



Children's Defense Fund

Keep Medicaid Strong for Children: Reject Structural Changes and Cuts

May 2017

Thanks to Medicaid, the Children's Health Insurance Program (CHIP) and the health insurance marketplace, more than 95 percent of children in America have health coverage. Medicaid is the largest health insurer for our nation's children, providing affordable, comprehensive health coverage to almost 37 million low-income children today. Forty-three percent of all Medicaid enrollees are children and Medicaid covers almost half of all births in the United States. Medicaid also serves millions of low-income pregnant women, children and adults with disabilities, and seniors. It is lean and efficient. Without Medicaid's strong protections, coverage guarantee, and comprehensive, age-appropriate health and mental health coverage, many children would go uninsured or underinsured, increasing short and long term costs for states and local communities while jeopardizing children's academic performance and their futures. Our nation's leaders must preserve Medicaid as we know it and reject structural changes and cuts that undermine its critical protections, hard-earned coverage and resulting health gains for children made over more than 50 years.

Medicaid is an essential part of the health insurance system for children and vulnerable adults.

- Medicaid provides virtually no-cost health coverage to almost 37 million low-income children and children with disabilities. Today all states provide Medicaid coverage to children under 19 with family incomes less than 138 percent of the federal poverty level (\$33,534 for a family of four in 2016), while some states cover children to age 21, or with higher income levels.
- Medicaid is a lifeline for children with disabilities and their families, serving 40 percent of all children in America with special health care needs such as autism. For families struggling to provide the time and financial resources needed to care for disabled children, Medicaid is often the only viable source of financing for their extensive and expensive health care. Medicaid also supplements private coverage to allow children access to specialized medical equipment and devices (such as hearing aids and wheel chairs).
- Medicaid is a valuable source of preventive services. It helps children get the well-child visits and screenings they need to support healthy development and prevent expensive health complications later.
- Medicaid is particularly important for children of color who are more likely than White children to be poor. More than half of Black and Hispanic children are enrolled in Medicaid or CHIP.

- The Affordable Care Act's addition of 11 million low-income adults, including parents, to the Medicaid rolls enabled them to receive services and treatment, some to help them care for their children. Evidence shows that children are more likely to have health coverage when their parents are also covered.

Millions of Medicaid-eligible children, seniors, and people with disabilities are currently guaranteed coverage.

- Medicaid guarantees health coverage to all eligible applicants without waiting lists or enrollment caps.
- Medicaid's Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) benefit guarantees children a full range of comprehensive primary and preventive care and access to all medically necessary health and mental health services.

Medicaid is a smart investment.

- By investing in child well-being now, our nation and economy will recoup benefits later. Research comparing children eligible for Medicaid during childhood to their non-eligible peers found Medicaid-eligible children were more likely to attend college, make greater contributions as adult taxpayers, and live longer than those without coverage.
- Medicaid is already far more efficient and cost effective than private insurance for children. It costs significantly less to cover a child through Medicaid and Medicaid administrative costs are about half those of private insurance coverage. Over the past decade, Medicaid costs per enrollee generally have grown more slowly than premiums for employer-sponsored coverage or overall national health expenditures.

The harmful American Health Care Act (AHCA) passed by the House of Representatives early in May will end Medicaid as we know it.

- The AHCA changes Medicaid's financing structure from a federal guarantee of medically necessary services to a per person federal payment that is capped, regardless of service use or cost. In addition to this "per capita cap" proposal, the AHCA also gives states the option to shift low-income children and adults (but not senior citizens and other Medicaid enrollees with disabilities) to a new Medicaid block grant. Both threaten coverage, benefits, and affordability for millions of children.
- Both the per capita cap and block grant would dramatically alter the current structure of Medicaid and its core protections for *all* enrollees, including low-income children and children with special health care needs — no group of enrollees would be spared.
- In addition to capping Medicaid, which would result in more and more cuts each year as growth in spending fell behind inflation, the AHCA cuts more than \$800 billion from Medicaid. The funding caps are designed specifically to save the federal government money by shifting costs to states, beneficiaries and health care providers when the caps are reached. Yet at the same time, the more than \$800 billion reduction is used for pay for tax cuts for the wealthiest individuals and corporations.

- The new limits on federal funding imposed by the per capita cap and the block grant would lock in current spending inequities — which are substantial — in perpetuity, based on states' current expenditures. It would also effectively eliminate states' ability to expand eligibility, enhance benefits or improve affordability as needs increase. State flexibility would be limited as dollars are reduced, requiring states to cut coverage or services for children, pregnant women, people with disabilities, or low-income seniors, impose enrollment freezes (disproportionately harming newborns), institute waiting lists, eliminate medical or mental health benefits including treatment for opioid abuse, slash payment rates further to providers, raise taxes, or any combination of the above.
- Funding restrictions would reverse decades of progress made in reducing the rate of uninsured children, pushing millions of children into the ranks of the uninsured and underinsured. Such cost shifts would result in loss of or limits on health coverage for children and other vulnerable populations, but not reduce their health needs or the cost of care. Instead, costs would have to be borne by states and local communities. An uninsured child costs the local community \$2,100 more than a child covered by Medicaid.

Changes to Medicaid's structure would also harm other child-serving systems reaching vulnerable children.

While Medicaid is lodged in state and local health and behavioral health systems, its benefits reach children in a range of child-serving systems, assisting those systems to better meet children's needs.

- **Early Childhood Systems.** Quality health coverage and care are essential for healthy brain development in children's early years, the years of greatest brain development. Child care providers can help children learn and develop, but cannot provide them basic health and mental health coverage. Early health coverage also helps identify problems in the early years, before they become more complicated and expensive to treat.
- **Education Systems.** Since child health impacts educational attainment, any structural changes to Medicaid would compromise returns on other major investments in children from Early Head Start to college. Medicaid helps ensure our nation's most disadvantaged children are not only healthy and in school learning, but reimburses schools for services delivered to children enrolled in Medicaid. This is particularly important for children with disabilities, who are eligible for special services, as well as for students who get critical health services at school, such as vision and hearing screenings and immunizations. Research shows services provided by school-based health centers can significantly improve key educational outcomes among students.
- **Child Welfare Systems.** Medicaid for both children and parents can help address needs that can otherwise result in children entering the child welfare system. Medicaid helps children in foster care including those in residential treatment programs, children who move from foster care to guardianship and those with special needs adopted from foster care. It also provides case management and other services and treatment that children in foster care need that can prolong their stays in foster care if not provided.

- **Juvenile Justice Systems.** While Medicaid cannot be used for care when youth are detained, it is an essential support as they transition out of the detention system, and/or placed on parole and return to their families and communities. Youth in the juvenile justice system often have significant health and/or mental health needs, in part because they may not have received regular or continuous medical care.

Medicaid as we know it must be preserved.

- Medicaid is an essential part of America's health care system and it works. For more than fifty years, the guarantee of Medicaid has been a lifeline for tens of millions of children, persons with disabilities and low income seniors.
- Medicaid's structure and protections must be maintained to ensure all eligible children and others have access to the health coverage they need to survive, thrive and drive the economy of tomorrow.
- By providing children with access to health and mental health treatment when they need them, the long terms effects and costs of many childhood health conditions can be reduced or eliminated entirely.