Medicaid 101: What’s It All About?

What is Medicaid?

Medicaid provides health and long-term care financial assistance for certain groups of people with limited income. Medicaid was enacted under title XIX of the Social Security Act as a joint program between the Federal government and all 50 states, the District of Columbia, and the U.S. Territories.

Medicaid became effective January 1, 1966, and currently is the largest source of medical and health-related funding for America’s poorest people. The Federal agency that administers the Medicaid program is the Centers for Medicare & Medicaid Services (CMS), an agency of the U.S. Department of Health & Human Services.

Medicaid programs differ in each state.

Federal statutes, regulations, and policies establish broad national guidelines. Each state:

- Establishes eligibility standards
- Determines the type, amount, duration, and scope of services
- Sets payment rates for services
- Administers its own program

Qualifying for Medicaid

States are required to include certain groups of individuals under their Medicaid plans. They may choose to include other groups. States are required to provide coverage for:

- Families who meet states' Aid to Families with Dependent Children (AFDC) eligibility requirements in effect on July 16, 1996.
- Pregnant women and children under age 6 whose family income is at or below 133% of the Federal poverty level (FPL.)
- Children ages 6 to 19 with family income up to 100% of the FPL.
- Caretakers (relatives who take care of children under age 18, or age 19 if still in high school) who meet states' AFDC eligibility requirements in effect on July 16, 1996.
- Supplemental Security Income (SSI) recipients, or, in certain states, people who are aged, blind, or disabled and who meet requirements that are more restrictive than those of the SSI program.
- Certain Medicare beneficiaries who qualify for Medicare Savings Programs, which provide Medicaid coverage of Medicare premiums, deductibles, and/or coinsurance amounts.

States also have the ability to expand coverage to other groups and to individuals with higher
income and/or resource levels. Examples include:

- Medically Needy programs, which provide coverage to

people whose income is too high to qualify for the categories listed above, but whose income is insufficient to pay for needed medical care.
- Individuals and couples who are living in medical institutions and who have monthly income up to 300% of the SSI income standard (Federal benefit rate.)
- The Affordable Care Act establishes a new eligibility group, which includes very-low income individuals not otherwise eligible. Their income can’t exceed 133% of the FPL and there is no asset test.
- **All States participating in Medicaid must cover this new group as of January 2014.**
- States may begin covering this new group as early as April 1, 2010. The new eligibility group fills the gaps in existing Medicaid eligibility.

What services does Medicaid cover?

All states must cover these services:

- Inpatient/outpatient hospital care
- Physician care
- Rural Health Clinic (RHC)
- Federally Qualified Health Center (FQHC)
- Early and periodic screening, diagnosis, and treatment (EPSDT) for children under age 21

Among other services, states may choose to cover:

- Family planning
- Nursing facility
- Nurse practitioner
- Nurse midwife
- Home health (for individuals entitled to nursing facility care)
- Laboratory/X-ray
- Prescription drugs
- Dental care

- Physical therapy
- Eyeglasses
- Personal care
- Case management
- Hospice care

Medicaid and Medicare Prescription Drug Coverage

Starting January 1, 2006, people with both Medicaid and Medicare have most of their outpatient prescription drugs covered by Medicare Part D. These individuals pay small co-payments for certain prescriptions, based on their income and resource levels. State Medicaid programs may choose to cover some prescriptions that can’t be covered by Medicare.