Medicaid and Rural America

a series examining health care issues in rural America

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What is Medicaid?

Medicaid serves more people than any other U.S. health program covering health and long-term services for needy and low-income individuals, including children, people with disabilities and the elderly.[1,2] The program uses state and federal funds to compensate medical providers serving these populations.

States design and administer their own programs within federal rules. In Fiscal Year 2008 (the most recent data available) about 59.5 million Americans were enrolled in Medicaid.[3,4] In Fiscal Year 2009 (the most recent data available) a total of $366.4 billion was spent on Medicaid services, with 66.4 percent from federal funds and the remainder from states.[3,4]

Medicaid spending grew by 7 percent from 2007 to 2009.[3,4] About 62 percent of Medicaid spending is for acute care (prescription drugs, physicians, hospitals, etc) and 33 percent for long-term care (about evenly divided between nursing home care and home/personal care).[3,4]

Nationally, 49 percent of Medicaid enrollees are children (generally, age 18 and younger). The remainder is divided between adults (26 percent of enrollees; generally ages 19 to 64), people with disabilities (16 percent, those eligible due to disability can be both children and adults), and the aged (9 percent; age 65 and older).[3]

Medicaid payments by enrollment group represent the inverse of the enrollment numbers. Payments to people with disabilities and the aged (45 percent and 22 percent, respectively) represent over two-thirds of all Medicaid payments.[3] Payments for services to adults and children (13 percent and 20 percent, respectively) make up the remainder of all Medicaid payments.[3]

The Importance of Medicaid

Many perceive Medicaid as the classic “welfare” program. That perception is simply not true. About 65 percent of families with nonelderly Medicaid enrollees have at least one worker in the family, with nearly half having at least one full-time worker.[3,5] Medicaid is also a key component to many parts of the American health care system.

- Medicaid covers more than one in three births in the United States, making healthy births and healthy children more likely.[2]
- Medicaid helps fill gaps in Medicare for about one in six Medicare recipients (the elderly and people with permanent disabilities).[3]

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- Medicaid is the nation's major source of long-term care, covering six of 10 nursing home residents.[2]

Medicaid plays a critical role in providing necessary health care for millions of Americans, including many of our nation's most vulnerable citizens and those most in need of care in millions of American families.

A variety of unique rural characteristics also make Medicaid critical for rural people and rural places. Rural poverty rates are generally higher. Rural residents have lower rates of employer-sponsored health insurance. Rural areas have a higher proportion of older persons in their total population.[1,7]The demographics of rural America and the health care infrastructure of rural America make Medicaid a critical source of insurance coverage, filling gaps in both Medicare coverage and the availability of private insurance.

Medicaid is also vital for the rural health care infrastructure and for rural communities. Health care providers, especially those who serve large percentages of Medicaid patients, rely on Medicaid payments to cover the costs of treating those patients. Federal and state Medicaid dollars contribute to rural economic development by generating health care jobs and other related businesses and services.[6]

Four major subpopulations are particularly reliant upon Medicaid:[1]

- Children
- Low-income disabled
- Low-income elderly
- Pregnant women—Over one-third of all births are paid for by Medicaid [1, 3]

Medicaid coverage issues for the first three groups are discussed in more detail below.

Medicaid Coverage in Rural America

In many respects, Medicaid has become a "rural program." The most recent data on Medicaid coverage show that 16 percent of rural residents had Medicaid coverage in the past year, compared to 13 percent of urban residents.[8] A recent analysis of those eligible for Medicaid from state data affirms the importance of Medicaid to rural people. Of the data from 35 states and the District of Columbia, more rural than urban residents are eligible for Medicaid in 31 states. (New Jersey and the District of Columbia, have no rural counties). In 13 states the rural-urban variation was five percentage points higher for the rural population.[8]

The importance of Medicaid to certain populations in rural America is especially striking.

Children

Recent data show that nationally about 35 percent of rural children (age 18 and younger) are enrolled in Medicaid, compared to about 28 percent of urban children.[8] Further, rural children are increasingly reliant on

public health insurance for health care. In 2010, over 42 percent of rural children had health insurance coverage from public plans (Medicaid and State Child Health Insurance Programs (SCHIP)) compared to 36 percent of children nationally and 45 percent of children in central cities.[9]

From 2009 to 2010 private health insurance coverage for children decreased by just under two percentage points, while public health insurance coverage for children increased by nearly three percentage points.[9] That change in coverage type occurred in all places—rural, suburban and central city. Of the 50 states, District of Columbia and Puerto Rico, 20 have rates of public health insurance for children highest in rural areas (three states and the District of Columbia do not have rural areas for this purpose).[9]

Since SCHIP was established in 1997, the increase of health insurance coverage for children has been a major success of health care policy.[a] In 1997, the percentage of children lacking health insurance was 15 percent. In 2010, that percentage had fallen nearly in half to 8 percent (though still highest in rural areas).[9, 10] This increased health insurance coverage for children has been "driven by increased coverage for children in low-income families, which is the result of expanded coverage by Medicaid and SCHIP."[10]

People with Disabilities

By a variety of measures more rural residents than urban residents live with disabilities. According to the 2000 Census, 22 percent of rural residents and 19 percent of urban residents are disabled (i.e., reporting functional limitations).[11] About 30 percent of rural families and 28 percent of urban families reported at least one family member with a disability.[12] A review of Social Security disability benefits reveals that rates of disability in rural America are 80 percent higher than in urban areas—almost 8 percent of rural residents receive Social Security benefits compared to a bit over 4 percent of urban residents.[13] Limitations in work activity due to health problems are reported by eight percent of rural residents compared to 4.5 percent of urban residents.[1]

Of course, disability and age are connected. As one ages, the odds of having functional limitations increase. The greater rates of elderly in rural communities contribute to higher rates of disability.

However, the most significant rural demographic connection with disability is poverty. Roughly "two-thirds of working age adults with consistent income poverty in the United States have at least one disability."[11] In 2008 it was reported that over 25 percent of adults (21 to 64) with a disability also had incomes below the poverty level compared to about 10 percent who did not report a disability.[11] As such, "poverty and disability overlap."[11] The higher poverty rates in rural areas are thus connected to higher disability rates, making more rural residents with disabilities eligible for and dependent upon Medicaid for health care.

[a] SCHIP built on the Medicaid program. Medicaid is targeted to the lowest income families; SCHIP is designed to reach low income families earning too much to qualify for Medicaid, with jobs that do not provide health insurance and/or who earn too little to afford health insurance in the private market.

Elderly

Rural residents 65 and older make up about 15 percent of rural population, about 25 percent greater than the urban elderly population.[6, 14] Medicaid plays a critical role in the long-term care of the low-income elderly. Most low-income elderly are dually eligible for Medicare and Medicaid, with Medicaid most prominently covering nursing facility services that are not included in Medicare benefits.

Recent data show the number of rural elderly and urban elderly with Medicaid coverage are essentially equal.[8] However, the percentage of the population 65 and older is greater in rural areas where there is more "reliance on care in nursing facilities due to a lack of community-based alternatives."[1] These unique rural circumstances—in addition to generally lower incomes in rural areas—make the odds of the rural elderly needing long-term Medicaid services higher and the role of Medicaid in the broad rural health care system essential for the rural elderly.

Medicaid and Rural Health Care Providers

Rural health care providers have mixed feelings about Medicaid. It is the source of health insurance, thus health care, for many rural residents. But it is seen as an inadequate payor because of low reimbursement rates. Without Medicaid and with lower private health insurance coverage rates many rural residents would be without health insurance, leaving those residents less healthy. That situation would also leave rural providers without payment for the services provided to their patients.

Medicaid payment rates may be low but represent an important share of provider revenue. Physicians in rural areas receive almost 20 percent of their patient revenue from Medicaid.[1] Nationally, the average physician has about 17 percent of revenue from Medicaid.[15] Rural physicians receive 56 percent of their revenue from Medicare and Medicaid combined compared to 45 percent for urban practices.[16]

Physicians in rural areas are more likely to participate in the Medicaid program and accept all or new Medicaid patients. Research shows practicing in a rural area is one of the factors associated with higher physician Medicaid participation.[17] Physicians that are categorized as "high- and moderate-share Medicaid practices" (those who report six percent or more of patient revenue from Medicaid) are significantly more likely to see all or new Medicaid patients. Those practices are generally in rural and/or low-income areas.[18] A 2011 survey of primary care physicians showed that 84 percent of rural physicians accept new Medicaid patients (compared to 65 percent of urban physicians).[19]

Medicaid acceptance rates by physicians are critical to access to health care in rural areas. While fees paid to physicians increase the probability that individual physicians will take on Medicaid patients, research has shown that higher fees do not necessarily lead to higher levels of Medicaid acceptance.[20] Other factors—such as community characteristics—are more important in determining if physicians will treat Medicaid patients. Ultimately, the health of Medicaid patients is affected by the decisions of physicians to accept Medicaid patients, decisions that are more common in rural areas.

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Medicaid is also critical for rural health facilities. It is estimated that Medicaid and Medicare account for about 60 percent of rural hospital revenues.[21] Medicaid is particularly important for long-term care providers. The most recent data show that Medicaid was responsible for 40 percent spent nationally on long-term care.[1] Nursing facility beds are more plentiful in rural areas, and a higher percentage of rural elderly are admitted to long-term care facilities.[1] Medicaid is thus critical to providing long-term care services to the rural elderly and in keeping rural long-term care facilities viable.

Medicaid plays a vital role in providing financing for health services that would likely be otherwise unavailable in rural communities. Mental health services would be particularly lacking in rural areas but for Medicaid. Medicaid finances nearly half the publicly provided mental health services in rural areas.[1]

The rural need is more pronounced among children with mental health issues. The prevalence of mental health problems is essentially equal among rural and urban children. However, rural children are 20 percent less likely to have a mental health visit than urban children.[22]

This corresponds to the finding that low-income rural residents have lower access to mental health services than do low-income urban residents at all stages of treatment.[23] Having Medicaid or SCHIP coverage increases the likelihood that all children receive necessary mental health services, but more so in rural areas. In fact, compared to private insurance coverage, rural children with Medicaid or SCHIP coverage are 2.5 times more likely to receive mental health services (urban children with Medicaid or SCHIP coverage are about 1.5 times more likely to receive mental health services).[22]

Medicaid clearly plays a critical role in providing health and medical services to rural people with limited or no means to pay and in providing services that otherwise would be limited or nonexistent in rural areas. For example, it has also been found that rural pharmacies are more reliant on Medicaid than are urban pharmacies.[24] The role Medicaid plays allows certain segments of the rural population to have better access to all types of health care, to be healthier, and to support a more viable rural health care system.

Medicaid and the Rural Economy

Medicaid benefits rural communities in ways beyond the direct rewards to patients and providers. Numerous studies have found that Medicaid spending "generates economic activity including jobs, income and state tax revenues."[25] Research has also found that Medicaid funding supports jobs and generates income within the health care sector of the economy and in other related sectors. The economic effect of Medicaid is intensified due to the federal-state funding mechanism of the program—state Medicaid spending pulls federal dollars into state and local economies.

Findings from 29 studies in 23 states all show Medicaid has a positive effect on state economies.[25] Because rural areas are disproportionately dependent on Medicaid, the economic effect in rural places is likely greater. For example, a study in Idaho found that Medicaid spending in rural counties results in total county health care expenditures five times the original investment.[26] Medicaid clearly plays an important role in generating jobs and income in an important sector of the rural economy.

Medicaid and the Affordable Care Act

Medicaid is at the center of the federal Affordable Care Act's primary mission to provide near universal health insurance coverage. The law extends Medicaid eligibility to nearly everyone under age 65 up to 133 percent of the federal poverty level ($14,484 for an individual and $29,726 for a family of four in 2012). The Congressional Budget Office estimates that 16 million people, mostly adults, will gain Medicaid coverage as a result of this provision.[18] Based on current Medicaid enrollment, that equals about 8.8 million rural residents across the nation newly covered by Medicaid. The Urban Institute estimates a 27.4 percent increase in Medicaid enrollment by 2019, or an increase of almost 16 million people from current enrollment.[18, 27]

Other estimates of the Medicaid expansion under the Affordable Care Act are smaller but still significant. United Health estimates that by 2019 an additional 8.1 million rural residents will be enrolled in Medicaid or the state health insurance exchanges compared to what would have happened without the Affordable Care Act. Assuming some of these people would have other means of health insurance coverage, the net rural coverage expansion is estimated to be 5.4 million.[19]

The expansion of Medicaid coverage under the Affordable Care Act also appears to have little effect on rural medical practices. Only 11 percent of rural primary care physicians stated they did not plan on accepting new Medicaid patients in 2014 when the new eligibility rules take effect (59 percent said they would accept new Medicaid patients and 30 percent said they were unsure).[19] Nearly twice as many urban primary care physicians stated they would not accept new Medicaid patients starting in 2014.

Summary and Conclusions

Clearly, Medicaid is a critical piece of the rural health care system. Among the connections between rural areas and Medicaid are:

- The unique rural demographics of an older, lower income, more disabled and less healthy population with lower rates of private health insurance require a well-functioning Medicaid program.
- Medicaid provides health insurance coverage and health care access for rural children and the disabled, both with limited health insurance options.
- Significantly more people in rural areas would be without health insurance without Medicaid coverage.
- Medicaid is a primary financer of long-term care, vital in rural areas with higher rates of elderly population and greater reliance on nursing facilities.
- Medicaid helps expand health services—particularly mental health services—that would otherwise be limited or nonexistent in rural areas.
- Medicaid keeps health care facilities and health care providers in rural areas by providing a significant

portion of patient revenue.

- Medicaid enhances the quality of life in rural areas by providing greater access to rural health care services.
- Medicaid helps the rural economy by providing jobs and local revenue.

Medicaid clearly provides necessary health care and access to health care for a large number of rural Americans and rural families. It provides needed resources to the rural health care system and economic development to rural communities. It assists the most vulnerable rural citizens whose health and well-being would be irreparably damaged without the support of Medicaid.

The importance of Medicaid to rural people and rural communities means changes in Medicaid are likely to have a disproportionate effect on rural areas. Changes in enrollment policy and services covered will harm those rural people most dependent on Medicaid, particularly the elderly, the disabled and children. Those populations would be most harmed by the rural private health insurance gap. They would be unable to obtain health insurance coverage for needed health care services, the services that Medicaid and Medicaid alone provides. The result would be a much sicker and less healthy rural America.

Changes in provider payment policy will harm an already fragile rural system of care.[2] As Congress and state legislatures examine ways to change Medicaid for budgetary reasons it is essential to know the rural consequences of those changes, both direct consequences to patients and costs to the rural health care system and the broader rural community.

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ABOUT THE CENTER FOR RURAL AFFAIRS

Established in 1973, the Center for Rural Affairs is a private, nonprofit organization with a mission to establish strong rural communities, social and economic justice, environmental stewardship, and genuine opportunity for all while engaging people in decisions that affect the quality of their lives and the future of their communities.

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