

Medicaid Overview

Medicaid, the country's largest public health insurance program, is critical for Americans seeking health care. As of 2025, one in five Americans (nearly 80 million individuals) were covered, and it is the leading payer for mental health services across the U.S.

More than half of young people with severe mental health conditions receive their coverage through Medicaid or the Children's Health Insurance Program (CHIP), which covers children and teens up to 19 years of age. Beyond the federally mandated minimum coverage requirements, 41 states, the District of Columbia, and Puerto Rico have chosen to expand care, allowing more people to access Medicaid. In those cases, eligibility extends to those living at or below 138% of the federal poverty level. Additionally, most states automatically provide Medicaid to individuals who qualify for [Supplemental Security Income \(SSI\)](#) due to mental disabilities.

Over the past two decades, Medicaid has continually expanded its mental health offerings. This evolution was significantly reinforced by the 2008 [Mental Health Parity and Addiction Equity Act](#). This federal law mandates that Medicaid cover a full spectrum of mental health services—including outpatient therapy, inpatient psychiatric care, prescription medications, rehabilitation, and prevention—with the same comprehensive benefits as physical health care. [This resource](#) reveals the significant role of Medicaid in youth coverage, making it a critical consideration for funding mental health initiatives for youth.

While states design and administer their own Medicaid programs within federal guidelines, Medicaid operates as a state-federal partnership. Through the [Federal Medical Assistance Percentage](#) (FMAP), the federal government reimburses states for a significant portion of their Medicaid costs. On average, this reimbursement rate typically is between 50% and 78% of total Medicaid costs for each state, with less-resourced states receiving higher reimbursement rates. States can also apply for block grants and [waivers](#) to test innovative approaches to mental health service delivery, including value-based payment models that incentivize improved outcomes.

As of June 2025, Medicaid may be going through changes. To stay up to date, it's important to continually reach out to your local state agencies, as well as review up to date resources such as [Kaiser Family Foundation Tracking](#) for more up to date information.

How Medicaid is Administered

Medicaid, while a federal-state partnership, is primarily administered by individual states. This means states have flexibility in how they design and deliver their Medicaid programs, including how they pay healthcare providers. This is where the distinction between "fee-for-service" and "managed care" comes in.

1. State-Administered (Fee-for-Service/FFS):

In this model, the state Medicaid agency acts like a traditional insurance company. When a Medicaid beneficiary (i.e. an individual enrolled in Medicaid) goes to a doctor, hospital, or other healthcare provider, the provider performs a service (like a check-up, a lab test, or a surgery) and then sends a bill (a "fee") directly to the state Medicaid agency. The state then pays the provider for each specific service rendered.

- This is a traditional "pay-as-you-go" system. The state directly pays for every individual service a Medicaid recipient receives.

2. Managed Care Organizations (MCOs):

Increasingly, states are moving towards a managed care model for Medicaid. In this approach, the state contracts with private health insurance companies ([Managed Care Organizations, or MCO's](#)) to implement coverage and care. Instead of paying providers directly for each service, the state pays the MCO a fixed, pre-set amount of money per Medicaid enrollee per month. This is called a capitation payment.

- Under this system, the state outsources the management of Medicaid services to private companies; there is often more than one MCO for any given state using this model. [This resource](#) contains more information on state by state MCOs
- The MCO takes on the responsibility of arranging and paying for all covered services for beneficiaries enrolled in their plan. They build a network of doctors, hospitals, and other providers, and patients choose a primary care provider within that network. The MCO has an incentive to keep its enrollees healthy and to provide efficient care; if they can manage care effectively and keep costs below the capitation payment, they can make a profit.

Many states use a hybrid approach, with some populations (like children and non-disabled adults) often enrolled in managed care, while other groups (such as individuals with complex or high-cost needs, or those receiving long-term services and supports) might remain in a fee-for-service system. States can also carve out certain services (like dental or behavioral health) to be managed separately, either through fee-for-service or by a specialized MCO.

EPSDT Services Broaden Services for Children

Medicaid EPSDT Benefit Keeps Children Healthy

The Medicaid Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) benefit provides comprehensive and preventive health care services for children under age 21* who are enrolled in Medicaid. The EPSDT benefit provides regular health and developmental exams to keep your children healthy and prevent illness or disability.

EPSDT includes:

- Comprehensive health and developmental history
- Health education
- Physical exams, immunizations, and laboratory tests
- Hearing, vision, and dental checkups

E EARLY Assessing and identifying problems early.

P PERIODIC Checking children's health at periodic, age-appropriate intervals. Recommended at:
• 1, 2, 4, 6, 9, 12, 15, and 18 month(s) old; and
• Age 2 and annually thereafter through age 20.*

S SCREENING Providing physical, mental, developmental, dental, hearing, vision, and other screening tests to detect potential problems.

D DIAGNOSTIC Performing diagnostic tests to follow up when a risk is identified.

T TREATMENT Control, correct, or reduce health problems found.

*Ages vary by State.

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EPSDT, which stands for *Early and Periodic Screening, Diagnostic, and Treatment*, is a comprehensive health benefit specifically designed for children and young people under the age of 21 who are enrolled in Medicaid. Think of it as Medicaid's way of ensuring that children get the healthcare they need, when they need it, to grow up healthy.

Unlike adult Medicaid benefits, EPSDT is much broader and covers a wide range of services, even if those services aren't typically covered for adults in a state's regular Medicaid plan. This includes regular "check-ups" (called screenings) for medical, dental, vision, hearing, and mental health issues. If a screening identifies a potential problem, EPSDT also covers the diagnostic services needed to figure out what's going on, and then the treatment to correct or improve any health conditions found.

The idea is to catch and address health concerns early to prevent them from becoming more serious or debilitating as a child grows. EPSDT allows schools and districts to receive Medicaid reimbursement for providing mental health services to eligible students, creating a funding stream that can help expand access to behavioral health care directly in the school setting. You can learn more about EPSDT [here](#).

1. Anna Claire Vollers, "1 in 5 Americans are on Medicaid. Some enrollees have no idea," PBS NewsHour, April 13, 2025, <https://www.pbs.org/newshour/health/1-in-5-americans-are-on-medicaid-some-enrollees-have-no-idea>.
 2. KFF, "5 Key Facts About Children with Special Health Care Needs and Medicaid," April 18, 2025, <https://www.kff.org/medicaid/issue-brief/5-key-facts-about-children-with-special-health-care-needs-and-medicaid/>.
 3. U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, "Poverty Guidelines," 2025, <https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines>.
 4. KFF, "How do States Deliver, Administer, and Integrate Behavioral Health Care? Findings from a Survey of State Medicaid Programs," April 2023, <https://www.kff.org/mental-health/issue-brief/how-do-states-deliver-administer-and-integrate-behavioral-health-care-findings-from-a-survey-of-state-medicaid-programs/>.
- Source of Infographic: Centers for Medicare & Medicaid Services, "Medicaid EPSDT Benefit Keeps Children Healthy," August 2015, [https://www.cms.gov/Medicare-Medicaid-Coordination/Fraud-Prevention/Medicaid-Integrity-Education/Downloads/infograph-Medicaid-EPSDT-\[August-2015\].pdf](https://www.cms.gov/Medicare-Medicaid-Coordination/Fraud-Prevention/Medicaid-Integrity-Education/Downloads/infograph-Medicaid-EPSDT-[August-2015].pdf)