Center for Health Care Strategies

Medicaid: A Brief History of Publicly Financed Health Care in the United States

For nearly 60 years, Medicaid has played an essential role in the U.S. health care system — Medicaid/CHIP now provide health coverage for more than 90 million people, including one in four children, 40 percent of all births, and nearly two-thirds of nursing home residents. Following are key milestones, preceding the Social Security Act Amendments and beyond.

1935

Social Security Act

- Federal money is made available to states to provide financial assistance to seniors, which initiates creation of the private nursing home industry.
- Enables states to extend and improve services that promote the health of mothers and children, particularly in rural and economically distressed areas.
- Assists states, counties, health districts, and other political subdivisions of states in establishing and maintaining adequate public health services, including the training of personnel for state and local health work.

1939

Federal Security Agency

- Brings all federal programs around health, education, and social security together under one agency.

1965

Social Security Amendments — the Birth of Medicaid and Medicare

- Medicaid is created, expanding on existing federal support for health care services for recipients of Aid to Families with Dependent Children.
- Medicare is established with two components: Part A (hospital services) and Part B (physician services) for people age 65 and older.
- From the start, separate funding streams for each program, varying payment rates, and different coverage rules create conflicting financial incentives for federal and state governments and providers.

1967

Social Security Amendments: Covering Individuals with Disabilities and Children

- Health insurance for individuals with disabilities increases; previously, one could only be eligible if disabled at the time of filing the application.
- Congress introduces Early and Periodic Screening, Diagnostic and Treatment (EPSDT), which ensures that children under age 21 enrolled in Medicaid receive age-appropriate screening, preventive care, and treatment services.

1972

Medicaid Eligibility for Elderly, Blind, and Disabled Individuals Linked to Supplemental Security Income (SSI) Eligibility

- Provides a uniform baseline income for eligibility to Medicaid, in conjunction with eligibility for SSI.

1981

Freedom of Choice and Community-Based Care Waivers

- States are able to use Medicaid funds to provide an array of non-medical services (excluding room and board) not otherwise covered by Medicaid if those services allow recipients to receive care in community and residential settings as an alternative to institutionalization.
- States are required to provide additional payments to hospitals treating a disproportionate share of low-income patients.

1982

Arizona: The Last State to Opt into Medicaid and the First with Statewide Managed Care

- Arizona Health Care Cost Containment System is established, providing medical services to eligible persons through a managed care system — the first statewide Medicaid managed care system in the country.

1985

Consolidated Omnibus Budget Reconciliation Act (COBRA)

- Provides temporary continuation of group health plan coverage for certain employees, retirees, and family members at group rates when coverage is lost under qualifying events.

1986

Emergency Medical Treatment and Labor Act

- Requires hospital emergency departments to screen every patient who seeks emergency care and to stabilize or transfer those with medical emergencies, regardless of insurance status or ability to pay.

1987

Omnibus Budget Reconciliation Act: Protections for Nursing Home Residents

- Includes new requirements on quality of care, resident assessment, care planning, and the use of neuroleptic drugs and physical restraints.
- Implements mandatory use of a standardized, comprehensive tool, the Resident Assessment Instrument, to assist in assessment and care planning.

1989

Omnibus Budget Reconciliation Act: EPSDT Expansion

- Expands EPSDT to ensure that all required screenings, preventive care, and treatments are covered in every state in response to evidence of limited coverage for children with mental and developmental disabilities.
- The 1905(r)(5) requirement is implemented, including all medically necessary services for children.

1989

Medicaid Coverage Expands for Pregnant Women and Young Children

- Expands to include pregnant women and children aged under six in families with an income up to 133 percent of the federal poverty level (FPL).
- Expands early and periodic screening for anemia, urinary tract, and other infections in pregnant women.

1990

Medicaid Further Expands Coverage and Lowers Drug Prices

- Medicaid coverage expands to include children ages 6-18 under 100 percent of FPL.
- The Medicaid Drug Rebate Program is created, which ensures Medicaid receives the lowest price available for all prescription drugs.

1991

Medicaid Disproportionate Share Hospital Spending Controls

- Provider-specific taxes and donations to states are capped.

1996

Mental Health Parity Act

- Large group health plans can no longer impose annual or lifetime dollar limits on mental health benefits that are less favorable than any such limits imposed on medical/surgical benefits.

Welfare Link to Medicaid Severed

- Aid to Families with Dependent Children is replaced by Temporary Assistance for Needy Families (TANF).
- Beneficiaries can receive health coverage through Medicaid without receiving cash assistance.

Personal Responsibility and Work Opportunity Reconciliation Act

- Women receiving cash assistance through TANF are guaranteed health coverage for their families, including at least one year of transitional Medicaid when transitioning from cash assistance to work.

1997

Balanced Budget Act

- Spurs limited growth rates in payments to hospitals and physicians under fee-for-service arrangements.
- Restructures payment methods for rehabilitation hospitals, home health agencies, skilled nursing facilities, and outpatient service agencies to incentivize delivery of more efficient services.

Children's Health Insurance Program (CHIP)

- Public coverage rates for children in families with income between 100 and 200 percent of FPL increases by 26 percent, and rates for children with income in the Medicaid range of under 100 percent of FPL increases by 15 percent.
- Provides states with enhanced federal financing and greater flexibility in program design compared to Medicaid.
- By fiscal year 2000, every state, territory, and the District of Columbia has children enrolled in CHIP-financed coverage.

1999

The Olmstead Decision

- The U.S. Supreme Court holds in Olmstead v. Lois Curtis that unjustified segregation of persons with disabilities constitutes discrimination, and requires public agencies to provide services in the most appropriate and least restrictive integrated setting that serves the needs of individuals with disabilities.

Ticket to Work and Work Incentives Improvement Act

- Amends the Social Security Act to expand health coverage for working individuals with disabilities.
- Allows states to offer buy-in to Medicaid for beneficiaries with disabilities; states are free to establish their own income and resource standards, including having the option of no income or asset limits.

2009

American Recovery and Reinvestment Act

- Subsidizes $87 billion in matching funds for two years to help states pay for the additional Medicaid needs that usually occur in a recession.
- Allocates $24 billion to cover 65 percent of COBRA premiums for up to nine months for laid-off workers.

2010

Patient Protection and Affordable Care Act (ACA)

- Adds consumer protections, such as guaranteed issue of health insurance, acknowledgement of pre-existing conditions, no lifetime limits, and allowance of young adults to remain on parents' insurance until age 26.
- Expands access to affordable health coverage via insurance marketplaces, premium tax credits, Cost Sharing Reduction, and Medicaid expansion.
- States are required to expand Medicaid to childless, able-bodied adults up to 138 percent FPL.
- Includes programs related to advancing payment and delivery system reform, such as the Medicare Shared Savings Program (upon which most Medicaid accountable care organizations are based) and Medicaid Health Homes.

2011

Community First Choice Option Established Under the ACA

- Allows states to provide home- and community-based attendant services and supports to eligible Medicaid enrollees under their state plan.

2012

National Federation of Independent Business v. Sebelius: Supreme Court Decision

- The U.S. Supreme Court upholds Congress' power to enact the ACA, including a requirement for most Americans to have health insurance by 2014.
- The court declares mandatory Medicaid expansion unconstitutional. States are given the option to expand Medicaid eligibility to childless, able-bodied adults up to 138 percent FPL.

2014

CMS Defines "Home- and Community-Based" for Provision of Medicaid Services

- Settings must ensure an individual's rights of privacy, dignity, and respect, and freedom from coercion and restraint, and optimize, but not regiment individual initiative, autonomy, and independence.

ACA Medicaid Expansion and Insurance Marketplaces

- Increased eligibility for U.S. residents with household incomes up to 138 percent of FPL who live in an expansion state.
- Initial Medicaid expansion has taken place in 39 states as of October 2022.

CMS Approves 1115 Waiver that Includes Work Requirements

- CMS approves provisions for the first time that allow linking eligibility to meeting work requirements for ACA expansion and non-expansion populations. The provisions also allow states to charge premiums up to five percent of family income.

2020

COVID-19 Pandemic Spreads Across the U.S.

- In January, CDC confirms first case of COVID-19 in Washington State. The virus quickly spreads across the country. On January 31, 2020, the Secretary of Health and Human Services declares a Public Health Emergency (PHE) nationwide because of COVID-19. Between 2020 and 2022, former Secretary Alex M. Azar II and current Secretary Xavier Becerra have renewed the PHE every three months (90 days).
- Hospitals and health care systems quickly become overwhelmed with a surge of COVID-19 hospitalizations. As of October 2022, more than 1 million people in the U.S. have died from the disease.

COVID-19 Aid, Relief, and Economic Security Act (CARES Act)

- Appropriates $100 billion for a provider relief fund to prevent, prepare for, and respond to COVID-19, domestically or internationally, and reimburses hospitals and other eligible providers for health care related expenses or lost revenues that are attributable to coronavirus.

Families First COVID-19 Response Act (FFCRA)

- The Families First Coronavirus Response Act increased states' Federal Medical Assistance Percentage (FMAP, sometimes known as the Medicaid matching rate) by 6.2 percentage points to quickly infuse more federal funds into states' budgets to address the pandemic.

- Medicaid programs must keep beneficiaries continuously enrolled through the conclusion of the COVID-19 PHE to receive the enhanced federal funding. As a result, Medicaid enrollment increased, and the uninsured rate declined. Since the start of the PHE, Medicaid and CHIP enrollment grew from 71 million in January 2020 to almost 94 million in March 2023.

2021

American Rescue Plan Act (ARPA)

- Requires Medicaid and CHIP coverage of COVID-19 vaccines and administration, and treatment with no cost-sharing through the end of the first calendar quarter that begins one year after the PHE ends.
- Removes the cap on total drug rebates that manufacturers pay state Medicaid programs under the Medicaid drug rebate program starting in 2024.
- Introduces an option through a state plan amendment for Medicaid agencies to extend coverage for postpartum women from 60 days to 12 months.

2022

Housing-Related 1115 Waiver Demonstrations

- CMS approved waiver demonstration requests in Arizona, Arkansas, Massachusetts, and Oregon that provide homeless individuals, or those at risk of becoming homeless, with limited, medically appropriate housing support and transition services.

Extended Postpartum Coverage Takes Effect

- The postpartum coverage extension option in 2021's ARPA took effect in April 2022. As of July 2023, 36 states have adopted the option, and 10 more are planning implementation.

2023

Addressing Health-Related Social Needs Through 1115 Waivers

- In late 2022, CMS announced an 1115 waiver demonstration opportunity for states to more effectively address health-related social needs (HRSN). In January 2023, CMS provided additional guidance on how Medicaid managed care programs can address HRSN like food and housing insecurity using an "in lieu of a service or setting" model. The agency approved several 1115 waivers allowing states to pay for HRSN-related services through Medicaid in 2023.

States Seek 1115 Waivers to Bypass Inmate Exclusion Policy

- In January 2023, CMS approved California's request for a 1115 waiver to bypass the inmate exclusion policy and extend Medicaid benefits to eligible individuals leaving jails and prisons. More than a dozen other states have similar requests pending CMS review as of July 2023.

Medicaid Unwinding

- The Consolidated Appropriations Act of 2023 decoupled the Medicaid continuous enrollment requirement from the COVID-19 PHE. States began their redetermination processes in April 2023 and as of July, more than 3 million beneficiaries had been disenrolled.
- The Consolidated Appropriations Act and the end of the PHE also triggered the phase-out of enhanced FMAP. During the PHE, states received a 6.2 percent bump to their FMAP rates. The enhanced rates will be phased down to a 1.5 percent increase by the end of December 2023.

ABOUT THE CENTER FOR HEALTH CARE STRATEGIES

The Center for Health Care Strategies (CHCS) is a policy design and implementation partner devoted to improving outcomes for people enrolled in Medicaid. We support partners across sectors and disciplines to make more effective, efficient, and equitable care possible for millions of people across the nation. For more information, visit **www.chcs.org**.