

Medicaid 101

What is Medicaid?

Medicaid is the primary provider of health insurance and long-term services for low-income people in the United States. About 80 million people are enrolled in Medicaid.

Medicaid is a joint federal and state program run by the Centers for Medicare & Medicaid Services (CMS). States implement their own Medicaid program while adhering to federal guidelines. However, the guidelines are broad, offering states significant flexibility in how they implement their programs. This means eligibility and benefits can be very different between states.

How do States Pay for Medicaid?

Enhanced Matching Rate & FMAP: The federal government currently covers 90 percent of the cost of the Medicaid expansion. The matching rate, FMAP, is calculated based on the state's per capita income relative to the rest of the nation. Under current law, no state FMAP may be below 50 percent. In the District of Columbia, the current FMAP is 70 percent.

Enhanced Matching Rate for Medicaid Administrative Costs:

The matching rate for states' Medicaid administrative costs is generally 50 percent. However, certain administrative functions qualify for a higher FMAP.

- 100 percent
 - Implementation and operation of an immigration status verification system
- 90 percent
 - Replacement or upgrade of state Medicaid claims or eligibility systems
- 75 percent
 - Operating state Medicaid claims or eligibility systems
 - Operation of a Medicaid Fraud Control Unit (MFCU)
 - Survey and certification of nursing homes



State Incentive for Medicaid Expansion:

The 2021 American Rescue Plan provides remaining non-expansion states a five-percentage point increase to their FMAP for two years if they adopt Medicaid expansion, regardless of when they expand.

Provider Taxes: States have flexibility in how to pay for their share of Medicaid costs. States can use taxes and assessments on hospitals, nursing homes, and other health care providers, as well as on Medicaid managed care plans. All states, except Alaska, use these taxes to pay for their Medicaid programs. Provider taxes and assessments must be uniform, broad-based, and cannot hold taxpayers harmless. Hold harmless means the tax cannot be more than six percent of patient revenue.

Who is Covered by Medicaid?

The federal government requires coverage of certain individuals/groups including:

- Families with low-income
- Pregnant women and newborns
- Older children from families with low-income
- Children and adolescents in foster care
- Most adults 65 years of age and older
- People with disabilities who receive Supplemental Security Income

Most people qualify based on financial eligibility. However, others can qualify for non-financial reasons, such as breast or cervical cancer treatments. The federal government sets the income eligibility limit at 138% of FPL. However, this is just the base, each state can expand that eligibility.

Other Important Medicaid-Related Terms**Modified Adjusted Gross Income (MAGI):**

The income used to determine Medicaid eligibility. It includes everything earned during the year minus allowable tax deductions. MAGI is specifically used to calculate eligibility for Medicaid, Affordable Care Act (ACA) premium tax credits (APTCs), and other health insurance savings.

Non-MAGI: This alternate pathway to Medicaid access applies to seniors and people with disabilities. It is limited to people using long-term services and supports (LTSS) in nursing homes, other institutions, or in the community.

Supplemental Security Income (SSI): A federal program that provides financial assistance to people who are elderly, blind, or disabled and have limited income and resources. SSI recipients are often dual eligible for Medicaid.

Social Security Disability Insurance

(SSDI): A federal program that provides benefits to those who have paid Social Security taxes but are now disabled and not able to work. Some may qualify for Medicaid based on income and resources.

Managed Care Organization (MCO):

Private insurance companies that state Medicaid program to manage and coordinate care for Medicaid beneficiaries.

Early and Periodic Screening, Diagnostic, and Treatment (EPSDT):

A mandatory Medicaid benefit for children and adolescents under age 21. It ensures that children get regular check-ups, immunizations, and necessary treatments.