State Medicaid Funding and Policies

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Civic Federation and Federal Reserve Bank of Chicago
March 15, 2007
Medicaid Today

Health Insurance Coverage
27 million children and 14 million adults in low-income families; 8 million persons with disabilities

Assistance to Medicare Beneficiaries
7.5 million aged and disabled — 18% of Medicare beneficiaries

Long-Term Care Assistance
1 million nursing home residents; 43% of long-term care services

Support for Health Care System and Safety-net
15% of national health spending

State Capacity for Health Coverage
44% of federal funds to states
Figure 2

Medicaid Enrollees and Expenditures by Enrollment Group, 2003

Enrollees

Children 49%

Adults 26%

Disabled 14%

Elderly 11%

Total = 55 million

Expenditures on benefits

Children 18%

Adults 12%

Disabled 42%

Elderly 28%

Total = $234 billion

Figure 3

4 Percent of Medicaid Population Accounted for 48% of Expenditures in 2001

Enrollees Total = 46.9 million
Expenditures Total = $180.0 billion

> $25,000 in Costs
  - Children (.2%)
  - Adults (.1%)
  - Disabled (1.6%)
  - Elderly (1.8%)

< $25,000 in Costs
  - 96%

> $25,000 in Costs
  - Children 3%
  - Adults 1%
  - Disabled 25%
  - Elderly 20%

SOURCE: Urban Institute estimates based on MSIS 2001 data.
Figure 4

Medicaid Dual Eligibles: Enrollment and Spending, 2003

Medicaid Enrollment

- Children: 50%
- Adults: 25%
- Other Aged & Disabled: 10%
- Dual Eligibles: 14%

Total = 51 Million

Medicaid Spending

- Spending on Other Groups
- Prescription Drugs: 27%
- Long-Term Care: 6%
- Other Acute Care: 6%
- Medicare Premiums: 2%

Total = $232.8 Billion (42% on Duals)

SOURCE: KCMU estimates based on CMS data and Urban Institute analysis of data from MSIS.
Figure 5

Medicaid Spending In the States, 2005

State General Fund Spending
$536 billion

- Medicaid: 18%
- Higher Education: 12%
- elementary & secondary education: 36%
- All Other: 25%
- Corrections: 7%
- Transportation: 9%
- Public Assistance: 2%

Federal Funds to States by Program
$371 Billion

- Medicaid: 44%
- Higher Education: 5%
- Public Assistance: 4%
- Elementary & secondary education: 10%
- All Other: 28%
- Transportation: 9%

Figure 6
State Tax Revenue and Total Medicaid Spending Growth, 1997-2006

NOTE: State Tax Revenue data is adjusted for inflation and legislative changes. Preliminary estimate for 2006.

Factors Affecting Medicaid Spending Growth in FY 2006

- Total Medicaid spending growth hit near record lows (2.8%)
  - Enrollment: Low rate of growth in persons served
  - Part D: Medicaid drug costs for dual Medicare-Medicaid enrollees shifted to Medicare in January 2006
  - Cost containment strategies: Cumulative impact of policies adopted in recent years

- State share of Medicaid spending growth was higher than total Medicaid spending growth (6.8%)
  - States still are counting Medicare “clawback” payments as state Medicaid spending
  - Almost 3 out of 4 states experienced a reduced FMAP in 1 or both years for FY 2006 and FY 2007
Figure 8

Percent Change in U.S. Medicaid Enrollment, FY 1998- FY 2006

Annual growth rate:

- 1998: -2.4%
- 1999: 0.6%
- 2000: 3.2%
- 2001: 8.1%
- 2002: 9.9%
- 2003: 5.7%
- 2004: 4.1%
- 2005: 3.2%
- 2006: 1.6%

NOTE: Percentage changes from June to June of each year.

Figure 9

States Undertaking New Medicaid Cost Containment Strategies FY 2003 – FY 2007

NOTE: Past survey results indicate not all adopted actions are implemented.

Figure 10
State Policy Actions Implemented in FY 2006 and Adopted for FY 2007

States with Expansions / Enhancements

States with Program Restrictions

Provider Payments  Eligibility  Benefits  Long Term Care

Implemented FY 2006  Adopted FY 2007

Provider Payments: 46  43
Eligibility: 26  26
Benefits: 13  12
Long Term Care: 29  38

**States with Expansions / Enhancements**

**States with Program Restrictions**

SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2006.

NOTE: Past survey results indicate not all adopted actions are implemented.
Other Policy Actions Implemented in FY 2006 and Adopted for FY 2007

SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2006
Figure 12

DRA Overview

• Major legislation signed in February 2006
  – CBO: $26.1 billion net federal Medicaid savings over next 10 years
  – Much of the savings depends on state taking up new options

• New requirements
  – Citizenship documentation
  – Asset transfer limits for long term care

• New Options
  – Benefits
  – Cost Sharing and Premiums
  – Long term care
Figure 13

Impact of the DRA Citizenship Documentation Requirements

States Reporting:

<table>
<thead>
<tr>
<th>Category</th>
<th>Yes</th>
<th>No</th>
<th>Don’t Know</th>
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<tbody>
<tr>
<td>Greater Administrative Costs</td>
<td>48</td>
<td>2</td>
<td>1</td>
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<tr>
<td>Impact on Enrollment</td>
<td>29</td>
<td>6</td>
<td>16</td>
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</tbody>
</table>

SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2006.
## States Taking Up DRA Options for FY 2007

<table>
<thead>
<tr>
<th>DRA Options</th>
<th># of States</th>
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<tbody>
<tr>
<td><strong>New Options</strong></td>
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<tr>
<td>Benefits</td>
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<tr>
<td>Cost Sharing</td>
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<tr>
<td>Make Copayments Enforceable</td>
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<tr>
<td><strong>New LTC Options</strong></td>
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<tr>
<td>LTC Partnership Program</td>
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<tr>
<td>Self-Directed Personal Assistance Services</td>
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<tr>
<td>HCBS Alternatives to Residential Treatment Facilities for Children</td>
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<td>HCBS State Option</td>
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<td>Medicaid Buy-In for Disabled Children</td>
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<tr>
<td><strong>Grants and Demonstration Programs</strong></td>
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<tr>
<td>Medicaid Transformation Grants: 27 states awarded grants, $103M</td>
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<tr>
<td>Money Follows the Person: 17 states awarded grants, $.9B &gt; 5 yrs</td>
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<tr>
<td>Health Opportunity Accounts</td>
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</tbody>
</table>
Figure 15

Medicaid Outlook for 2007 and Beyond

• Improved state revenues and low Medicaid spending growth provides some relief after years of fiscal stress
  – States are looking at more positive options than in recent years
• On-going Medicaid pressures expected to persist
  – Increasing health care costs
  – Increasing uninsured / declines in employer coverage
  – Increasing aged and disabled
  – Tension in federal / state financing for Medicaid
• Some states are discussing near-universal health coverage
  – Medicaid is a base on which states build coverage expansions
  – A primary focus is children
• Federal policies can have implications for state reform efforts
  – Citizen documentation requirements
  – SCHIP reauthorization