



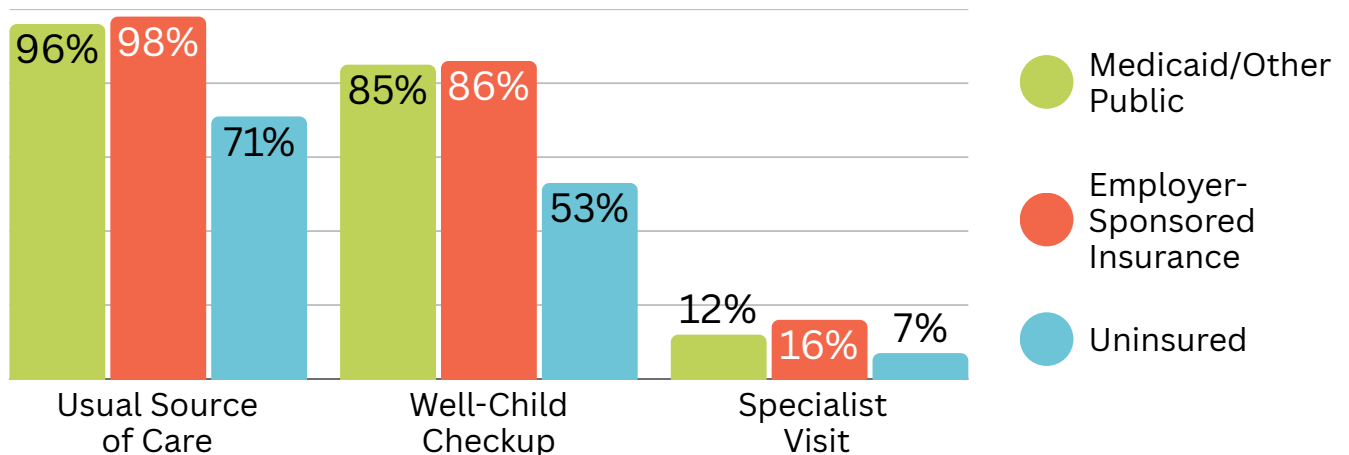
# What is Medicaid?

## Introduction: Why Health Insurance Matters Now

Healthcare costs are a primary source of stress for Americans. According to the Kaiser Family Foundation (KFF), Americans think that the cost of healthcare is [too high](#), and they are concerned about costs like [unexpected medical bills](#) and [prescription medication](#), and [healthcare is the top economic concern among Americans](#).

Health insurance provides children access to needed care and promotes improved health, education, and financial success over the long-term. [Children with health coverage fare better](#) on measures of access to care compared to uninsured children, and access for children with Medicaid and CHIP is comparable to access for children with private coverage along these measures.

Access to Care for Children by Insurance Status (2015)



Source: [Key Issues in Children's Health Coverage](#) (KFF)



*A primary challenge for children is finding [providers who accept Medicaid coverage](#), with 57% reporting struggling to find behavioral health care in 2023.*

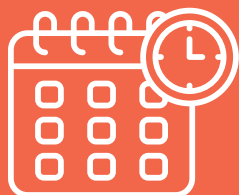
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Health insurance coverage is also associated with [better outcomes](#) among vulnerable populations, including individuals with chronic disease, people who are regularly uninsured, and children in immigrant families. Children are also more likely to remain insured while their parents are [insured](#), making it essential to advocate for healthcare coverage for both children and their caregivers. Meeting children and families' basic needs [helps them stay healthy enough to work, go to school, and thrive](#).

Rising costs of living overall contribute to challenges with affording coverage and care. The economy remained a [top issue for voters in the November 2025 elections](#), with health care a close second, and about one in five voters saying it was their most important issue.

The Children's Health Insurance Program (CHIP) is also an important public health insurance program for families. CHIP is a program offered through some states, [including Pennsylvania](#), that provides free or low-cost health coverage to children whose families earn too much to qualify for Medicaid. State CHIP works closely with its state Medicaid program and, as of 2 years ago, systems are integrated in PA, which simplifies the enrollment process for families.

The ongoing [implementation of the One Big Beautiful Bill Act \(OBBA\)](#), also known as HR 1, will make it more complex to access health insurance. As the HR 1 Medicaid provisions are rolled out in the coming years, families need access to accurate information on the steps they need to take to protect their coverage.



## Coming Soon

[Changes to Medicaid](#) from HR 1 will begin in fall 2026.

***Medicaid has not changed at this time.***

Follow the [PA DHS Medicaid site](#) to stay updated about Medicaid and what families need to do.

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## What is Medicaid?

### OVERVIEW

Medicaid, also known as Medical Assistance in Pennsylvania, provides comprehensive coverage of health care and long-term care in the United States. Medicaid is a social safety net, and with the exception of individuals with disabilities, many people enrolled in Medicaid use it during times of financial hardship and are able to transition out of the program when their financial situation improves.

Medicaid is jointly funded by state and federal governments to provide health coverage for children, people with disabilities, older adults, and low-income families. It is an entitlement program, which means that applicants have a right to notices and hearings, and states must accept applications and make eligibility determinations. Additionally, funding is determined by a complex formula, and is not subjected to the annual appropriations process. While states generally must follow federal guidelines, states have considerable flexibility in how they operate Medicaid; therefore, each state may have different income eligibility and benefits. When appropriate, this toolkit will distinguish between state and federal policies. Learn more about what is covered under the federal law, and what is covered at the discretion of the state [here](#) and [here](#).

Pennsylvania Medicaid is the [primary source of coverage for low-income children](#) and provides the broadest coverage of any insurance plan of physical and mental health services for children and youth. Some key data about Medicaid for children in our state and county include:

- In Allegheny County, [40% of all children in the county](#) are enrolled in Medicaid or CHIP coverage.
- Across PA, [47% of Pennsylvania children](#) rely on Medicaid or CHIP for health coverage.
- More than 153,000 children in Pennsylvania lacked health insurance in 2024, up from 147,000 in 2023, according to the State of Children's Health Insurance, [an annual report from Pennsylvania Partnerships for Children](#).
- [More than half of all young people with severe mental health conditions](#) receive coverage through Medicaid or CHIP.
- Analysis has [found](#) that Pennsylvania currently faces the highest number of uninsured children in a decade, making access to Medicaid and CHIP even more critical.

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## ELIGIBILITY

In all states, Medicaid provides coverage for low-income people, which includes families and children, pregnant women, the elderly, and individuals with disabilities. Some states, including Pennsylvania, have expanded their Medicaid program to cover adults below a certain income level, and special populations, like children in foster care.

Medical Assistance eligibility is grouped by

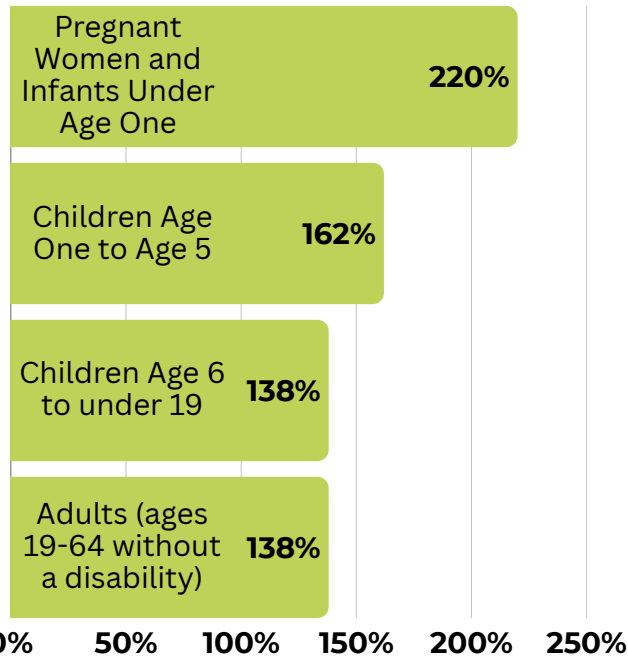
Modified Adjusted Gross Income (MAGI)	Non-MAGI
<ul style="list-style-type: none"><li>• Children aged 18 and under</li><li>• Pregnant women</li><li>• Parents and caretakers of children under 21</li><li>• Adults ages 19-64 with incomes at or below 133 percent of the <a href="#">Federal Income Poverty Guidelines (FPIG)</a></li><li>• Family planning services</li></ul>	<ul style="list-style-type: none"><li>• Individuals age 65 and older</li><li>• Individuals who are blind and/or disabled</li><li>• Medical Assistance for Workers with Disabilities (MAWD)</li><li>• Individuals receiving long-term care (LTC) or home and community-based services (HCBS)</li></ul>

For many populations, eligibility is determined using income and household size in comparison to income limits. [Modified Adjusted Gross Income \(MAGI\)](#) is utilized to determine eligibility for children 18 and under, pregnant women, caretakers of children under 21, adults ages 19-64 with low incomes, and family planning. The income limits vary based on categories. For example, Medicaid income limits are higher for pregnant women and children.

Pennsylvania adopted Medicaid Expansion in 2015, which expanded eligibility for low-income adults through the Affordable Care Act. In Medicaid [“expansion population”](#) cases, Medicaid uses the federal poverty income guidelines to determine who qualifies for coverage, which generally includes eligible adults ages 21 to 64 in Pennsylvania with incomes up to 138% of the [federal poverty level](#) who are not pregnant and not eligible for Medicare.

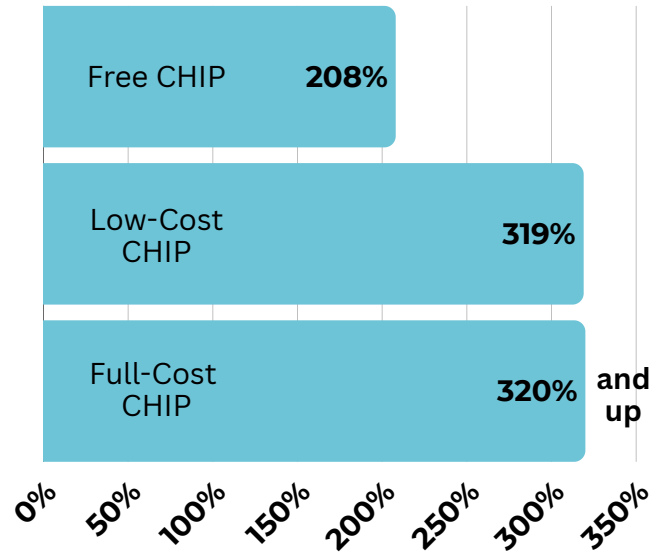
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## PA Medicaid Income Eligibility for Children, Pregnant Women, and Adults\*



\*Percentages based on [federal poverty income guideline](#) limits (FPIG) for the child's family income

## PA CHIP Income Eligibility\*\*



\*\*CHIP is available for children up to age 19 whose families make too much for Medicaid (Over the Medicaid Threshold = Greater than 157% FPIG).

*No child makes too much for CHIP in PA, but some qualify for free CHIP, while some can utilize subsidized CHIP, and others qualify for full-cost CHIP. Low cost CHIP includes small, sliding scale premiums, co-pays, and deductibles, whereas full-cost CHIP involves premiums, co-pays and deductibles comparable to good quality private insurance.*



**Learn more details about income guidelines [here](#), [here](#), and [here](#).  
Learn about eligibility for adults with disabilities and older adults [here](#).**

Certain circumstances can also qualify a person for Medicaid. Some populations are not determined using income: "Non-MAGI" eligibility is a term used for older adults and individuals with significant health needs whose income is too high to otherwise qualify for Medicaid under other eligibility groups. This population includes individuals 65 and older, blind or disabled individuals as well as SSI recipients and working disabled individuals. This also includes "dual eligibles" (those in Medicare and Medicaid), "[medically needy](#)," and people with disabilities or elderly who need community-based services. This population has [different eligibility guidelines](#).

Under the PH-95 category, children under the age of 18 who reach the social security disability guideline can receive benefits regardless of family income (though a youth's

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individual income is counted). The social security qualification includes a physical, developmental, mental health, or intellectual disability. These children can then receive special school based services via an Individualized Education Plan (IEP) that are paid for by Medicaid through the [Individuals with Disabilities Education Act](#), which will be discussed in more detail later.

Under the [Foster Care, Prevention, and Permanency Program](#), any child placed in foster care automatically qualifies for Medicaid services. These services have been extended to [former foster care youth](#) up to age 26 regardless of what state they previously resided in or received fostership, as long as they were in foster care at age 18 (see [here](#) and [here](#) for more details). Like IDEA, Medicaid can cover the costs of some in-school services for these students, but at minimum offers healthcare and other needed medical and mental health services.

While there are a number of ways for people to qualify for Medicaid coverage, people do not have to apply for a specific category or program. Instead, the [County Assistance Offices \(CAOs\)](#) process applications and determine which category and program each applicant belongs in based on [income](#), resources, and other relevant factors. Currently, individuals complete [Medicaid applications](#) or [renewals](#) every year.

Administrative burden, or red tape, is a source of coverage loss among Medicaid-eligible individuals. When possible, states rely on existing data from other state programs such as SNAP and TANF to automate tasks such as income verification for eligibility, enrollment, and renewals. This helps reduce administrative and family burden of processes.

In an attempt to help relieve some of this burden during the COVID-19 pandemic, Medicaid recipients were not required to complete these annual renewals during the public health emergency, which lasted for three years. When the COVID-19 public health emergency ended, states had to reinstate coverage redetermination for all Medicaid beneficiaries. During the first few months of this process, a large percentage of the coverage loss was for procedural reasons, such as missing paperwork. One way to reduce such coverage loss is known as *ex parte*, which is an automated process utilizing existing data to determine eligibility. This includes drawing on data such as income from other benefits programs through software or staff review. This process has been shown to [decrease procedural disenrollment](#), with the caveat that the states need systems in place and staff capacity for this to function properly. Though Pennsylvania does name [ex parte policies and procedures](#), and has been striving to improve its process, more work needs to be done. Pennsylvania still ranks in the bottom among states in this measure, with [only 19% of individuals successfully going through an ex parte or auto-enrollment process](#).

In addition to providing health coverage, an individual's Medicaid benefits can include Long-Term Services and Supports (LTSS) at home, a nursing facility, or group home. The application process for Medicaid LTSS differs from applying for health care coverage.

More details on Medicaid Eligibility and Enrollment can be found [here](#), [here](#) and [here](#).

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## BENEFITS

Medicaid [benefits](#) cover doctor and hospital visits, including ER, specialists, and OB/GYN care for women, medically-necessary vision care, medical equipment, physical therapy, and home care. Prescription services are optional, however, all states include some prescription services. “Special needs” are also covered, such as diabetes and heart conditions, and issues that could impact health, like homelessness and domestic violence.

Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) benefits for children eligible for Medicaid are also mandatory. Under [EPSDT](#), states are required to provide screening (check-ups) for infants, children and adolescents. Benefits also include things like [dental care](#), and states are required to provide medically necessary healthcare and services needed for children, even if they are not in the Medicaid state plan. For more information on EPSDT benefits for children and how they interact with other child-based safeguards, see information in our school and community-based sections, [coming soon](#). See below to learn more about how the Medicaid state plan can impact program implementation.

[Pregnant women](#) who are eligible for Medicaid receive benefits related to prenatal care, labor, delivery, and one year post-partum care. [Medical Assistance for Workers with Disabilities \(MAWD\)](#) helps Pennsylvanians with disabilities work while maintaining medical coverage, even if your earnings increase above the limits for other [Medical Assistance programs](#).

## SERVICE DELIVERY AND SUPPORTS

Medicaid delivery systems vary between states as well. Most states, including Pennsylvania, use some form of managed care, where state Medicaid agencies pay external managed care organizations that then pay healthcare providers for covered services. Managed care covers the majority of the [Medicaid population](#) in PA.

HealthChoices is what we call managed care in PA. Through managed care organizations, eligible individuals receive physical and behavioral care, as well as long-term supports. A map of PA HealthChoices statewide can be found [here](#) and you can learn more about Physical, Behavioral, and Community HealthChoices [here](#).

In addition to benefits, Medicaid provides financial support for [hospitals that largely serve vulnerable populations](#), which include pregnant women, children, older adults, and low income individuals, as well as uninsured, uncompensated care. This hospital funding is called “disproportionate share hospital” (DSH) payments, and federal DSH spending is capped for each state and hospital facility.

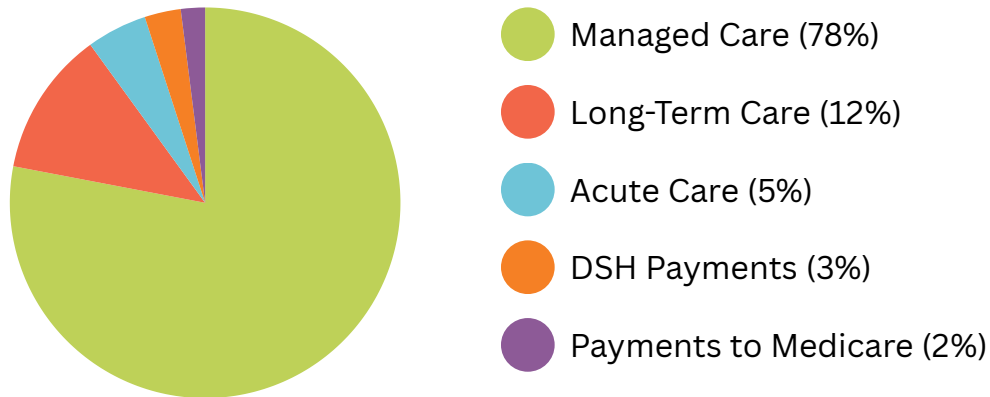
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DSH is one type of a broader set of [“supplemental” payments](#) that states make to supplement Medicaid “base” payment rates that often do not fully cover provider costs; unlike other supplemental payments, DSH payments can also be used to pay for unpaid costs of care for the uninsured. Funding for uncompensated care is a major systemic issue that will be covered more deeply in our section on HR 1 changes, and other systems funding will be covered in our school and community-based sections, [coming soon](#).

## FINANCING BASICS

The total funding for Medicaid in PA for 2025 is \$44 billion. Over three quarters of those funds go toward managed care.

### Total Medicaid Spending in Pennsylvania: \$44 Billion



Source: [Medicaid in Pennsylvania](#) (KFF)

Medicaid is a federal-state partnership, which means that it is funded by both the state and federal government. The federal government’s share of Medicaid spending is called the [Federal Medical Assistance Percentage \(FMAP\)](#). The FMAP is generally redetermined each year, and the formula to determine the FMAP in each state is based on a three year average of per capita income in the state. The remainder is the state share. The FMAP can vary across states: in PA, the [FMAP is currently 56.06%](#). The FMAP is contingent upon states meeting the minimum federal requirements. This traditional FMAP rate applies to the majority of Medicaid spending, but there are a [few exceptions](#), such as Medicaid Expansion, where higher match rates, known as enhanced FMAP, are provided.

CHIP is also jointly funded by the federal and state governments. CHIP funding is currently [authorized until 2029](#). CHIP gives states the flexibility to create their program as an extension of Medicaid, a separate program, or a combination. However, CHIP funding is capped while Medicaid funding is not. Federal CHIP allotments are disseminated to states each year based on a formula using the state's current spending and accounting for growth. Enhanced FMAP applies to CHIP.

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## POLICY AND IMPLEMENTATION

Different policy levers can make the Medicaid program shift over time and differ from state to state. This includes the Medicaid State Plan, CMS Guidance, Medicaid waivers, MCO contracts, and Medicaid Advisories.

### Policy Changes: State Plan Amendment (SPA) and 1115 Waivers

Each state must have a state plan where they outline the scope of the state's program and commit to federal requirements. A State Plan Amendment (SPA) is one way in which states may modify their Medicaid programs. Another way a state can make changes to Medicaid is through a mechanism called the “1115 waiver,” the main difference being that waivers are temporary changes and typically project-based.

A SPA is a more formal process and typically does not expire. States must submit this request to change, modify, or update their Medicaid program to the Centers for Medicare and Medicaid Services (CMS) for review and approval. This may include details about eligibility, service delivery, provider reimbursement, improved program oversight, and managed care modifications such as altering contract terms or expanding the role of managed care organizations. CMS must determine if the proposed SPA aligns with federal policy, and the process may require the state to modify their proposal.

[Section 1115](#) of the Social Security Act allows states and territories to conduct demonstration projects that promote the objectives of the Medicaid program, which are often referred to as 1115 waivers. This allows flexibility to design and improve programs; and waivers can be across the entire program or more narrowly focused on a specific population of members. CMS must review and approve a state’s waiver application. If approved, 1115 waivers are typically granted for five years.

For example, a PA 1115 waiver known as “[Keystones of Health](#)” was approved by CMS on December 26, 2024. This proposal was related to coverage for Health Related Social Needs within Medicaid, including [food and nutrition supports](#) to increase access to nutritious food. The nutrition part of this proposal focused on beneficiaries experiencing food insecurity who are pregnant or postpartum or have a diet-sensitive condition. Specifically, these services would include Medicaid-covered medically tailored meals like food boxes. However, funding must be allocated, and therefore, while the proposal is approved at the federal level, the state appropriations process is not complete for this program to be fully implemented. PA DHS determining next steps for potential implementation, and the cuts to Medicaid for HR 1 will make funding and implementation more of a challenge.

Learn more about the characteristics of SPAs and waivers [here](#).

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## Managed Care Contracts

As previously discussed, managed care is the main way eligible individuals receive physical and behavioral care, as well as long-term supports, in PA. [Managed care contracts](#) are another way in which Medicaid programs vary from state to state.

Beyond the federal requirements for Medicaid services, and [waste, fraud, and abuse prevention](#), managed care contracts must cover a range of benefits. However, states can use contracts to “carve out” certain benefits, such as behavioral health, dental, or pharmacy benefits, and target plans for specific populations such as foster care youth. States are required to submit their contracts with managed care plans to CMS for review and approval.

## Centers for Medicare and Medicaid Services (CMS) Guidance

CMS guidance and rulemaking can also impact Medicaid policy implementation. [CMS](#) is responsible for implementing laws passed by Congress related to Medicaid and CHIP. CMS issues various forms of guidance to explain how laws will be implemented and what states and others need to do to comply within the confines of the law. This includes proposed rules or regulation, which announces CMS' intent to issue new or modify existing regulations. Generally, a proposed CMS regulation solicits public comments during a public comment period. Through this process, anyone can submit input for CMS' review as it finalizes the regulations. CMS also issues guidance to provide policy and operational updates, as well as step in with further guidance as clarification is requested. CMS regulations are published in the national [Federal Register](#) and guidance can be distributed in a number of ways, including letters and bulletins.

### **Additional Resources**

[June 2025 Report to Congress on Medicaid and CHIP](#) (MACPAC)

[Understanding Medicaid Policymaking: Priorities and Constraints](#) (National Association of Medicaid Directors)

[Medicaid 101](#) (KFF)

[How Medicaid Cares for Pennsylvanians](#) (The Hospital + Healthcare Association of Pennsylvania)

[Introduction to Medicaid](#) (Center on Budget and Policy Priorities)

[Annual Updates on Eligibility Rules, Enrollment and Renewal Procedures, and Cost-Sharing Practices in Medicaid and CHIP](#) (KFF)

[Eligibility Policy](#) (National Association of Medicaid Directors)