

medicaid and the uninsured

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Medicaid's Long-Term Care Beneficiaries: An Analysis of Spending Patterns

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Executive Summary

Medicaid accounts for 40% of all long-term care services delivered and almost half of all nursing home expenditures in the U.S., making Medicaid the nation's largest single payer of long-term care services. However, those who use long-term care services are among the most disabled and chronically ill of the Medicaid population. Long-term care users are a heterogeneous population whose spending and enrollment patterns vary widely across different types of service settings. These differences reflect a number of factors including use of long-term services and the balance between institutional and community-based care, how acute and other supportive services are used, and whether enrollees also have Medicare coverage. This paper provides an overview of Medicaid beneficiaries who receive long-term care services and their acute and long-term care expenditures in 2002. Analysis is based on data from the FFY 2002 Medicaid Statistical Information System (MSIS) Summary File.

Key Findings:

- **Medicaid long-term care users accounted for 7% of the Medicaid population in 2002 but over half (52%) of total Medicaid spending.** Three quarters of spending went toward long-term care, while the remaining 25% was devoted to acute care and other supportive services, such as inpatient hospital, prescription drugs, physician, rehabilitative and therapy services. Among Medicaid enrollees using long-term care services, just over half (55%) were elderly, 34% were individuals under age 65 classified as disabled, and 11% were adults and children who qualified for Medicaid based on income or other eligibility pathways.
- **One-third of elderly Medicaid enrollees used long-term care services, but they accounted for 86% of all Medicaid spending on the elderly.** Two thirds of these 1.9 million beneficiaries used institutional services, and their total spending averaged \$38,780 per enrollee. Spending for the elderly who used community-based services was less than half this amount averaging \$17,176. This compares to an average of \$2,719 for the elderly with little or no long-term care spending.
- **Fifteen percent of beneficiaries classified as disabled used long-term care services, but they accounted for 58% of all Medicaid spending on the disabled.** Three quarters of these 1.2 million enrollees relied on community-based care, and had average total spending of \$34,930. Per enrollee spending for the disabled using institutional care averaged \$76,331. This compares to an average of \$6,277 for those with little or no long-term care spending.

- **Dual eligibles accounted for two-thirds of Medicaid enrollees who used long-term services and a similar share of spending.** Medicaid plays an important role filling in gaps in Medicare, particularly for long-term care. Average spending on dual eligibles totaled \$34,522, with 84% going toward long-term care services, 7% to prescription drugs, and the remaining 9% to other medical services. While drug coverage has now been shifted to Medicare, Medicaid continues to finance long-term care and other services for dual eligibles.
- **Overall, 406,226 children and 1.1 million adults under 65 used long-term care services.** Three quarters of children who used long-term care services qualified for Medicaid on the basis of income or an eligibility pathway other than disability. Disabled children had higher average spending for all services (\$47,149) compared to children who qualified through other categories (\$17,787). Adults who used long-term care services had higher average spending compared to children (\$44,017 vs. \$27,426) due to greater use of institutional care and higher spending on community-based long-term care services. In contrast to children, most adults who used long-term care services qualified for Medicaid on the basis of disability. Per enrollee spending on children and adults who had little or no long-term care spending was relatively low, averaging \$1,621 and \$3,097, respectively.

Policy Implications:

Medicaid enrollees who use long-term care services vary widely in their spending patterns and include heterogeneous populations with different needs for medical care and long-term services and supports. Enrollees under age 65 are more likely to use community-based long-term care services, while the elderly rely more heavily on institutional care. Medicaid enrollees who receive long-term care services in the community have lower overall per enrollee spending compared to their counterparts in institutional settings. That is not to say that enrollees residing in institutional settings would cost less if they were moved to the community, and for some portion of these residents, there may be no alternative to institutional care. A comprehensive long-term care system includes a continuum of service settings, but continued attention to serving individuals in the most appropriate setting should be a priority.

Children and adults in Medicaid who use long-term services are a unique population whose medical needs need to be assessed in light of recent DRA-related Medicaid changes. Most of these children are eligible for Medicaid through a route other than the disability classification, so reforms that place new restrictions on benefits for non-disabled children may place unique burdens on this population, either by limiting access to potentially critical services, or placing especially high cost-sharing burdens on families with long-term care needs for their children. Similar concerns are raised for the smaller number of adults who are not classified as disabled but who use long-term care services.

Finally, about one-third of all Medicaid dollars are spent on dual eligible beneficiaries who are eligible for Medicare and use Medicaid-financed acute and long-term care services. Prescription drug coverage has now been shifted from Medicaid to Medicare, but Medicaid spending for long-term care and other acute care services remains substantial. The relative roles of Medicaid and Medicare covering acute and long-term care services for dual eligibles warrants continued policy discussion.