

Medicaid Works for People in Rural Communities



Medicaid provides essential health coverage for millions in rural communities, giving them access to primary care and critical health services. Many of them, including children, would otherwise be uninsured. [Forty-five percent](#) of children in rural areas are enrolled in Medicaid or Children's Health Insurance Program coverage, compared to 38 percent in metropolitan areas.

Cutting Medicaid or radically changing its financing structure — for example to a per capita cap as in recent congressional Republican proposals to repeal the Affordable Care Act (ACA) — would threaten essential care for millions of low-income people in rural areas. Instead of capping Medicaid, federal policymakers should support positive state innovations that improve coverage for people in rural communities.

Medicaid Provides Crucial Services for People in Rural Communities

About [19 percent](#) of Americans live in rural areas. Medicaid provides comprehensive health coverage to low-income people in rural areas, covering services such as primary and preventive care, medical treatment for illnesses and chronic conditions, behavioral health and substance use disorder treatment, and nursing home care.

- **Medicaid is the only source of health coverage for many in rural America.** Many rural Americans have [limited access](#) to employer-sponsored insurance: fewer rural employers offer health insurance than those in urban areas, and self-employment is more prevalent in rural America. Medicaid is especially important to [children](#) and [seniors](#) in rural areas, who are more likely to get coverage through Medicaid than their counterparts in urban areas.
- **Medicaid expansion has played an essential role in rural areas.** Enrollees accessing Medicaid through their state's participation in the ACA's Medicaid expansion are more likely to live in rural areas than the general population, and nearly [1.7 million](#) rural Americans have newly gained coverage through the Medicaid expansion. Moreover, in at least eight expansion states — Alaska, Arkansas, Iowa, Kentucky, Montana, New Hampshire, New Mexico, and West Virginia — more than one-third of expansion enrollees live in rural areas.
- **Medicaid helps sustain rural hospitals and other providers.** Medicaid provides economic stability for hospitals and other rural health care providers, which have unique challenges delivering care in sparsely populated areas. The Medicaid expansion substantially reduced hospital uncompensated care costs: such costs as a share of hospital operating budgets [fell](#) by about half between 2013 and 2015 in expansion states. Rural hospitals are also [more likely](#) to turn a profit if located in an expansion state.

Medicaid Provides Access to Comprehensive, High-Quality Care

- **Medicaid provides access to providers that is comparable to private insurance, and it provides a broader range of benefits.** People with Medicaid coverage have a regular health care provider at [rates comparable](#) to people with private coverage — a key measure of access to care.
- **Medicaid offers high-quality care.** Medicaid beneficiaries are [likelier](#) than the uninsured or those with private coverage to say that their care was excellent or very good.
- **Medicaid prevents medical debt.** Medicaid beneficiaries are [less likely](#) to have trouble paying for care, and less likely to skip needed care due to cost, than people with private coverage or the uninsured, because Medicaid does not generally charge premiums or deductibles and requires only modest co-payments.

State Innovations Help Meet the Needs of People in Rural Areas

States have flexibility under Medicaid to innovate and test ways to improve the delivery of health care services.

- Wyoming and Montana are [piloting](#) medical homes for Medicaid beneficiaries with mental health and substance use disorders who live in areas without enough behavioral health providers. The pilot program offers videoconferencing between patients and providers, helping providers expand access to therapy, medication, and case management.
- Pennsylvania is [changing how it pays](#) rural hospitals to improve Medicaid beneficiaries' health and keep hospitals' doors open. The model pays hospitals a "global budget" set in advance and paid monthly, giving hospitals reliable funding and helping them invest in primary and preventive care.

Medicaid Cuts Would Jeopardize Coverage for People in Rural Areas

Millions of Medicaid enrollees would lose coverage, and hundreds of billions of dollars in federal Medicaid funding would be cut, under congressional proposals to repeal the ACA and impose a rigid, arbitrary, and increasingly inadequate cap on federal funding for state Medicaid programs. Such proposals would effectively end the ACA's Medicaid expansion, threatening health care for large numbers of low-income Medicaid beneficiaries and leaving those in rural areas particularly at risk of being uninsured or going without needed care.

Such Medicaid cuts would:

- **Leave states holding the bag.** A cap on federal Medicaid funding would result in deep cuts that would grow larger over time. It would also leave states responsible for 100 percent of the costs above their arbitrary federal funding cap, including higher-than-expected costs stemming from new treatments, public health emergencies (like the current opioid crisis), or changing demographics like aging of the population.
- **Threaten existing services when new costs arise.** States would likely have no choice but to institute severe cuts to Medicaid eligibility, benefits, and provider payments, which would have particularly harmful effects on rural areas. Moreover, as new treatments emerge or as demand for treatment increases, states could only cover these added costs by scaling back services that people in rural areas now rely on for care and independence, especially if these services are covered at a state's discretion.
- **Put the rural health infrastructure at serious risk.** Medicaid expansion has become a critical financial lifeline sustaining rural hospitals. One recent proposal would result in [18 percent](#) cuts to rural hospital Medicaid reimbursements in expansion states. These cuts would likely force some rural hospitals to close or reduce services.

This report was prepared with support from the Commonwealth Fund.

January 19, 2018