MEDICAID is the largest health insurance program in the U.S. that serves the poorest American families and individuals. Some 62 million people, including 1 in 3 children, have health insurance coverage through Medicaid. Medicaid also covers persons with severe disabilities and provides additional services and support to seniors. The states and federal government finance Medicaid jointly. It is designed to expand in times of economic downturn or unemployment and contract during periods of growth as more people find work and gain insurance through their employer plans. The program's success is dependent on this ability to expand and contract to meet the needs of Americans throughout economic cycles.

MEDICARE was created in 1965 and was designed to provide health care coverage for individuals aged 65 and older. It currently also covers persons with permanent disabilities under the age of 65. According to the Congressional Research Service, “Medicare, which consists of four parts (A-D), covers hospitalizations, physician services, prescription drugs, skilled nursing facility care, home health visits and hospice care, among other services. Generally, individuals are eligible for Medicare if they or their spouse worked for at least 40 quarters in Medicare-covered employment, are 65 years old and are a citizen or permanent resident of the United States.” In doing so, Medicare serves as a high-risk pool transferring some of the costliest health care needs from the private market to the federal government, lowering healthcare premium rates for families around the country.

SOCIAL SECURITY is the nation’s premier retirement security plan for older adults, providing cash benefits each month to “retired or disabled workers and their family members, and to the family members of deceased workers.” A retired worker is generally eligible for Social Security benefits if they have worked for at least 10 years in “Social Security-covered employment” usually with both employers and employees paying 6.2 percent of covered wages into the Social Security Trust Fund. Under current conditions, the Social Security Board of Trustees estimates that, “based on the program’s current financing and benefit structure, benefits scheduled under current law can be paid in full and on time until 2034.”

These programs serve as the core of our nation’s medical and income safety net for the elderly, unemployed, underemployed and disabled. Programs such as Medicaid and Medicare must remain funded through flexible federal expenditures in order to support individuals adversely impacted by economic shifts beyond their control. Proposals to reduce spending, such as block granting Medicare, would mean that a limited amount of funds are provided to each state. This could be enough to meet medical needs during periods of growth, but would ultimately be unable to respond to regional, national or global economic contractions that would cause an increase in demand that exceeds the amount of the block grant.

Together, these programs and other safety net measures represent a significant amount of annual federal spending. In recent years, concerns over growing federal debt have led to proposals to change the programs. Unfortunately, proposals have primarily been short-sighted and simply sought to manipulate eligibility or coverage to reduce spending. Much more difficult, but responsible, changes require Congress and the nation to invest in programs that reduce the long-term need for these programs and minimize the individual impact of economic cycles so that these programs can cost less because they are needed less, not because America helps less.

ADDITIONAL RESOURCES: