



## Protect Medicaid Funding Issue #1: Medicaid Services (Updated September 2024)

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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.<sup>1</sup> Medicaid coverage is tailored to the unique needs of individuals and families with low incomes but still costs less per beneficiary than private insurance.<sup>2</sup> Medicaid's core beneficiary protections make the program work for enrolled populations, including children, parents, pregnant people, low-income workers, older adults, and people 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 over 80 million people who benefit from Medicaid and CHIP.<sup>3</sup> This fact sheet examines why Medicaid's covered services are important to Medicaid beneficiaries and how they are threatened by funding caps.

### Why Medicaid Services are Important

**Medicaid provides comprehensive health care services for low-income and underserved populations.** Federal law requires state Medicaid programs to cover specific categories of "mandatory" benefits, including physician services, inpatient and outpatient hospital services, laboratory and X-ray services, home health services, and nursing facility services.<sup>4</sup> States are also required to cover screening and treatment services for children under the age of twenty-one through the Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) benefit.<sup>5</sup> These services are tailored to correct and ameliorate the health conditions of children living in poverty, without the coverage limits that may apply to adult populations. Medicaid additionally requires coverage of critical benefits such as long-term care services for

older adults and people with disabilities, as well as perinatal care and family planning services and supplies. Medicaid is also required to cover non-emergency medical transportation (NEMT) and a wide range of behavioral health services, including substance use disorder (SUD) treatment.

**Medicaid allows states to provide critical “optional” services to address unique needs of specific populations.** Federal law gives states the flexibility to provide a wide range of optional services. For example, states have the option of funding home- and community-based services (HCBS) to help older adults and people with disabilities remain in their homes and support their daily living, which prevents unnecessary and costly institutionalization.<sup>6</sup> States may also provide services that are tailored to address the needs of their beneficiaries and help coordinate care and access to social services that contribute to healthy outcomes, including case management, community health workers, and peer support services. Moreover, all states provide coverage for prescription drugs and are bound by requirements that ensure access to all necessary medications, such as those to prevent and treat HIV, Hepatitis C, epilepsy, and other potentially life-threatening conditions.<sup>7</sup>

**Medicaid requires services to be sufficient in amount, duration, and scope to achieve their purpose.**<sup>8</sup> States cannot set arbitrary limitations on the utilization of services.<sup>9</sup> This helps ensure that Medicaid beneficiaries can promptly and adequately access the care that they need.

## How Funding Caps Threaten Medicaid Services

**Funding caps threaten Medicaid’s mandatory services.** Block grants and per capita cap proposals shift significant costs onto states. To reduce these costs, states may seek to weaken federal standards for mandatory services. Any reduction of mandatory services would negatively impact the health of underserved populations, including children, pregnant people, older adults, and people with disabilities. For example, Medicaid provides health coverage to over 17 million people with disabilities and older adults, who may utilize LTSS.<sup>10</sup> Medicaid is the primary payer of long-term services and supports in the nation, paying for over half of all LTSS.<sup>11</sup> If funding caps are placed on Medicaid’s mandatory services, services, like LTSS, could be cut, impacting millions of people who use LTSS or any other mandatory service.

**States would likely reduce or eliminate optional services.** Because funding caps would shift costs onto states, they would likely lead to cuts in optional services. For example, states may eliminate or limit many HCBS that older adults and people with disabilities depend upon. This would force some individuals to be placed in more expensive institutions such as nursing homes. States may also seek to reduce the scope of essential services that have traditionally

been neglected by our health care system, such as dental services, eyeglasses, and rehabilitative services. Limiting the scope of such services would exacerbate existing health disparities among Black, Indigenous, and People of Color (BIPOC), LGBTQIA+ individuals, and other underserved populations.<sup>12</sup>

**States would likely use more utilization controls to restrict or delay access to services.** Where states do not entirely eliminate services, they might enact more requirements, such as service caps or cost-sharing, to reduce access to services. States might also enact more prior authorization requirements, which delay and sometimes completely prevent access to care. Onerous service limits or delays would lead to Medicaid beneficiaries forgoing needed services and the deterioration of their medical conditions.

**States would not be able to pay for new services related to new pandemics, technologies, or treatments.** The onset of pandemics, such as the COVID-19 pandemic, causes states to experience significant and unexpected increases in medical costs.<sup>13</sup> Innovations in expensive technology (*e.g.*, MRIs) and treatments (*e.g.*, Hepatitis C drug Sovaldi, COVID-19 vaccines) also lead to large, unplanned cost increases for states. With a federal funding cap, funding is set in advance, meaning states would have to bear the new costs of such pandemics, technologies, and treatments with no additional federal support. States would struggle to provide the health services needed to treat all individuals, leading to poorer health outcomes, increased public health risks, and diminished quality of life.

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**ENDNOTES**

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- <sup>1</sup> Robin Rudowitz et al., Kaiser Fam. Found., *10 Things to Know about Medicaid* (Jun. 30, 2023), <https://www.kff.org/mental-health/issue-brief/10-things-to-know-about-medicaid/>; MACPAC, *Access in Brief: Children’s Experience in Accessing Medical Care* (Nov. 2021), <https://www.macpac.gov/wp-content/uploads/2016/06/Access-in-Brief-Childrens-Experiences-in-Accessing-Medical-Care.pdf>.
- <sup>2</sup> Heidi Allen et al., *Comparison of Utilization, Costs and Quality of Medicaid vs. Subsidized Private Health Insurance for Low-Income Adults*, 4 JAMA NETWORK OPEN (2021), <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2774583> (“ . . . overall health care spending was more than 80% higher among Marketplace-eligible adults than among Medicaid-eligible adults. This difference was no longer significant when claims were adjusted to Medicaid prices, indicating that the cost differences were driven by higher prices for the same services in the Marketplace compared with Medicaid.”). *See also* 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).
- <sup>3</sup> CMS, *May 2024 Medicaid & CHIP Enrollment Data Highlights* (Aug. 30, 2024), <https://www.medicaid.gov/medicaid/program-information/medicaid-and-chip-enrollment-data/report-highlights/index.html>.
- <sup>4</sup> 42 U.S.C. §§ 1396a(a)(10)(A), 1396d(a).
- <sup>5</sup> *Id.* §§ 1396a(a)(43), 1396d(r).
- <sup>6</sup> *Id.* § 1396n(c).
- <sup>7</sup> *See* Kaiser Fam. Found., *Medicaid’s Prescription Drug Benefit: Key Facts* (2019), <https://www.kff.org/medicaid/fact-sheet/medicaids-prescription-drug-benefit-key-facts/>.
- <sup>8</sup> 42 C.F.R. § 440.230(b).
- <sup>9</sup> *Id.* § 440.230(c).
- <sup>10</sup> Priya Chidambaram & Alice Burns, Kaiser Fam. Found., *How Many People Use Medicaid Long-Term Services and Supports and How Much Does Medicaid Spend on Those People?* (Aug. 14, 2023), <https://www.kff.org/medicaid/issue-brief/how-many-people-use-medicaid-long-term-services-and-supports-and-how-much-does-medicaid-spend-on-those-people/>.
- <sup>11</sup> *Id.*
- <sup>12</sup> Medicaid & CHIP Payment & Access Comm’n, *Medicaid’s Role in Advancing Health Equity* (2022), <https://www.macpac.gov/publication/medicaids-role-in-advancing-health-equity/>.
- <sup>13</sup> Edwin Park, Ctr. on Budget & Pol’y Priorities, *Medicaid Block Grant Would Slash Federal Funding, Shift Costs to States, and Leave Millions More Uninsured* (Nov. 30, 2016), <https://www.cbpp.org/research/health/medicaid-block-grant-would-slash-federal-funding-shift-costs-to-states-and-leave>.