

The Medicaid Commission

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July 30, 1965

On July 30, 1965, Medicare and Medicaid were signed into law as Title 19 of the Social Security Act.

Who Does Medicaid Cover?

- Elderly
- Individuals with disabilities
- Children
- Pregnant women
- Parents with dependent children

What Services are Provided by Medicaid?

- Comprehensive coverage for 28 million children
- Prenatal care and delivery for over one-third of all births in the U.S.
- Long-term care services for elderly and individuals with disabilities.
- Largest provider of mental health care services currently paying for nearly 50 percent of all mental health services.

Who Administers the Program?

- Medicaid is administered by the states and territories within federal guidelines.
- Each state program is run independently
 - Establishes own eligibility standards
 - Determines the type, amount, duration, and scope of services
 - Sets the rate of payment for services
 - Administers its own program

Who Pays for Medicaid?

- Medicaid is jointly financed by federal and state governments.
- The federal government matches state funds at rates based on each state's per capita income.
- The federal share in 2003 averaged 57 percent nationally.
- Administrative expenses are reimbursed at a 50 percent rate for every state.

Fiscal Year 2005 FMAP Rates

50%	51%-59%	60%-69%	70% and greater
13 states	11 states	16 states	11 states

Who is Eligible for Medicaid?

- Medicaid policies for eligibility, services, and payment are complex and vary considerably, even among states of similar size or geographic area.

What Does Mandatory Coverage Mean?

- The federal government requires coverage of certain populations as a condition of participation in Medicaid. These groups are called mandatory.
- States may also cover other groups but they are called “optional” because the federal government will allow states to cover them and will provide the federal match for the group but it does not require states to do so.

Mandatory Medicaid Benefits

- Inpatient hospital
- Outpatient hospital and if state permits rural health clinics
- Physician visits
- Nurse midwife
- Laboratory and x-ray
- Pediatric visits
- Family planning services and supplies
- EPSDT-Early Planning Screening, Diagnosis, and Treatment for individuals under 21
- Pregnancy related services
- Postpartum pregnancy related services (60 days)
- Nursing facility services
- Home health care
- Medical supplies and surgical services of a dentist

Sample Optional Benefits

- Mental health care
- Diagnostic screening and preventive care
- Private duty nursing
- Therapy
- Inpatient psychiatric for under 21
- Medical equipment and supplies
- Prescribed drugs
- Intermediate Care Facility
- Personal care
- Nursing facility for those under 21
- Primary Care/Targeted case management
- Other licensed practitioners
- Dental care
- Transportation
- Hospice Care
- Respiratory care for ventilator dependent

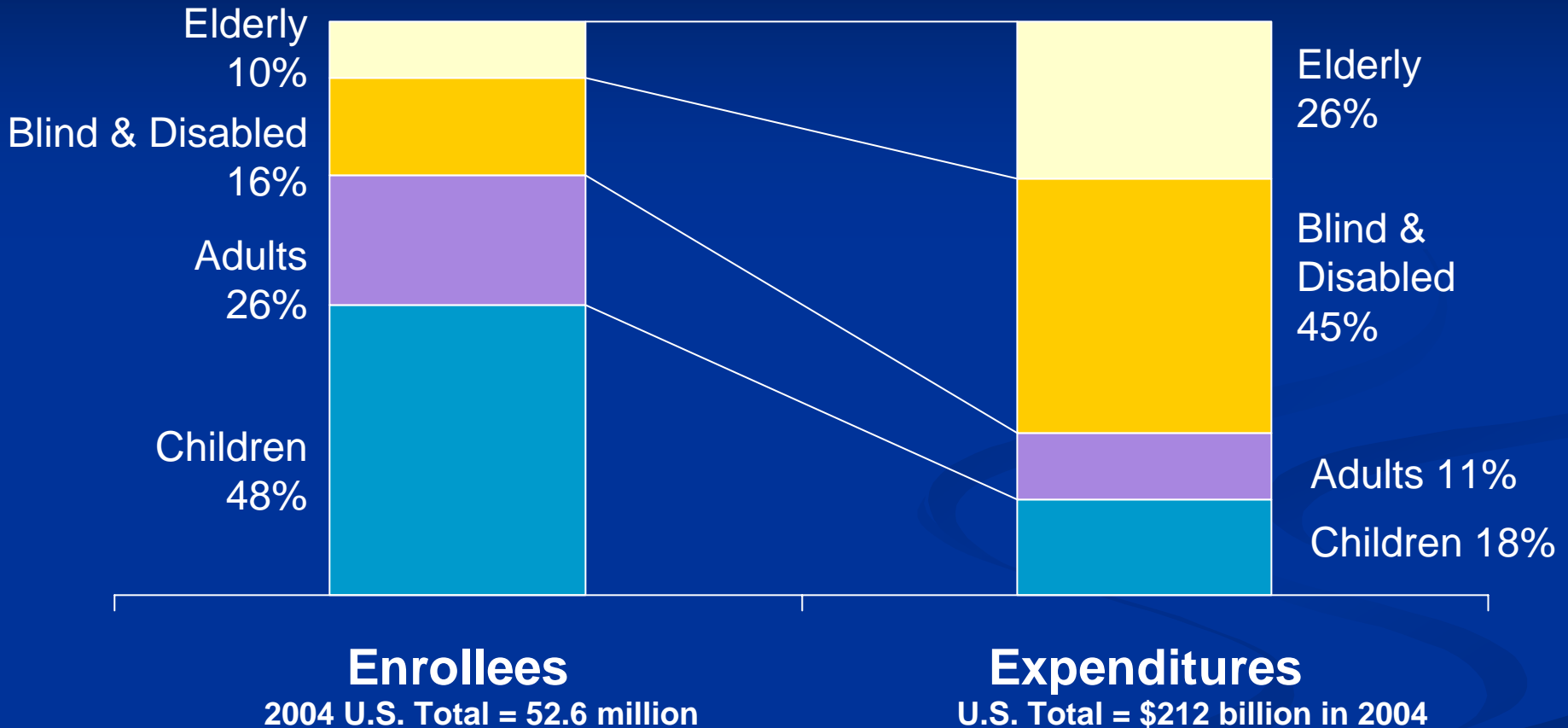
Ten Things to Know About Medicaid

1. As measured by expenditures, Medicaid is America's largest single health and long-term care program
 - Total Medicaid spending is projected to be \$329 billion in 2005 or 2.6% of GDP.
 - Medicaid accounted for 17% of all U.S. health care spending in 2003.

Ten Things to Know About Medicaid

2. As measured by enrollment, Medicaid provides health and long-term care coverage for more individuals than any other program—58 million Americans.
 - 28 million children
 - 13 million low-income uninsured adults
 - 15 million individuals with disabilities and elderly

Medicaid Spending on Elderly and Disabled



Note: Expenditure distribution based on spending only on services. Excludes DSH, supplemental provider payments, vaccines for children, and administration.

SOURCE: Health Management Associates estimates based on CBO Medicaid Baseline, March 2004.

Ten Things to Know About Medicaid

3. Medicaid has been a major factor in limiting growth in the number of uninsured.
 - Between 2000 and 2003 the number of uninsured increased from 40 million to 45 million.
 - During the same period, Medicaid enrollment increased by 9 million enrollees.

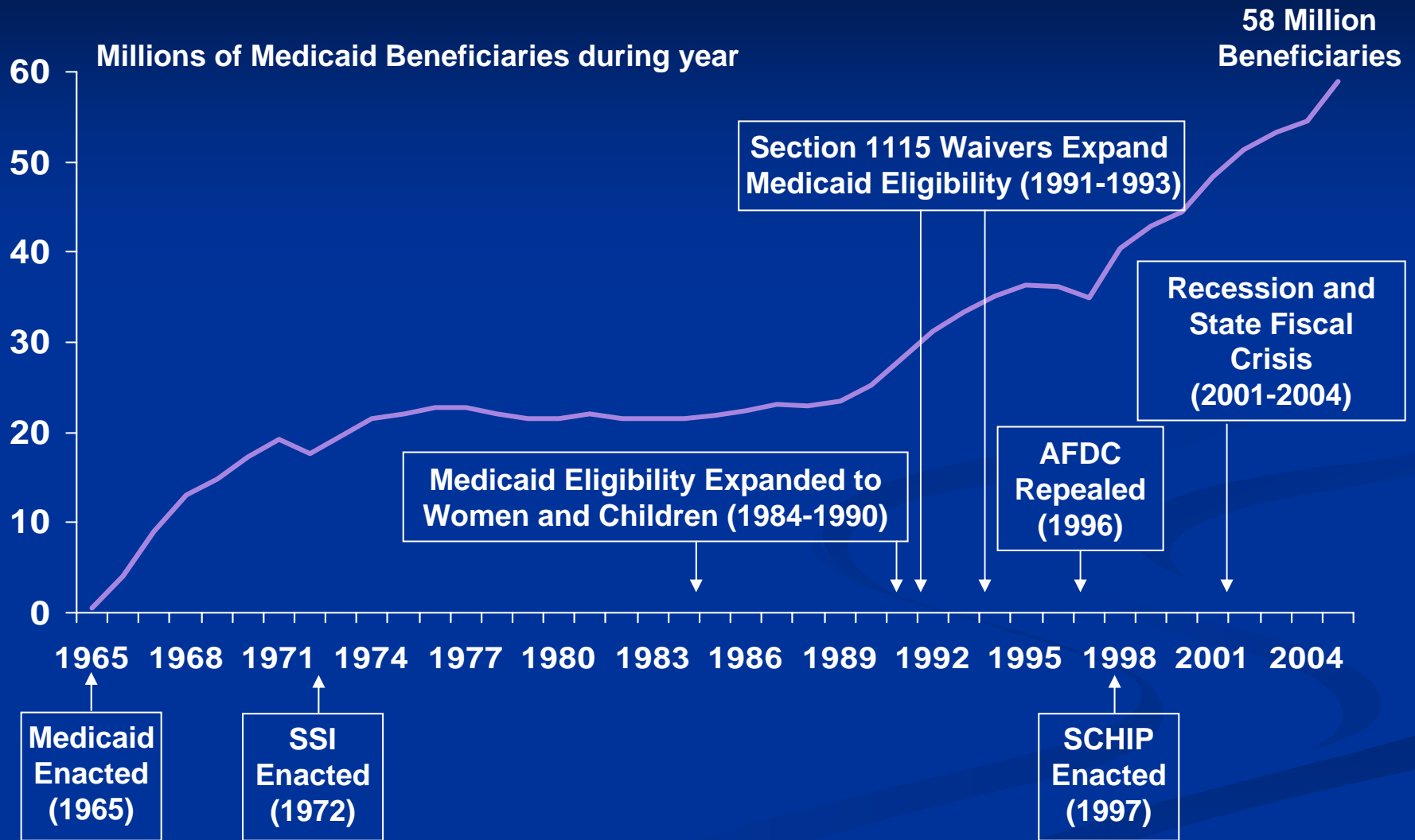
Ten Things to Know About Medicaid

4. Medicaid enrollment jumped 40% in the past five years.
 - State projections indicate a further 5% enrollment growth for 2005.

Why has Enrollment Jumped?

- Increasing enrollment accounted for most of the spending growth in recent years.
- Result of federal mandates, population growth, and economic recessions.
- Expanded coverage and utilization of services.
- Increase in drug costs and increased availability of new expensive drugs.

Medicaid Enrollment and Eligibility Milestones, 1965-2005



SOURCE: Kaiser Commission on Medicaid and the Uninsured analysis of data from the Centers for Medicare and Medicaid Services, 2004. CBO March 2005 Medicaid baseline.

Ten Things to Know About Medicaid

5. Most Medicaid beneficiaries are not on welfare.
 - More than 75% of those currently on Medicaid are not receiving cash assistance under welfare. This represents a 180 degree reversal in this ratio compared to the 1985 caseload.

Ten Things to Know About Medicaid

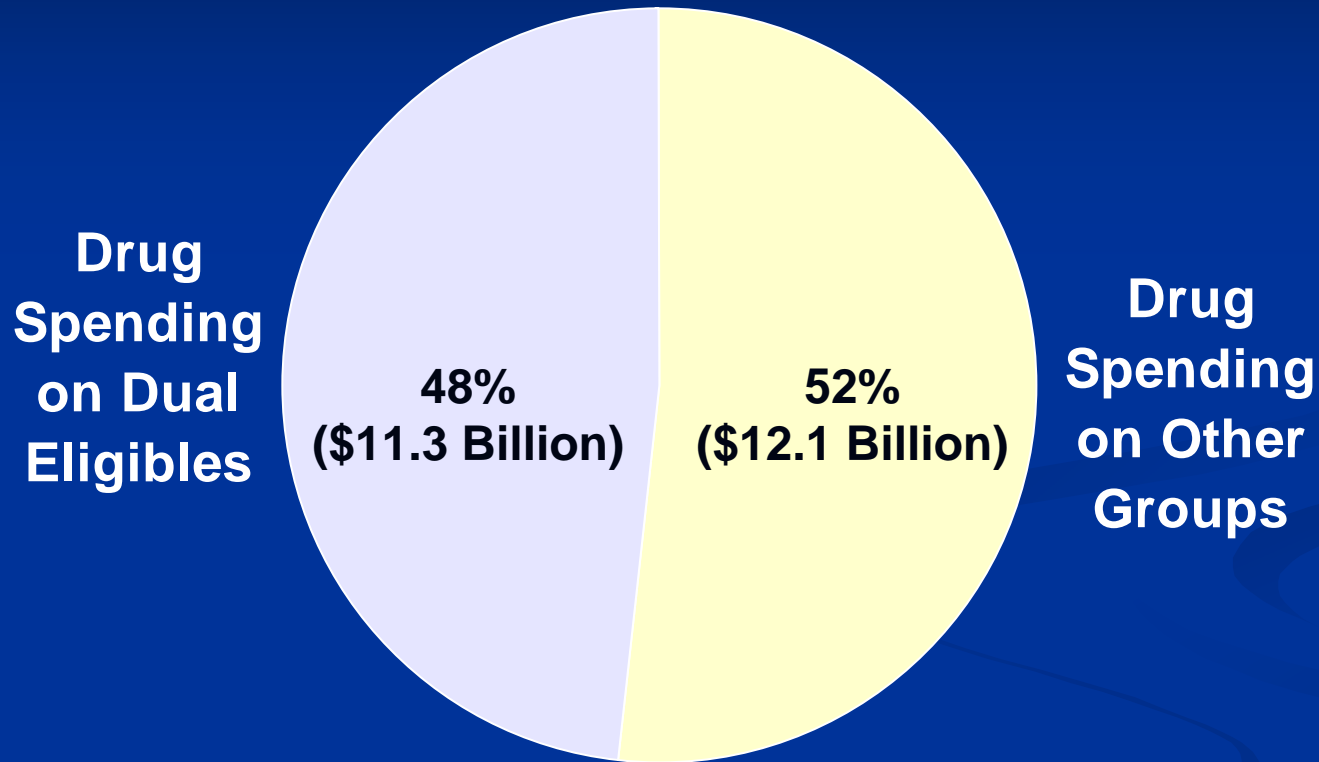
6. Medicaid fills the gaps in Medicare.

- “Duals” are low-income seniors and individuals with disabilities who qualify for Medicaid in addition to Medicare.
- 42 percent of all Medicaid expenditures are for individuals who are also on Medicare.
- Nationally, more than 7 million individuals.

Dual Eligibles

- 70% of dual eligibles' incomes are below \$10,000 compared with 13% for other Medicare beneficiaries.
- Nearly 25% of duals reside in long-term care facilities, compared with 2% for other Medicare beneficiaries.
- Duals are more than twice as likely to have Alzheimer's diseases, as well as more likely to have diabetes, and have suffered strokes than other Medicare beneficiaries.

Dual Eligibles Now Account for Half of Medicaid Spending on Prescription Drugs



2002 Total Medicaid Rx Spending = \$23.4 Billion

SOURCE: Urban Institute estimates prepared for KCMU based on MSIS data for FFY2000 and Form 64 FFY2002 data. Data reflect expenditures on outpatient prescription drugs only and are net of Medicaid rebates.

Medicare Modernization Act

- January 1, 2006 the new Medicare drug benefit takes effect and the duals will begin receiving prescription drug coverage from Medicare.
- States will continue to pay for 90% of the cost of covering the dually eligible under the MMA.

Ten Things to Know About Medicaid

7. Medicaid is efficient compared to private health insurance coverage.
 - Between 2000-2003, Medicaid per capita growth in the cost of acute care was 6.9%.
 - For employer-sponsored health insurance the figure is 12.6% while the number for all private insurance coverage is 9%.
 - Medicaid administrative costs are in the range of 4-6% while commercial insurers administrative costs are often well above 10%.

Ten Things to Know About Medicaid

8. Total Medicaid spending has increased drastically since 2000.
 - Spending increased on average by 12 percent in 2001-2002, by 9.5% in 2003-2004.
 - Medicaid spending is projected at \$329 billion in 2005.

Ten Things to Know About Medicaid

9. Medicaid spending growth has outpaced overall inflation and state revenue growth.
 - This is due to high annual cost growth in the health care industry and recent difficult years for overall state revenues.
 - State revenues increased by 3.4% in 2004 while Medicaid spending growth averaged 9.5%.

Ten Things to Know About Medicaid

10. Medicaid spending growth has crowded out funding for other important programs.
 - In 1985, 8% of state budgets was set aside for Medicaid. In 2003, that figure has jumped to 22%.
 - In 2003, Medicaid spending surpassed spending on K-12 education for the first time in overall state budgets. This percentage was 21.9-21.5.
 - States reported a shortfall in their Medicaid budgets totaling \$5.9 billion for fiscal 2005.

Questions?

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