



Protect Medicaid Funding Issue #11: Health Inequities (Updated March 2023)

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Introduction

Medicaid helps people live healthier and more economically secure lives. It increases the diagnosis and early treatment of chronic conditions, enhances educational achievement and future earnings for covered children, reduces health care inequities, and provides comprehensive, high-quality, and cost-effective care.¹ Medicaid coverage is tailored to the unique needs of individuals and families with low incomes, but still costs less per beneficiary than private insurance.² Medicaid's core beneficiary protections make the program work for enrolled populations, including children, parents, pregnant people, low-income workers, older adults, and persons with disabilities. Despite Medicaid's proven success and efficient use of funds, detractors repeatedly seek to cut or cap funding for the program. These proposals seriously jeopardize the health and financial security of the 91.8 million people who benefit from Medicaid and CHIP.³

This fact sheet examines why Medicaid is important for communities experiencing health inequities and how they would be harmed by Medicaid funding caps.

Why Medicaid is Important for Communities Experiencing Health Inequities

Medicaid protects communities of color. Medicaid is an important source of health coverage for people of color, who represent sixty percent of non-elderly Medicaid beneficiaries.⁴ Medicaid coverage is particularly critical for people of color because they are more likely to be living with certain chronic health conditions, such as diabetes, which requires ongoing screening and services.⁵

Medicaid protects rural communities. Higher proportions of individuals in rural areas live in poverty than do individuals in urban areas, and thus a higher percentage of rural individuals (twenty-four percent) are enrolled in Medicaid compared to urban individuals (twenty-two

percent).⁶ In addition, working adults in rural communities are less likely to have access to private insurance (sixty-one percent) than those in urban communities (sixty-six percent).⁷ Medicaid provides federal funding to support coverage for rural communities and in doing so, helps sustain a healthy workforce.

Medicaid protects people with disabilities. Although insurance markets historically discriminated against people with disabilities, Medicaid provides reliable coverage to lower-income people with disabilities, with no pre-existing condition exclusions or other barriers. Medicaid has also pioneered the development of home and community based services (HCBS) that allow individuals with disabilities to receive care in their homes, instead of more expensive institutional care.

Medicaid protects health security in states. Federal Medicaid dollars provide states with increased funding to help meet new community health threats as they arise, such as the COVID-19 pandemic, obesity epidemic, and opioid epidemic. Medicaid funding is also specifically designed to ensure that when the economy falters and low-wage people of color and rural workers lose their jobs, states can get more federal funding to meet increased needs.

Medicaid supports safety-net health centers for communities experiencing health inequities. Medicaid requires states to include coverage of Federally Qualified Community Health Center (FQHC) and Rural Health Clinic (RHC) services and pays the centers special rates to help sustain the care they provide to underserved communities.⁸

How Funding Caps Would Harm Communities Experiencing Health Inequities

Funding caps would hurt communities experiencing health inequities. Funding caps result in reduced federal funding for state Medicaid programs. States would be forced to cut back on Medicaid and communities experiencing health inequities would be among the most impacted. For example, with funding caps, states would be more likely to reject or reverse new Medicaid expansions, meaning there would be no source of coverage for many low-income and underserved populations experiencing health inequities, such as people of color and rural communities. States would be especially likely to cut expensive services relied on by people with disabilities. Finally, states would also likely pursue policies such as premiums and cost-sharing that shift costs onto low-income and underserved communities experiencing health inequities, who may not be able to afford their health care.

Funding caps would put state health security in jeopardy. Under a funding cap, states get a predetermined federal payment for future years, meaning states would not have enough money if health care needs increase. For example, the number of Americans living with diabetes is predicted to increase by seventy-eight percent between 2014 and 2030 and 172 percent between 2014 and 2060.⁹ Under a cap, states would not get support for these new costs, which disproportionately impact people of color. In addition, under a block grant, if the economy falters and people of color or rural workers lose their jobs, states get no additional federal funding to help cover increases in the uninsured.

Funding caps would undermine flexibility to address community health priorities. Funding caps would make it impossible for states to implement or continue initiatives that address the social determinants of health or make strategic investments in preventive care and community health that save long-term costs. Funding caps might also force states to reduce the enhanced Medicaid rates paid to public and rural health clinics that care for underserved communities, including individuals without insurance.

ENDNOTES

- ¹ Harvey W. Kaufman et al., *Surge in Newly Identified Diabetes among Medicaid Patients in 2015 within Medicaid Expansion States under the Affordable Care Act*, 38 DIABETES CARE 833 (2015), <https://diabetesjournals.org/care/article/38/5/833/> (Medicaid coverage improves diabetes screening and treatment initiation); Owen Thompson, *The Long-Term Health Impacts of Medicaid and CHIP*, 51 J. HEALTH ECON. 26 (2017), <https://www.sciencedirect.com/science/article/abs/pii/S0167629616305136?via%3Dihub>; Sarah Miller & Laura R. Wherry, *The Long-Term Effects of Early Life Medicaid Coverage*, 54 J. HUMAN RES. 785-824 (2019), <http://jhr.uwpress.org/content/54/3/785> (Medicaid improves long-term outcomes for children); Thomas C. Buchmueller et al., *Effect of the Affordable Care Act on Racial and Ethnic Disparities in Health Insurance Coverage*, 106 AM. J. PUB. HEALTH 1416, 1420 (2016), <https://ajph.aphapublications.org/doi/pdf/10.2105/AJPH.2016.303155> (Medicaid expansion reduced health care disparities); Robin Rudowitz et al., Kaiser Fam. Found., *10 Things to Know about Medicaid: Setting the Facts Straight* (March 6, 2019), <https://www.kff.org/medicaid/issue-brief/10-things-to-know-about-medicaid-setting-the-facts-straight/>; Hannah Katch, Ctr. on Budget & Pol’y Priorities, *Medicaid Works: Millions Benefit from Medicaid’s Effective, Efficient Coverage* (June 2, 2017), <https://www.cbpp.org/research/health/medicaid-works-millions-benefit-from-medicaid-effective-efficient-coverage>.
- ² Hannah Katch et al., Ctr. on Budget & Pol’y Priorities, *Frequently Asked Questions About Medicaid* (Nov. 22, 2019), <https://www.cbpp.org/research/health/frequently-asked-questions-about-medicaid> (Private insurance costs twenty-two percent more than covering the same low-income individual with Medicaid).
- ³ CMS, November 2022 Medicaid & CHIP Enrollment Data Highlights (Feb. 28, 2023), <https://www.medicaid.gov/medicaid/program-information/medicaid-and-chip-enrollment-data/report-highlights/index.html>.
- ⁴ Kaiser Fam. Found., *Distribution of the Nonelderly with Medicaid by Race/Ethnicity* (2021), <https://www.kff.org/medicaid/state-indicator/medicaid-distribution-nonelderly-by-raceethnicity/>.
- ⁵ American Indians/Alaska Natives (14.5 percent), non-Hispanic Blacks (12.1 percent), Hispanics (11.8 percent), and non-Hispanic Asians (9.5 percent) make up the populations with the highest rates of diagnosed diabetes, compared to 7.4 percent of non-Hispanic Whites. HHS, CDC, Nat’l Diabetes Prevention Prog., *CDC 2022 National Diabetes Statistics Report* (Jan. 26, 2022), <https://www.cdc.gov/diabetes/data/statistics-report/index.html>.
- ⁶ Julia Foutz et al., Kaiser Fam. Found., *The Role of Medicaid in Rural Areas* (April 25, 2017), <https://www.kff.org/medicaid/issue-brief/the-role-of-medicaid-in-rural-america/> (In some states, the differences in Medicaid coverage rates are even larger when comparing rural areas

to urban areas. In California and Hawaii, the Medicaid coverage rates in rural areas is sixteen and thirteen percentage points higher respectively than the rates in urban areas. In Arizona, Arkansas, and Florida, the Medicaid coverage rates in rural areas is about ten percentage points higher than the rates in urban areas.)

⁷ *Id.* See also Daniel T. Lichter et al., Nat'l Poverty Ctr., *National Poverty Center Working Paper Series #11-16—The Geography of Exclusion: Race, Segregation, and Concentrated Poverty*, 6-7 (May 2011), <https://npc.umich.edu/publications/u/2011-16%20NPC%20Working%20Paper.pdf> (“With the exception of Appalachia, which is overwhelmingly white in racial composition (Pollard 2004), racial and ethnic minority populations are heavily concentrated in geographically isolated rural regions of the United States.”).

⁸ George Washington Univ. Sch. Of Pub. Health & Health Servs., *Quality Incentives for Federally Qualified Health Centers, Rural Health Clinics, and Free Clinics: A Report to Congress*, 1-2 (Jan. 23, 2012), <https://www.healthit.gov/sites/default/files/pdf/quality-incentives-final-report-1-23-12.pdf>; Medicaid & CHIP Payment & Access Comm’n, *Medicaid Payment Policy for Federally Qualified Health Centers* (Dec. 2017), <https://www.macpac.gov/wp-content/uploads/2017/12/Medicaid-Payment-Policy-for-Federally-Qualified-Health-Centers.pdf>.

⁹ Ji Lin et al., *Projection of the Future Diabetes Burden in the United States Through 2060*, 16 POPULATION HEALTH METRICS 9 (2018), <https://pophealthmetrics.biomedcentral.com/articles/10.1186/s12963-018-0166-4>.