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Medicaid 40 Years of Successful Healthcare

July 30 marks the 40th anniversary of the Medicaid program in the United States. After 40 years, the program continues to be a vital source of healthcare for low-income children, seniors, and the disabled. It is a program that has persevered through changes, recessions and economic booms. In its 40th year, Medicaid is still doing the job for which it was originally intended, to provide healthcare for those that cannot afford it. Extensive evidence demonstrates that Medicaid and SCHIP have greatly reduced the number of people without health insurance, substantially facilitated access to medical care and long-term care, and improved health for large numbers of low-income people. Medicaid also has helped support healthcare providers, particularly those in low-income and medically underserved areas, and reduced the amount of uncompensated care.

The Medicare and Medicaid programs were signed into law on July 30, 1965 by President Lyndon B. Johnson. Former president Truman was present at the signing, because it was originally Truman that championed the idea of Medicare and Medicaid. He said "Millions of our citizens do not now have a full measure of opportunity to achieve and to enjoy good health. Millions do not now have protection or security against the economic effects of sickness. And the time has now arrived for action to help them attain that opportunity and to help them get that protection."

Prior to Medicaid's creation in 1965, poor uninsured Americans depended on a patchwork system of care and relied primarily on the charity of public and nonprofit hospitals, clinics, nursing homes, and certain physicians. Although the poor were typically sicker than those with higher incomes, they received much less medical care because they lacked insurance coverage.¹

State and federal policymakers are understandably concerned about the rising costs of Medicaid. It is important to remember, however, that Medicaid has proven to be a highly effective mechanism for providing healthcare coverage to low-income families and individuals and that Medicaid tends to cost less than private insurance. Deep cuts in the Medicaid program could close the doors to healthcare for large numbers of vulnerable Americans at a time when the ranks of the uninsured are already rising.

¹ Diane Rowland and Rachel Garfield, "Health Care for the Poor: Medicaid at 35," Health Care Financing Review, 22(1) (2000): 23-34.

Medicaid's Accomplishments

- **Medicaid provides healthcare to more than 50 million Americans.** Medicaid provides preventive care, primary care, acute care, long-term care, and prescription drugs to millions of low-income Americans. Most Medicaid beneficiaries have incomes below the poverty line (\$16,090 for a family of three in 2005). The program's beneficiaries include children, parents, pregnant women, senior citizens, and people with permanent disabilities.

- **Medicaid covers people during periods of growing need.** Medicaid is designed to cover more low-income people when need increases, such as during the recent economic downturn when many Americans lost employment-based coverage. Like certain other entitlement programs such as Food Stamps, Medicaid provides a measure of countercyclical protection during downturns that both assists vulnerable people and boosts the weakened economy.

- **Medicaid improves access to doctors and preventive care.** Medicaid and SCHIP have enabled millions of low-income Americans to obtain access to healthcare services.² Those whom the programs cover have access to care that is substantially superior to the care that uninsured people generally receive.

- **Medicaid provides medical care at a lower cost than private insurance.** In light of concerns about the rising costs of healthcare, it is noteworthy that Medicaid provides healthcare at a lower per-person cost than private health insurance and that the per capita costs of Medicaid have been rising more slowly in recent years than the per capita costs of private insurance.³

- **Medicaid and SCHIP support health care providers.** Medicaid and SCHIP provide about one-sixth of all of the healthcare funding in the United States and have become an important source of financial support for hospitals, physicians, pharmacists, nursing homes, and other components of the American healthcare system.⁴

² See Ellen O'Brien and Cindy Mann, "Maintaining the Gains: The Importance of Preserving Coverage in Medicaid and SCHIP" (Washington: Health Policy Institute, 2003) or Leighton Ku and Sashi Nimalendran, "Improving Children's Health: A Chartbook about the Roles of Medicaid and SCHIP" (Washington: Center on Budget and Policy Priorities, 2004).

³ Jack Hadley and John Holahan, "Is Health Care Spending Higher under Medicaid or Private Insurance?" *Inquiry*, 40 (2003/2004): 323-42. Similar findings were reached by federal researchers, see Edward Miller, Jessica Banthin, and John Moeller, "Covering the Uninsured: Estimates of the Impact on Total Health Expenditures for 2002" Working Paper No. 04407 (Agency for Healthcare Research and Quality, 2004). These differences primarily reflect the lower payment rates that Medicaid makes to health care providers.

⁴ Cynthia Smith, *op cit*.