Knox McLaughlin Gornall & Sennett, P.C.
Erie • Pittsburgh • Jamestown, NY
814-459-2800 • www.kmgslaw.com

What Is Medicaid?

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Medicaid is a federal program which provides a public health insurance program for people with low income. It is the principal source of long-term care coverage in the United States. Medicaid is administered by each individual state in accordance with guidelines created by the federal government.

Originally passed into law in 1965, Medicaid was restricted to providing benefits for people who were receiving cash assistance and people with disabilities, including blindness. Medicaid has evolved in the last 45 years to a more income-based health coverage program, covering low-income households and their children.

In 2010, the Affordable Care Act again expanded Medicaid to all adults with an income lower than 138% of the Federal Poverty Level and importantly, to adults without dependent children. This allows adults, with or without children, access to health coverage without having to rely on their employer to provide it.

Medicaid is paid by both the state and federal governments. The federal government matches a state's Medicaid spending at a rate that varies based on a formula that determines each state's financial stability. This match allows states to expand other programs and respond to changes they face, whether it be population shifts, economic change, crisis and disaster, or public health emergencies. Medicaid accounts for almost 10% of federal spending and is often the second largest item in state budgets after education. The federal funds receive by the state are the highest line item on the individual state's budget.

While 67% of Medicaid funds are spent on the care of elderly and people with disabilities, this group only comprises about 25% of the beneficiaries of the Medicaid programs. Medicaid is the primary payer for long-term care services in institutions including nursing homes. Regardless of how the money is spent, Medicaid is a lower cost than private insurance due to the set payment rates to providers. Due to Medicaid accounting for around 20% of health care spending, the program is able to enter into agreements with the providers for a cost much lower than private insurance pays.

Specifically in Pennsylvania, 20% of the population is covered by Medicaid and the uninsured rate is less than 8%. Medicaid covers 1 in 6 adults, 1 in 3 children, and 2 in 3 nursing home residents in Pennsylvania. Pennsylvania's Medicaid program has spent upwards of 30 BILLION dollars on health care services and, following the country's model, the majority of these expenses are in long-term or managed care.

See also: How Do I Qualify for Medicaid?, MEDICARE vs. MEDICAID: What's the difference?, What Is the 5-Year Look-Back Period for Medicaid?, Look-Back Period vs. Period of Ineligibility, and How Does Medicaid Pay For My Care?

A more detailed discussion here: Demystifying Medicaid Planning

If you have questions about Medicaid eligibility or have other Elder Law or Estate Planning concerns, please contact one of our Elder Law Attorneys or call 814-459-2800.

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