



Protect Medicaid Funding Issue #6: Older Adults and People with Disabilities

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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 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 more than 80 million people who benefit from Medicaid and CHIP.³

This fact sheet examines why Medicaid is important for older adults and people with disabilities and how they would be harmed by funding caps.

Why Medicaid is Important for Older Adults and People with Disabilities

Medicaid provides health coverage to seventeen million older adults and people with disabilities.⁴ Medicaid requires all states to cover low-income older adults and people with disabilities.⁵ States also have the flexibility to expand coverage to additional populations of older adults and individuals with disabilities, such as those who need home- and community-based services (HCBS). In addition, 41 states (including DC) have implemented Medicaid expansion under the Affordable Care Act.⁶ This allows states to cover many people with low income and disabilities who do not otherwise meet Medicaid's strict definition of disability for eligibility purposes.⁷ Medicaid provides states guaranteed federal funding to help

cover the actual cost of providing care to these populations regardless of how health care costs change.

Medicaid helps older adults and people with disabilities receive vital health care services, including long-term care. Medicaid is tailored to meet the needs of individuals with low incomes and thus covers many vital services **not** covered by Medicare or most other insurance, most notably long-term care (including nursing homes). In fact, Medicaid pays for over half of the country's long-term services and supports (LTSS).⁸ Medicaid is also a pioneer in creating HCBS options that allow individuals to stay out of nursing homes, which also improves outcomes and costs less.⁹ For individuals with both Medicare and Medicaid, Medicaid supplements Medicare, helping to fill in coverage gaps and ensure that older adults and people with disabilities have access to comprehensive care. Medicaid also offers a range of other key services, including non-emergency medical transportation (not covered by Medicare) and extensive coverage of mental and behavioral health services.

Medicaid makes coverage affordable for program beneficiaries. Key protections in Medicaid limit cost-sharing such as copays, premiums, and deductibles for all program beneficiaries.¹⁰ Medicaid also makes Medicare coverage more affordable for individuals with low incomes through "Medicare Savings Programs," where **Medicaid** pays for some or most of an individual's **Medicare** out-of-pocket costs.¹¹

How Funding Caps Would Harm Older Adults and People with Disabilities

Funding caps threaten Medicaid eligibility. Funding caps reduce federal funding for states and shift costs onto states. This would likely lead states to cut Medicaid eligibility to recoup losses. States might target coverage for older adults and people with disabilities for cuts, since they are populations with higher needs and costs and much of that coverage is optional. Funding caps may also discourage states from adopting Medicaid expansion and may even cause some states to eliminate their completed expansions.

Funding caps would lead to cuts in services. Because services for older adults and people with disabilities tend to be expensive, these services would be significantly at risk for cuts. States would likely target a wide range of critical yet optional HCBS that are extremely important to older adults and people with disabilities, such as home attendants or incontinence supplies. States would also likely place strict limits on the amount and frequency of services these beneficiaries could access.

Funding caps would make coverage less affordable. Under a funding cap policy, states facing budget shortfalls would have strong incentives to shift costs onto beneficiaries. States would likely add premiums, copayments, and other cost-sharing that would reduce beneficiary access to necessary services and supports.¹² Further, many states might tighten their eligibility standards for Medicare Savings Programs, making it harder for older adults and people with disabilities to become eligible and thus dramatically increasing their Medicare costs.

Funding caps put state budgets at risk. Medicaid is currently a guaranteed funding stream, helping states finance health care regardless of how costs and needs change. Under funding caps, states lose the certainty of funding and are financially exposed. For example, the health care costs for the older adult population increase sharply as an increasing proportion of older adults surpass age 85.¹³ Under funding caps, federal funding is locked-in ahead of time, and states might not get additional support to address an increase in costs as the older adult population lives longer.¹⁴

ENDNOTES

¹ Robin Rudowitz et al., Kaiser Fam. Found., *10 Things to Know about Medicaid* (June 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>.

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⁵ MaryBeth Musumeci et al., Kaiser Fam. Found., *Medicaid Eligibility and Enrollment Policies for Seniors and People with Disabilities (Non-MAGI) During the Unwinding* (June 20, 2024), <https://www.kff.org/medicaid/issue-brief/medicaid-eligibility-and-enrollment-policies-for-seniors-and-people-with-disabilities-non-magi-during-the-unwinding/>.

⁶ Kaiser Fam. Found. *Status of State Medicaid Expansion Decisions: Interactive Map* (May 8, 2024), <https://www.kff.org/medicaid/issue-brief/status-of-state-medicaid-expansion-decisions-interactive-map/>.

⁷ *Id.*; MaryBeth Musumeci & Kendal Orgera, Kaiser Fam. Found., *People with Disabilities are at Risk of Losing Medicaid Coverage Without the ACA Expansion* (Nov. 2, 2020), <https://www.kff.org/medicaid/issue-brief/people-with-disabilities-are-at-risk-of-losing-medicaid-coverage-without-the-aca-expansion/>; MaryBeth Musumeci, Kaiser Fam. Found., *The Affordable Care Act's Impact on Medicaid Eligibility, Enrollment, and Benefits for People with Disabilities* (April 8, 2014), <https://www.kff.org/health-reform/issue-brief/the-affordable-care-acts-impact-on-medicaid-eligibility-enrollment-and-benefits-for-people-with-disabilities/>.

⁸ Priya Chidambaram & Alice Burns, Kaiser Fam. Found., *10 Things About Long-Term Services and Supports (LTSS)* (July 8, 2024), <https://www.kff.org/medicaid/issue-brief/10-things-about->

[long-term-services-and-supports-ltss/](#).

⁹ Joseph Caldwell & David Machledt, *Advancing Policy and Practice in Medicaid Home and Community-Based Services Quality*, 3 FRONT. REHABIL. SCI (2022), <https://www.frontiersin.org/articles/10.3389/fresc.2022.876871/full>; Carol V. Irvin et al., Mathematica Pol’y Research, *Money Follows the Person 2013 Annual Evaluation Report*, 28 (Feb. 25, 2015), <https://www.mathematica.org/publications/money-follows-the-person-2013-annual-evaluation-report>.

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¹⁴ Cong. Budget Office, *Options for Reducing the Deficit: 2023 to 2032—Volume I: Larger Reductions* (Dec. 7, 2022), <https://www.cbo.gov/publication/58164>.