The Crunch Continues: Medicaid Spending, Coverage and Policy in the Midst of a Recession

Presenting the Findings: Robin Rudowitz, Kaiser Family Foundation
Vernon Smith, Health Management Associates

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Report Authors:
Vernon Smith, Kathleen Gifford and Eileen Ellis
Health Management Associates
Robin Rudowitz, Molly O’Malley and Caryn Marks
Kaiser Commission on Medicaid and the Uninsured, Kaiser Family Foundation

Figure 1

Medicaid Today

- **Health Insurance Coverage**: 29.5 million children & 15 million adults in low-income families; 14 million elderly and persons with disabilities
- **Assistance to Medicare Beneficiaries**: 8.8 million aged and disabled – 19% of Medicare beneficiaries
- **Long-Term Care Assistance**: 1 million nursing home residents; 2.8 million community-based residents

MEDICAID

- **Support for Health Care System and Safety-net**: 16% of national health spending; 40% of long-term care services
- **State Capacity for Health Coverage**: Federal share ranges 50% to 76%; 42% of all federal funds to states
Figure 2

Medicaid Enrollees and Expenditures by Enrollment Group, 2006

- Elderly: 10%
- Disabled: 15%
- Adults: 25%
- Children: 50%

Enrollees: Total = 59 million
Expenditures on benefits: Total = $269 billion


Figure 3

Effect of a 1% Point Increase in Unemployment

- 1% Increase in National Unemployment Rate
- 3-4% Decrease in State Revenues
- 1.0 Increase in Medicaid and CHIP Enrollment (million)
- 1.1 Increase in Uninsured (million)

Figure 4

State Tax Revenue, 1999-2009

Figure 5

Trying toRespond: ARRA Medicaid Provisions

- Estimated $87 billion in state fiscal relief from a temporary increase in Medicaid FMAP
- Relief for 10/1/08 – 12/31/10
- 3 Components:
  - Hold harmless
  - Base increase 6.2%
  - Additional relief for states with high increases in unemployment
- States cannot restrict eligibility or standards and must comply with prompt pay requirements
Figure 6
Enhanced Federal Medical Assistance Percentages (FMAP), FY 2010

Enhanced Federal Medical Assistance Percentages (FMAP), FY 2010

- 78+ percent (9 states)
- 72 - 77 percent (20 states)
- 66 – 71.9 percent (7 states)
- 65 percent (15 states)


Figure 7
About the Study

- 9th Annual Survey of Medicaid directors in all 50 states and DC
- Conducted in July and August 2009
- Report focuses on actions implemented in FY 2009 and adopted for FY 2010
- Purpose: To track trends in state budgets, Medicaid spending, enrollment, policy initiatives and issues, and state impacts of federal policies (including ARRA)
Figure 8

How States Used ARRA Enhanced Medicaid Funding in FY 2009

<table>
<thead>
<tr>
<th>Total States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed or Reduced State General Fund Shortfall</td>
</tr>
<tr>
<td>Avoided or Reduced Provider Rate Cuts</td>
</tr>
<tr>
<td>Closed or Reduced Medicaid Budget Shortfall</td>
</tr>
<tr>
<td>Avoided Benefit Cuts</td>
</tr>
<tr>
<td>Helped Pay for Increases in Medicaid Enrollment</td>
</tr>
<tr>
<td>Avoided or Restored Eligibility Cuts</td>
</tr>
</tbody>
</table>

SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, September 2009.

Figure 9

Projected and Actual Total Medicaid Spending and Enrollment Growth for FY 2009

<table>
<thead>
<tr>
<th>Total Spending Growth</th>
<th>Enrollment Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.8%</td>
<td>7.9%</td>
</tr>
</tbody>
</table>

Figure 10
Percent Change in Total Medicaid Spending and Enrollment, FY 1998- FY 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Spending Growth</th>
<th>Enrollment Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>-1.9%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>1999</td>
<td>4.7%</td>
<td>3.2%</td>
</tr>
<tr>
<td>2000</td>
<td>6.8%</td>
<td>5.6%</td>
</tr>
<tr>
<td>2001</td>
<td>7.5%</td>
<td>4.3%</td>
</tr>
<tr>
<td>2002</td>
<td>10.4%</td>
<td>3.3%</td>
</tr>
<tr>
<td>2003</td>
<td>9.3%</td>
<td>3.2%</td>
</tr>
<tr>
<td>2004</td>
<td>6.4%</td>
<td>5.4%</td>
</tr>
<tr>
<td>2005</td>
<td>7.9%</td>
<td>6.6%</td>
</tr>
<tr>
<td>2006</td>
<td>6.3%</td>
<td>6.0%</td>
</tr>
<tr>
<td>2007</td>
<td>5.7%</td>
<td>4.1%</td>
</tr>
<tr>
<td>2008</td>
<td>7.5%</td>
<td>3.2%</td>
</tr>
<tr>
<td>2009</td>
<td>10.4%</td>
<td>8.5%</td>
</tr>
<tr>
<td>2010</td>
<td>7.7%</td>
<td>8.7%</td>
</tr>
</tbody>
</table>

NOTE: Enrollment percentage changes from June to June of each year. Spending growth percentage changes in state fiscal year.

SOURCE: Enrollment Data for 1998-2008: Medicaid Enrollment in 50 States, KCMU. Spending Data from KCMU Analysis of CMS Form 64 Data for Historic Medicaid Growth Rates. FY 2009 and FY 2010 data based on KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, September 2009.

Figure 11
State Policy Actions, FY 2009 – FY 2010

<table>
<thead>
<tr>
<th>Category</th>
<th>2009</th>
<th>Adopted 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provider Payments</td>
<td>33</td>
<td>39</td>
</tr>
<tr>
<td>Eligibility</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Benefits</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Long Term Care</td>
<td>8</td>
<td>12</td>
</tr>
</tbody>
</table>

NOTE: Past survey results indicate not all adopted actions are implemented. Provider payment restrictions include rate cuts for any provider or freezes for nursing facilities or hospitals. Eligibility includes eligibility and application expansions/restrictions.

SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, September 2009.
Figure 12
States with Provider Rate Changes, FY 2007 – FY 2010

Any Provider
Inpatient Hospital
Physicians
MCOs
Nursing Homes

States with Rate Increases
States with Rate Restrictions

NOTE: Past survey results indicate adopted actions are not always implemented. Any provider also includes outpatient hospital, dentist, home health, and home and community service providers. Rate restrictions include rate cuts for any provider and also frozen rates for inpatient hospitals and nursing homes.

SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, September 2008 2009. Data from 50 states.

Figure 13
Medicaid Pharmacy Cost Containment Measures in Place by FY 2009

Prior Authorization Program (outside PDL) 46
Preferred Drug List 45
Supplemental Rebates 44
State MAC Program 44
Member of Multi-state Purchasing Coalition 26
Script limits 16

SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, September 2009.
Figure 14
Medicaid Managed Care Changes
FY 2008 - FY 2010

- 2008
- 2009
- Adopted 2010

Number of States

Any of these Changes
- 2008: 16
- 2009: 19
- Adopted 2010: 20

Expanded Service Areas
- 2008: 10
- 2009: 9
- Adopted 2010: 7

Added Eligibility Groups
- 2008: 4
- 2009: 6
- Adopted 2010: 9

Added Mandatory Enrollment
- 2008: 4
- 2009: 7
- Adopted 2010: 4

Long-Term Care Managed Care
- 2008: 6
- 2009: 8
- N/A

Note: Changes to long-term care managed care not asked in 2008 survey.


Figure 15
Medicaid Participation in E-Prescribing or
Electronic Health or Medical Record Initiatives
FY 2009 - FY 2010

- 2009
- Adopted 2010

Participating in Electronic Prescribing Initiative
- 2009: 23
- Adopted 2010: 32

Participating in Electronic Health or Medical Record Initiative
- 2009: 22
- Adopted 2010: 40

Outlook for FY 2010 and Beyond

- Effects of the recession will persist for states after the recession is officially over
- Few options left for significant Medicaid savings
- Major concerns about the end of ARRA funds at the start of 2011
- Support for health reform but concerns about new fiscal and administrative challenges
  - Impact of any Medicaid changes will vary across states (south and west have the highest uninsured rates but the fewest resources)
  - State will continue to shoulder costs for long-term care, dual eligibles, and the safety net

Kaiser Commission on Medicaid and the Uninsured