

U.S. Unemployment Rate, January 2008–January 2009.

Data are from the Bureau of Labor Statistics.

ilies become eligible for coverage through Medicaid and the State Children's Health Insurance Program. These programs reach more children than adults because most states have set the income-eligibility cutoff for children at or above 200% of the poverty level. For parents, coverage through Medicaid is far more limited, with a cutoff below 100% of the poverty level in 33 states — meaning that children are often covered while their parents remain uninsured. For adults without dependent children, no matter how poor, Medicaid coverage is largely unavailable unless they qualify on the basis of a severe disability.

Thus, though Medicaid is a safety net that will grow during this severe economic downturn, many low-income people will fall through the holes and become uninsured. For every increase of 1 percentage point in the national unemployment rate, it is estimated that an additional 1 million Americans turn to Medicaid for coverage and another 1.1 million go uninsured (see bar graph, Panel A), while revenues for financing

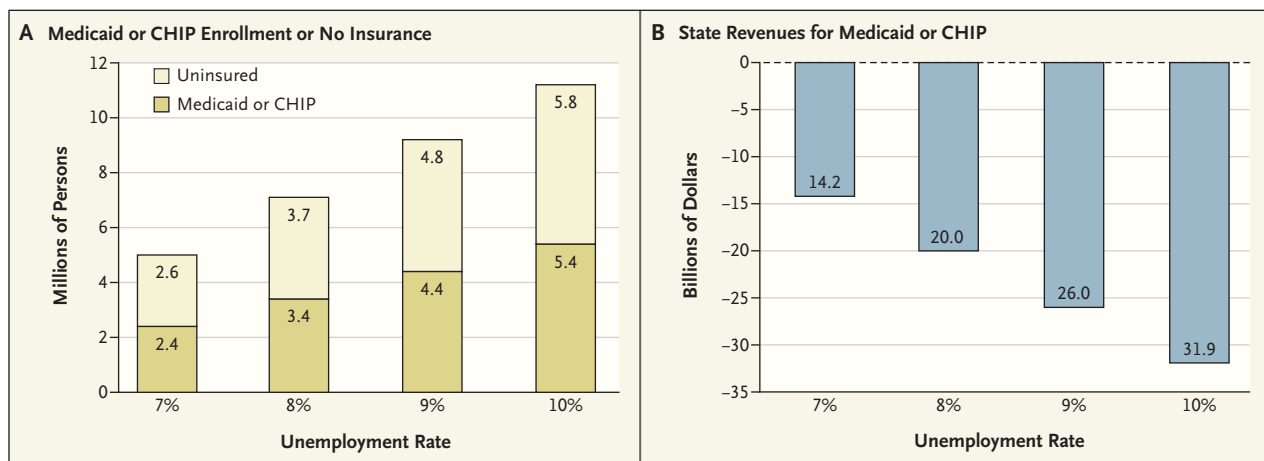
the state's share of Medicaid costs and other state services fall by 3 to 4% as Medicaid expenditures are rising (Panel B).³ With a 3.2-percentage-point increase in the unemployment rate that has occurred since the end of 2007, the number of uninsured is probably approaching 50 million as we continue to weather this recession.

In addition to putting health coverage for families in jeopardy, expansion of Medicaid enrollment and the ranks of the uninsured during a recession jeopardizes the ability of Medicaid and states to respond to the needs of beneficiaries and residents. With fewer people working and less consumption, state revenues drop even as spending for Medicaid swells. Because states must balance their budgets annually, declines in revenues require them either to raise taxes (politically unpopular, especially in hard economic times) or to cut spending — limiting their ability to pay their share of Medicaid costs. Since Medicaid is jointly financed by the federal and state governments, when states try to save money by trimming back

their Medicaid programs, the cuts are doubly deep: to save a state dollar, the state loses at least a dollar of federal matching funds. Cutbacks in Medicaid services and provider payments can lead to workforce and other service reductions that jeopardize states' efforts to recover from the recession. At a time when states need to be growing their economies, such cutbacks will exacerbate the economic downturn.

Shrinking Medicaid coverage can also jeopardize the health of both individual beneficiaries and the health care system. Medicaid is on the front line of health care today — not only as the health insurer for nearly 30 million children (1 in 4 U.S. children) and 15 million of their parents but also as the main source of health and long-term care coverage for more than 14 million elderly Americans and people with disabilities (see table). Because Medicaid plays multiple roles, when its financing is cut or strained, the impact ripples throughout the health care system; individuals who depend on the program for their health coverage are affected, but so are the hospitals, clinics, long-term care facilities, and health workers who provide their care and depend on Medicaid to help finance it. And as more Americans become uninsured, safety-net facilities and clinics will feel the increased burden of uninsured families' seeking care without the ability to pay, making reductions in Medicaid payments even more difficult to absorb.

As this recession has deepened, the need to stabilize coverage and shore up our health safety net as part of our response to the economic crisis has become ever more



Effect of Increases in Unemployment on the Number of Persons Who Enroll in Medicaid or CHIP or Are Uninsured (Panel A) and on State Revenues for Medicaid or CHIP (Panel B).

Data are from the Kaiser Commission on Medicaid and the Uninsured. Estimates for 2009 are based on an unemployment rate of 4.6% in 2007. CHIP denotes Children’s Health Insurance Program.

apparent. In President Barack Obama’s first month in office, Congress passed and Obama signed two important pieces of legislation that will help states and families maintain their health coverage and, it is hoped, weather the recession. The Children’s Health Insurance Program Reauthorization Act provides \$33 billion in additional federal funds to extend and expand CHIP (formerly called SCHIP) for 4.5 years to enable states to reach an additional 4.1 million children who would otherwise be uninsured. Among other health-related measures, the American Recovery and Reinvestment Act provides \$87 billion for a temporary increase in the federal share of Medicaid costs through 2010 and \$25 billion in temporary subsidies to assist unemployed families with the cost of their COBRA premiums.

The increase in the federal share of Medicaid spending is designed to help state Medicaid programs meet the increased costs and maintain coverage. To be eligible for the enhanced federal

financing, states must not make changes to restrict eligibility levels or make it more difficult for people to apply for or renew coverage. For children, the additional federal financing in Medicaid and CHIP will provide opportunities for states to improve coverage. For families losing job-based coverage, the COBRA subsidy provides some assistance with the cost of maintaining coverage, but it does not address the coverage needs of

those who were uninsured before losing their jobs. As a result, millions of Americans who are not eligible for Medicaid and cannot obtain or afford private coverage will still be added to the ranks of the uninsured.

The effects of the deepening recession underscore the importance of tackling health care reform to achieve greater stability and broader health coverage of the U.S. population. Medicaid can

Medicaid Today.*	
Type of Assistance	Scope
Health insurance coverage	Benefits 29.5 million children and 15 million adults in low-income families; 14 million elderly persons and persons with disabilities
Assistance to Medicare beneficiaries	Benefits 8.8 million aged and disabled persons (19% of Medicare beneficiaries)
Long-term care assistance	Benefits 1 million nursing home residents; 2.8 million community-based residents
Support for the health care system and safety net	Accounts for 16% of national health spending; 42% of long-term care services; about 1/3 of revenues for community health centers and public hospitals
Federal financing to states	Accounts for 50 to 76% of program costs, depending on the state

* Data are from the Kaiser Commission on Medicaid and the Uninsured.

serve as a platform for broadened coverage of the low-income population, but achieving this goal will require new policies that establish a minimum eligibility threshold for adults (including those without dependent children), promote greater access to primary care and equity in payment rates across payers, provide more automatic countercyclical federal financing during economic down-

turns, and restructure federal and state responsibilities to ensure that financing for coverage remains secure. These changes can help to alleviate the crisis in health care coverage and financing that we're now facing.

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Your Doctor's Office or the Internet? Two Paths to Personal Health Records

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Mary is 68 years old, has four chronic conditions, takes seven medications, and averages 12 visits per year to her six physicians. In between visits, she spends a lot of time on the telephone with them or their staff — making appointments, requesting prescription renewals and referrals, seeking test results, and asking questions that she forgot to bring up in person. Physicians' offices are becoming overwhelmed by the tasks and time required to address the needs of patients like Mary. As the baby boomers age and develop chronic diseases, the gap between patients' desire for information and physicians' ability to provide it is likely to increase. How will this gap be filled?

Two related but distinct options are emerging. One is a stand-alone personal health record (PHR), such as the Internet-based tools for patients developed by Google, Microsoft, WebMD, health insurance plans, and others.¹ Our bet, however, is that the other option, the

"integrated PHR" that is an extension of physicians' electronic health records (EHRs), will go further in facilitating the type of physician-patient relationship that will improve health and health care, at a lower cost.

What if Mary could view her test results within hours after her blood was drawn? What if she could upload her home glucometer and blood-pressure readings so she could graph them and see how changes in her behavior affect them? What if her health care team received copies of her readings and could recommend dose adjustments for her medications? And what if it all happened without an office visit?

This scenario is no longer futuristic. Integrated PHRs are already used by millions of patients, and their adoption is reaching a tipping point in some regions of the country. For example, among the 250,000 patients in the San Francisco Bay area who receive primary care at a region of the Palo

Alto Medical Foundation, 50% of adults use the group's PHR. Although most U.S. patients and their physicians still live in the world of paper medical records, the Obama administration has set a goal of computerizing all of America's medical records within 5 years as a means of improving efficiency, quality, and safety and ultimately saving money. The economic recovery package recently signed into law by President Obama will provide bonus payments of \$44,000 to \$64,000 to physicians who adopt and effectively use EHRs from 2011 through 2015, and it is likely that penalties will then be introduced for physicians who do not adopt the technology. These incentives will probably make the use of EHRs common among all but the most resistant physicians during the next several years. Among the many questions likely to arise during this transformation will be how the information in health records will reach patients.