Celebrating 35 Years of Medicare and Medicaid

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INTRODUCTION

> *Medical care will free millions from their miseries. It will signal a deep and lasting change in the American way of life. It will take its place beside Social Security and together they will form the twin pillars of protection upon which all our people can safely build their lives and their hopes.* President Lyndon Baines Johnson in June 1966 speaking to the National Council of Senior Citizens shortly before implementation of the Medicare program.

The 1965 enactment of the Medicare and Medicaid programs is among the most important domestic legislative achievements of the post-World War II era. Medicare provided health insurance to Americans age 65 or over and, eventually, to people with disabilities. For its part, Medicaid provided Federal matching funds so States could provide additional health insurance to many low-income elderly and people with disabilities. Moreover, Medicaid established the principle that a comprehensive, Federal program would assume some measure of responsibility to provide for the health care needs of low-income parents and their dependent children. On July 30, 1965, when he signed the bill into law at the Truman Library in Independence, Missouri, President Johnson said:

"No longer will older Americans be denied the healing miracle of modern medicine. No longer will illness crush and destroy the savings they have so carefully put away over a lifetime so they might enjoy dignity in their later years. No longer will young families see their own incomes, and their own hopes, eaten away simply because they are carrying our their deep moral obligations to their parents, and to their uncles, and to their aunts. . . No longer will this Nation refuse the hand of justice to those who have given a lifetime of service and wisdom and labor to the progress of this progressive country."

The legislation was the political brainchild of House Ways and Means Committee Chairman Wilbur Mills; it was called a "three layer cake." The first layer was the Johnson Administration's proposed "Medicare" program; a mandatory plan to cover the elderly's hospital (but not physician) costs which Mills called Medicare Part A. For the second layer, Mills took the voluntary plan favored by the American Medical Association and Republicans (both opposed Johnson's mandatory program) and turned it into voluntary coverage for the elderly's physician costs which Mills called Medicare Part B. For the third layer, Medicaid, Mills expanded existing Federal funds provided to States to care for poor elderly, disabled, and parents and their dependent children.

In the 35 years since President Johnson spoke, Medicare has cumulatively provided more than 93 million elderly and disabled Americans with affordable health care coverage and access to high-quality medical care. During the same period, Medicaid has provided millions of low-income families, elderly and disabled Americans with health care services. Today, Medicare serves 39 million beneficiaries, or 14 percent of the population, and in 30 years the number of Americans covered will nearly double to 77 million or 22 percent of the population. In

1998, Medicaid covered more than 41 million Americans, or more than 12 percent of the population. For more information on multiple ways totally Medicaid enrollment refer to Provost (2000).

Together, Medicare and Medicaid serve nearly one in four Americans and finance about $1 in every $3 that the Nation spends on health care. The programs also spend a significant share of the Federal Government's budget: about $1 in every $5. By any measure, share of the population served, share of the Nation's health dollar, or share of the Federal Government's budget, over the last 35 years, the programs have become an important part of the Nation's health care system and social fabric.

But data and analysis explain only part of the reason we celebrate these essential programs. In this 35th anniversary year of Medicare and Medicaid, I would like to highlight the voices of some of those Medicare and Medicaid beneficiaries whom we serve. I have a deep appreciation for the role of analysis in running our public programs, and the authors in this volume of the *Health Care Financing Review* make a vital contribution to our understanding of program policy and administration. But during my tenure as Administrator, I am especially fortunate to have had the opportunity to gauge the impact of Medicare and Medicaid in a less scientific manner as well—by listening to our beneficiaries. In the following sections, as we review 35 years of accomplishments and prospects for the future, a few of these beneficiaries will speak for themselves.

MEDICARE'S ACCOMPLISHMENTS

> *I think they should keep Medicare. Medicare is very, very good. It is better than it used to be when people were suffering and couldn't pay a doctor bill.* Medicare Beneficiary, 1999 Medicare Current Beneficiary Survey

Medicare has made a dramatic difference in the number of seniors who are insured against health care costs and has improved access to services. Life expectancy has increased by 3 years at age 65, or 20 percent, since 1960. More important than simply adding more years to a senior citizen's life, Medicare has helped to improve the quality of those years. For example, cataract surgery means that vision can be restored, artificial knees and hips means that mobility can be retained, cardiac bypass, and organ transplant surgery means that life itself can be extended. In fact, research has found that the prevalence of disabilities in the elderly as they age are lower than previous data would have suggested, providing additional evidence that the quality of life is improving for the Nation's elders. Medicare coverage has helped keep millions of seniors and their families out of poverty as a result of illness or disability. And by requiring hospitals accepting Medicare funding to be integrated for all patients, Medicare played a powerful, but often overlooked, role in expanding access to high-quality care for minority seniors and for all Americans who are members of minority groups.

Medicare has also made a major contribution to the American health care system by providing a stable source of payment for a large segment of the population that has substantial health care needs. Medicare's payment systems have been a model for other insurance carriers in the U.S. as well as around the world. Medicare's payment systems have also helped to change the health services delivery system. For example, after Medicare's prospective payment

system for hospital services was implemented, hospital cost growth slowed, the average length of a hospital stay declined and ambulatory care alternatives like home health services grew for both public and private payers. Medicare has established strong Federal standards for the quality of hospitals, nursing homes, and home health care agencies that benefit all Americans. And Medicare has some of the strongest patient protections for beneficiaries enrolled in health maintenance organizations and other managed care plans.

MEDICAID'S ACCOMPLISHMENTS

> *Medicaid, in particular, forms the bedrock of our Nation's response to caring for people living with HIV*. Donald Minor, living with HIV and hemophilia, in testimony before the Senate Aging committee.

> *One of our medicines is $18….and we had to pay $5 for it. And it's helped us. I tell you it helped us. It's the only thing that's keeping us going*. Medicaid Beneficiary in Sacramento, California

Medicaid is in many ways a constellation of programs serving many different vulnerable population groups with varied health care needs. For many elderly Americans, it covers the high cost of nursing home care after their savings and income have been exhausted. Nearly one-half of the Nation's nursing home bill is covered by Medicaid. For elderly Americans just above the poverty line, Medicaid covers Medicare's cost sharing and Part B premium obligations. For new mothers, Medicaid covers the cost of childbirth. About one in three of the Nation's births is covered by Medicaid. For many disabled citizens, Medicaid covers the costs of medical equipment, personal attendant services, and other services allowing them to live independently in the community. For children, Medicaid covers immunizations and other preventive and screening services in order to catch and treat problems at the earliest possible age. When children are newly insured, they are not hospitalized as often for conditions that can be treated in ambulatory settings; this is especially helpful for asthmatic children who need good primary care. For many children with special health care needs, Medicaid covers the specialized care they need to have a chance of growing up at home, outside the confines of an institution. And for many Americans with HIV, it covers the costs of life-sustaining treatments. Medicaid covers 90 percent of children with HIV and about one-half of adults with AIDs.

STATE CHILDREN'S HEALTH INSURANCE PROGRAM (SCHIP)

> *What do I worry about as a parent? I know one of my biggest worries is my daughter's well-being. If she is healthy the rest we can deal with. Last year for several months, we were without health insurance— and I really felt we were living on borrowed time. I was constantly worried— what if my daughter breaks her arm, or was in a car accident, or just got really sick—how would I pay for that with no health insurance? It's a frightening position to be in*. Kentucky Parent

Before Medicare was enacted, the elderly were among the population groups most likely to be without health insurance. Now, children are among the population groups most likely to be without health insurance: more than 11 million children, or one in seven, are uninsured. To address this problem, the SCHIP was enacted in 1997 to provide health insurance coverage to children from working families who do not qualify for Medicaid and cannot afford private insurance.

CHALLENGES FOR THE FUTURE

I just hope it [Medicare] *lasts, because I could not manage without it.* Medicare Beneficiary, 1999 Medicare Current Beneficiary Survey

On a bipartisan basis, Medicare reforms over the last several years have included: enactment of the Balanced Budget Act of 1997 (which brought many important changes to the program including new preventive benefits for beneficiaries); reducing waste, fraud, and abuse in the program; and extending solvency of the Medicare Hospital Insurance Trust Fund until 2025. These changes form a strong basis for optimism that we will be able to meet the challenges of Medicare's future responsibly, while focusing first and foremost on what beneficiaries need.

While the Medicare and Medicaid programs have been very important to the millions of Americans served by them, there are challenges to the ability of the programs to continue that service. For Medicare, the challenges include updating the benefit package to reflect what is now the norm for the private sector, notably coverage for outpatient prescription drugs. For Medicaid and SCHIP reaching out to and enrolling all of the Americans eligible for coverage remains a challenge. The impact of welfare reform on Medicaid enrollment means we have more work ahead to make sure that program benefits are available to everyone who is eligible. For both Medicare and Medicaid, as the Nation's baby-boom generation ages over the next several decades, Utilization of health services increase rapidly, challenging the Nation's ability to continue to provide high quality services to the elderly.

OVERVIEW OF THE 35TH ANNIVERSARY EDITION

Thanks to you my son has glasses for the first time. Kansas Parent

I commissioned this issue of the *Health Care Financing Review* to bring together the best thinking from independent policy experts and HCFA staff as we celebrate the 35th anniversary of Medicare and Medicaid. I have asked two public policy experts to draw upon their knowledge of the programs, and write about the important challenges we face in the future, while reflecting upon the achievements of the last 35 years.

Marilyn Moon brings her experience as a public trustee of the Medicare Trust Funds and as a scholar of Medicare at the Urban Institute to bear in her article, "Medicare Matters: Building on a Record of Accomplishments," she discusses reform proposals in light of the program's original goals: access to mainstream care, a commitment to pooling risks, and additional help to those in need. She argues that Medicare has met those original goals. She cautions that the challenge of simultaneously improving the benefit package and financing care for the baby-boom generation will likely require new revenues and should be done with the program's original goals in mind.

Diane Rowland, the Executive Director of the Henry J. Kaiser Family Foundation's Commission on Medicaid and the Uninsured, brings her experience as one of the Nation's foremost public policy analysts on Medicaid to bear in her article "Health Care for the Poor: Medicaid at 35," she discusses Medicaid's achievements: improving access to health care and improving

health status while moderating growth in the ranks of the uninsured. She discusses the back and forth between States and the Federal Government over their respective roles. She argues that Medicaid is critical to assuring access to health services for a broad array of groups: families with children, pregnant women, the disabled and the elderly. She argues that the future effectiveness of the program in providing coverage will depend upon whether it can be transformed into a health insurance program that includes all low-income people regardless of their family status.

To complement their work, I asked several HCFA staff to reflect upon a number of additional important topics in short vignettes.

Medicare

Rick Foster, our Chief Actuary, reviews the general financial history of the hospital insurance (HI) and supplementory medical insurance (SMI) trust funds and projections for the future in his article "Trends in Medicare Expenditures and Financial Status, 1966-2000." The history of Medicare's spending growth is a pattern of "relatively rapid growth in most years, with occasional periods of slower growth attributable to important legislative or administrative initiatives." He urges timely action to address the financial impact of the impending enrollment of the baby-boom generation. He closes by noting that "public confidence in government and government programs is enhanced by their efficient operation and freedom from crises—especially those foreseeable many years in advance."

Robert Myers, a former Chief Actuary of the Social Security Administration, in his article "Why Medicare Part A and Part B, as Well as Medicaid?" graciously provides us with an historical note on the political compromises that resulted in the surprising enactment of Medicare and Medicaid.

Paul Eggers, National Institute of Diabetes and Digestive and Kidney Diseases at the National Institutes of Health writes in his article, "Medicare's End Stage Renal Disease Program" about the life-saving ESRD program in Medicare, where prior to Medicare's coverage, hospitals were forced to make life and death decisions for patients needing expensive dialysis services. Since 1973, Medicare has financed the "gift of life" for more than 1 million beneficiaries with ESRD.

Carlos Zarabozo, Office of Strategic Planning, in his article, "Milestones in Medicare Managed Care" reviews the history of managed care in Medicare, from the earliest days of the program through today, when Medicare+Choice is faced with the turmoil in the larger managed care marketplace.

Anita Bhatia, Sheila Blackstock, Rachel Nelson and Terry Ng, from the Office of Clinical Standards and Quality, discuss in their article, "Evolution of Quality Review programs for Medicare: Quality Assurance to Quality Improvement" the evolution of quality in the Medicare program from a retrospective quality review strategy to a proactive, quality improvement approach.

Nancy De Lew, Office of Strategic Planning, in her article, "Medicare: 35 Years of Service" rounds out the Medicare section by highlighting key data regarding beneficiary characteristics, program spending, and Medicare's role in the broader health system.

Medicaid

John Klemm, Office of the Actuary, in his article, "Medicaid Spending: A Brief History" reviews the history of Medicaid spending and enrollment over the last 35 years. He finds that the "factors that have driven Medicaid

spending over the years have varied greatly from one era to the next, resulting in extreme variation in spending growth over time."

Jan Shankroff, Patricia Miller, Marvin Feuerberg, and Edward Mortimore, Center on Medicaid and State Operations, in their article, "Nursing Home Initiative" review the challenges facing the Nation's nursing homes in improving quality of care for the more than 1.5 million residents of these facilities. Nursing home reform legislation enacted in 1987 sought to improve quality and the review shows that more remains to be done to fulfill the goals of the legislation.

T. Randolph Graydon, Center for Medicaid and State Operations, in his article, "Medicaid and the HIV/AIDS Epidemic in the United States" writes about the critical role that Medicaid plays, as the Nation's largest payer, in financing the health care of 90 percent of children living with AIDS and one-half of all those living with AIDS.

Mary Jean Duckett and Mary Guy, Center for Medicaid and State Operations, in their article, "Home and Community-Based Services Waivers" write about home and community-based waivers which allow States to use Medicaid funds for people, who would otherwise qualify for nursing home care, to be cared for at home or in other community residential settings.

Clarke Cagey, Center for Medicaid and State Operations, in his article, "Health Reform, Year Seven: Observations About Medicaid Managed Care" provides an assessment of State health care reform efforts over the last 7 years. He finds that large coverage expansions have been replaced, now that the SCHIP is in place, by new State strategies to target managed care enrollment on high cost populations.

Rosemarie Hakim and Paul Boben, Office of Strategic Planning and Jennifer Bonney, Center for Medicaid and State Operations, in their article, "Medicaid and the Health of Children" find that Medicaid coverage has contributed to significant improvements in the health of low-income children citing decreases in the number of childhood deaths, hospitalizations, and emergency room visits and increased immunizations and other preventive services in the wake of Medicaid coverage. However, they argue that there is still room for improvement given that "access to care is still less than that enjoyed by privately insured children."

Christy Provost and Paul Hughes, Office of Strategic Planning, in their article, "Medicaid: 35 Years of Service" round out the Medicaid section by highlighting key data regarding beneficiary characteristics, program spending, and Medicaid's role in the broader health system.

Program Overview

We close the issue with an article by Earl Dirk Hoffman, Barbara Klees, and Catherine Curtis, Office of the Actuary, entitled, "Overview of the Medicare and Medicaid Program," which reviews historical data about the programs as well as their current structure.

CONCLUSION

> *My son has asthma. Before we had the CHIPS card I could not afford proper care for him. This program is a real blessing for us. Now my son is getting the medical care he needs. Thank You!* West Virginia parent

As we celebrate the 35th anniversary of Medicare and Medicaid, this edition of the *Health Care Financing Review* examines the role these programs have played in improving the health and well being of America's senior citizens, people with dis-

abilities, and families with children. It examines the impact these programs have had on the American health care system and their evolution to improve benefits, eligibility, and financing. Finally, the volume looks at the challenges these programs face in meeting the needs of future beneficiaries. It is my hope that, as we debate the future of social insurance programs in America, we will pause to reflect upon the 35 years of health security Medicare and Medicaid have provided to our families and our fellow citizens. With that in mind, I would like to close my introduction as it began, with the voices of beneficiaries:

If it wasn't for Medicare, what would we do? Medicare Beneficiary, 1999 Medicare Current Beneficiary Survey

Since getting this CHIP coverage for my boys, I have had a lot less worry and stress. We were at the point of choosing between groceries and health coverage for the boys….We would not have been able to get them the medicine or doctor visit without CHIP. West Virginia parent of a child enrolled in SCHIP.

A lady comes to help me bathe and shave…I was eating one meal a day and it's just not enough. I went down to 108 pounds. I probably would have died there. A 74 year old male Medicaid beneficiary who lived alone in Kansas prior to receiving home health and other Medicaid covered services.

REFERENCE

Provost, C. and Hughes, P.: Medicaid: 35 Years of Service, *Health Care Financing Review* 21(5):xxx-xxx, Fall 2000.

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