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Pandemic Swells Medicaid Enrollment to 80 Million People

In the wake economic crisis caused by COVID-19, Medicaid now covers nearly 1 in 4 Americans.

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The pandemic-caused recession and a federal requirement that states keep Medicaid beneficiaries enrolled until the national emergency ends swelled the pool of people in the program by more than 9 million over the past year, according to a report released Thursday.

The latest figures show Medicaid enrollment grew from 71.3 million in February 2020, when the pandemic was beginning in the U.S., to 80.5 million in January, according to a KFF analysis of federal data. (KHN is an editorially independent program of KFF.)

That's up from about 56 million in 2013, just before many states expanded Medicaid under the Affordable Care Act. And it's double the 40 million enrolled in 2001.

Medicaid, once considered the ugly duckling compared with the politically powerful and popular Medicare program, now covers nearly 1 in 4 Americans. In New Mexico, the ratio is more than 1 in 3.

Together, Medicaid and Medicare cover 43% of Americans.

More than three dozen states since 2014 have used billions in ACA funding to expand coverage beyond traditional Medicaid populations to cover adults with incomes below 138% of the federal poverty level, or about $17,800. At the end of 2020, 14.8 million newly eligible adults were enrolled in Medicaid because of the ACA.

States that have seen at least an 80% increase in Medicaid enrollment since 2013 are Kentucky (157%), Nevada (129%), Alaska (94%), Colorado (92%), Montana (88%), Oregon (85%) and New Mexico (80%).

Although Medicaid has often been criticized for having too few physicians who accept its low reimbursement rates, state officials say they have weathered the surge with few complaints from enrollees about accessing health services. One key reason is the dramatic downturn in people seeking medical care during the pandemic because they were mitigating their risks of contracting

covid. Also, doctors were able to fit in more patients efficiently through telehealth appointments after federal rules expanded reimbursement for those services.

“We have no access issues,” said Karen Kimsey, Virginia’s Medicaid director. Since March 2020, Virginia Medicaid has added 308,000 members, a 20% increase, state officials said. With the exception of a shortage of some licensed mental health providers, state officials said they have enough providers to handle the increased demand.

Typically, a surge in Medicaid enrollment can cripple state budgets, but a COVID relief package passed by Congress last year boosted the federal share of its funding for traditional Medicaid by 6.2 percentage points. Before the pandemic, Washington paid on average about 56% of Medicaid costs, with poorer states getting a larger share of federal funding.

However, the funding hike required states to not remove anyone from the program during the public health emergency unless they die or move out of state.

The increase in federal contributions does not apply to enrollees covered by the ACA Medicaid expansion. The federal government already pays for at least 90% of their expenses.

Among the big winners from the enlarged Medicaid rolls are private health plans, which most states use to cover their enrollees. Health plans such as those run by managed-care titans UnitedHealthcare, Molina Healthcare and Centene Corp. receive a payment from states each month based on enrollment. That means these insurers can profit if they control costs, but they lose money if expenses to treat enrollees are too high.

“We are seeing plans’ revenues go up and utilization of health services decline, which is a recipe for increased profits,” said Massey Whorley, a Medicaid expert with the consulting firm Avalere.

Because of the way they are paid, health insurers benefited financially during the pandemic compared with other major health industry sectors, such as hospitals, physicians and nursing homes forced to stretch budgets for extra staffing and protective gear for workers while their revenues shrank due to waning demand.

Most health experts expect the Biden administration to maintain the nation’s health emergency status until at least the end of the year. Administration officials have said they will give states at least 60 days’ notice before ending the emergency so states can prepare to determine who is still eligible for Medicaid and help those who leave the program transition to other coverage.

“What we are seeing now is the high-water mark for Medicaid enrollment,” Massey said.

Helping to drive Medicaid enrollment this year was the Biden administration’s decision to reopen the ACA insurance marketplace from March until Aug. 15. About 331,000 people who applied as part of that special enrollment were eligible for Medicaid or the Children’s Health Insurance Program.

Anthony Fiori, an analyst with the consulting firm Manatt Health, said some states likely have adjusted payments to health plans when annual contracts were negotiated to account for a drop in health care use. He noted many states have limits on how much health plans can make in profits.

Matt Salo, executive director of the National Association of Medicaid Directors, said some states are considering lowering the rates they pay insurers per person.

As more people get fully vaccinated, Salo said, states expect an uptick in enrollees seeking care that they have put off during the pandemic, which will increase costs. “There will be a lot of pent-up demand that might explode in the near future,” he said.

Several health plans have told Wall Street investors that the pandemic has been good for their financial health.

Molina CEO Joseph Zubretsky said in April that the company’s Medicaid enrollment at the end of March was 3.9 million members, an increase of 260,000 since December. Since the pandemic started, the company estimates, it has added more than 700,000 Medicaid members with no plateau in sight.

“For every month the national covid emergency gets extended, it would produce about $150 million of revenue to our annual total,” he said.

Zubretsky predicted many will remain on Medicaid longer.

“The low-wage service economy, the sandwich shops, the restaurants, the dry cleaner shops aren’t coming back real fast, and I still think there will be a significant amount of that membership that will be on Medicaid for an extended period of time,” he said.

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