act-will-kill-more-than-43000-people-annually/?utm_term+.21a27fb4383e) Those not covered under expansion would suffer as a result. American productivity could only improve with a healthier population.

THE HOUSE OF REPRESENTATIVES PROPOSED AFFORDABLE HEALTHCARE ACT (AHCA) 2017 AND ITS EFFECT UPON THE ACA AND MEDICAID

The AHCA Act (https://www.vox.com/policy-and-politics/2017/5/3/15531494/american-health-care-act-explained) passed by the House of Representatives in 2017 fulfilled a nearly decade old promise of Republicans to their constituents to repeal and replace the ACA. The party also wanted to eliminate, among other things, the tax liability of affluent Americans as well as insurance companies and corporations. If this bill passes in its current form, these groups would see a trillion dollar decrease in taxation over a 10-year period. The Senate version recently made some modifications allowing some taxation on the wealthy to help fund their bill, but permits tax exemptions for other entities.

The ACA's portion on Medicaid is costly. The AHCA would cut up to $883 billion of this cost over a 10 -year period. Supporters of the bill would also like to see the deficit cut by $137 billion over that same 10 -year period.

Republicans would also like to increase access and secure lower premiums by allowing people to choose what health care they do or do not want. Supporters want citizens to take responsibility for their own healthcare rather than relying upon the government.

Financial funding of the AHCA: Since federal funding would not come from taxation, financing could come through per capita caps. Starting in 2020, the federal government would provide states with a flat capped rate of funding for each person enrolled in Medicaid. This would be based upon past state history but with a lower growth metric than the actual annual consumer price index. Or states could choose a block grant from the federal government. Very basic Medicaid coverage would need to come out of the grant, but remainder monies could be used by the states for any reason. Since states have to balance their budgets annually, there could be the temptation to the use the excess to help pay for deficits. If block grants are chosen, the state has to keep them for 10 years and would be prohibited from using the money for family planning.

Medicaid recipients covered under expansion could keep their coverage unless they drop out for 30-60 days. They could rejoin later but with a serious financial penalty.

Insurance for these plans would wind down by 2020 with the federal government no longer funding the program. Expansion states could continue coverage, but would have to pay for it out of state funds.

To help the neediest Medicaid recipients such as nursing home residents or disabled children and adults, federal pools would be set up. Under the AHCA a $100 billion fund for 10 years would be available. There is a general feeling by legislators that more money would be needed.

Other AHCA changes to the ACA impacting on Medicaid:

- The Individual Mandate requires all Americans to have health insurance would be abolished. Pre-existing conditions under Community Rating could be offered, though states would be allowed to waive out of the insurance. This omission would allow insurers to increase premiums for people with pre-existing conditions.

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- Essential Benefits would be covered unless a state wishes to waive coverage. If waived, maternity and newborn care as well as mental health would no longer be covered. Substance abuse disorders, including opioid addiction which alone killed 59,000 Americans in 2016, would be eliminated.(https://www.nytimes.com/interactive/2017/06/05/upshot/opioid-epidemic-drug-overdose-deaths-are-rising-faster-than-ever.html) The result of not having this coverage

would be deadly. Additionally, Medicaid recipients would be unable for one year to use Planned Parenthood which provides health services in hundreds of communities, including rural areas, around the country. Decades ago, the Hyde Amendment disallowed federal funds for abortions, so this is not the reason why Planned Parenthood was prohibited. (https://peltiertech.com/chart-busters-what-planned-parenthood-actually-does/)

- Older Americans could be charged more than 5 times more than a younger person for healthcare. For example, a 64-year-old man making $26,500 would pay $1,700 for coverage under the ACA due to subsidies. Under the AHCA, his annual premium would be $14,600. (http://money.cnn.com/2017/03/13/news/economy/cbo-premiums-republican-health-care-plan/index.html)

- Work Requirements: With certain exemptions (children, the elderly, disabled and pregnant women), all Medicaid recipients would be required to get a job. This requirement appears to pre-suppose that Medicaid is a welfare program, not a form of social insurance. There is a clear implication that recipients do not work or may not be willing to work. However, over 60% of non -disabled adults do work. Their jobs are low paying and do not offer health insurance or, if offered, is too expensive for these workers to purchase. Those who don't work often face significant roadblocks, lacking reliable transportation or child care. Others may be caring for ill or elderly family members. Some may have criminal records making it difficult to get work. (https://www.nytimes,com/2017/02/25/health/medicaid-work-requirement.html) Administration of these work requirements would be costly.

CBO REPORT ON THE AHCA:

In 2018 14 million more people will be uninsured under the AHCA than the ACA due to projected higher premiums and repeal of penalties associated with the Individual Mandate.

In 2026 that number will rise to 23 million people uninsured.

Bottom line: In 2026, an estimated 51 million people would be uninsured compared with the 28 million who would lack insurance that year under the ACA.

OBSERVATIONS:

Popular attitudes towards continuing funding Medicaid are very positive across the country. Governors from both parties, the AMA, hospitals and patient advocacy groups are all in favor of securing some form of Medicaid similar to the ACA. (http://www.kff.org/health-costs/report/kaiser-health-tracking-poll-may-2017-the-ahcas-proposed-changes-to-health-care/)

Uninsured people, with few other places to go, would increase the usage of emergency rooms for their health care. There would be little or no follow-up care. In 2006, before the ACA,

approximately 120 million Americans sought help in emergency rooms each year. Almost 400,000 waited 24 hours or more. (http://abcnews.go.com/Health/story?id=5884487&page=1) Similar numbers could be expected with the AHCA.

Governors of both parties are requesting the Senate to reconsider what would happen to people currently on Medicaid under the House or Senate proposals and the ensuring higher premiums projected by the AHCA CBO report. The attached charts illustrate what could happen to recipients by age and state. (http://www.huffingtonpost.com/entry/democratic-and-gop-governors-urge-senate-to-rethink-healthcare-bill_us_59442a7ee4b01eab7a2d8cb9)

Rural and small-town Americans would be hit the hardest by the AHCA. Arizona, for example, has about 20% of rural adults on Medicaid as well as 34% of its entire population on Medicaid. That population includes 45% of children. "…rural counties make up Medicaid Country" (http://khn.org/news/gop-medicaid-cuts-hit-rural-america-hardest-report-finds/)

American healthcare is the most expensive in the world with results that do not compare well with other Western healthcare systems. Neither the ACA or the AHCA addressed this crucial issue. The U.S., alone among developed countries, has no mechanism to explain prices for medical procedures. Most institutions involved, including insurance carriers, hospitals, pharmaceutical companies and device manufacturers, establish their own prices. The goal of these costs is to make a profit. Why does one person's Echocardiogram cost $1,714. In Massachusetts, $5,435 in New Jersey and less than $100 in Japan? Another example is in skyrocketing drug costs. "Approved in 1996, Avonex was expensive, about $9,000. a year. Today, two decades later, it is no longer the latest thing—but its annual price tag is over $62,000." (http://www.cnn.com/2017/06/26/opinions/us-health- prices-rosenthtal-opinion/index.html) Who can even decipher a hospital bill? Patients with insurance are often unaware of what procedures cost and do not have the wherewithal to do comparison shopping.

American health care is expensive, but are outcomes worth the price? In this year's survey, the Commonwealth Fund ranked the U.S. dead last compared with 10 other Western Countries on many outcomes. For one thing, there are few uninsured in Europe, while millions in the U.S. lack access to care due to the cost of premiums. In fact, the US has the worst rate of maternal deaths in the developed world at 26.4 per 100,000 live births. rates range from 9.2 (UK) to 3.8 (Finland). (http://www.npr.org/2017/05/12/528098/u-s/has-the-worst-rate-of-maternal-deaths-in-the-developed-world) "The most notable way the U.S. differs from other industrialized countries is the absence of universal health insurance coverage…Unfortunately, many still equate "universal healthcare" with "Government run" or "single payer" healthcare". It isn't". (https://www.forbes.com/sites/danmunro/2014/06/16/u-s-healthcare-ranked-dead-last-compared-to-10-other-countries/)The U.S. does rate first--on costs.

Rising death rates: Nearly 45,000 deaths each year are associated with lack of health insurance. This rate could rise according to the projections of the increased numbers of uninsured in the 2017 CBO report on the AHCA. The American Journal of Public Health, citing a study conducted

at Harvard Medical School and the Cambridge Health Alliance, showed that “uninsured working age Americans have a 40% higher risk of death than their privately insured counterparts.”(http://news.harvard.edu/gazette/story/2009/09/new-study-finds-45000-deaths-annually-linked-to-lack-of-health-coverage/)

There is also a prevalent feeling among many politicians and their supporters that healthcare is not a right but a privilege. They say if people live a healthy life style, premiums would be lower and more affordable. Those who do not live a healthy life style then would and should have higher premiums. This opinion leaves out the fact that even healthy people can get cancer or Alzheimer’s, or any number of illnesses. A skimpy policy can spell disaster for a healthy person.

Gutting Medicaid as could happen under the AHCA and current Senate proposal could have life and death consequences for people currently on Medicaid. A healthy population contributes greatly to a healthy economy.