



THE KAISER COMMISSION ON  
**Medicaid and the Uninsured**

# **Low Medicaid Spending Amid Rebounding State Revenues**

**Results from a 50 State Medicaid Budget  
Survey  
State Fiscal Years 2006 and 2007**

**October 10, 2006**

# Medicaid Overview

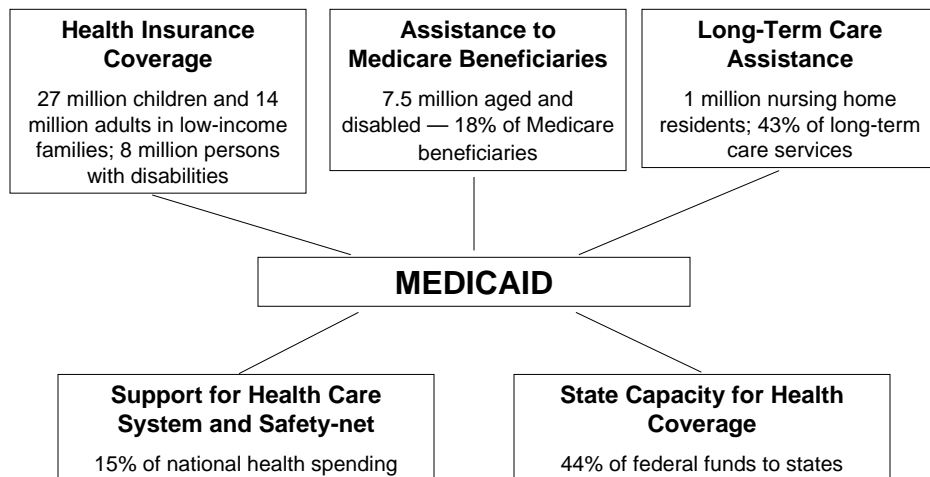
**Presented by:**  
Diane Rowland, Sc.D.  
Executive Vice President,  
Henry J. Kaiser Family Foundation  
and  
Executive Director,  
Kaiser Commission on Medicaid and the Uninsured

**October 2006**

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Figure 1

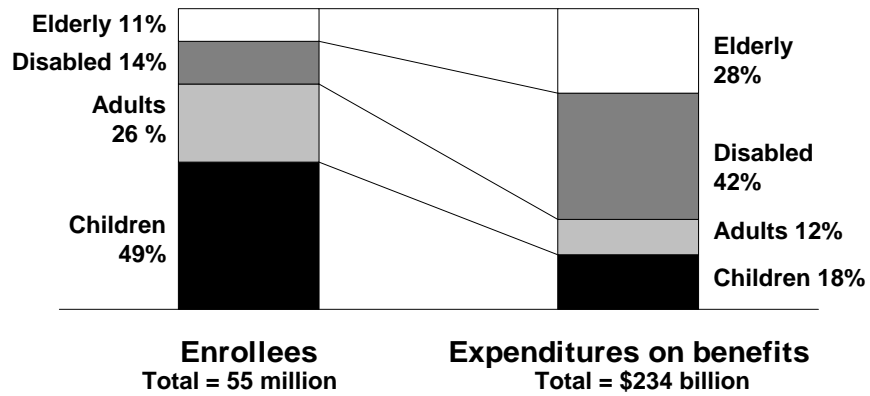
## Medicaid Today



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Figure 2

## Medicaid Enrollees and Expenditures by Enrollment Group, 2003

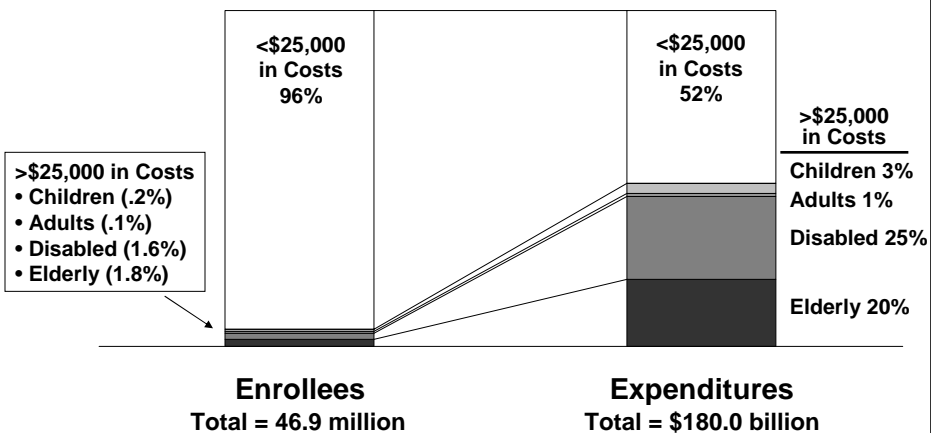


SOURCE: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on 2003 MSIS data.

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Figure 3

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



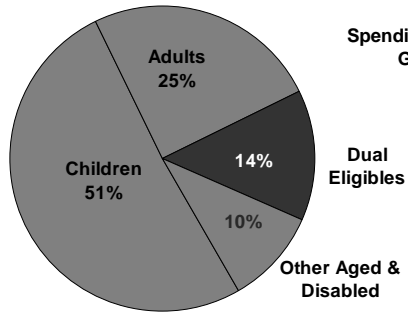
SOURCE: Urban Institute estimates based on MSIS 2001 data.

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Figure 4

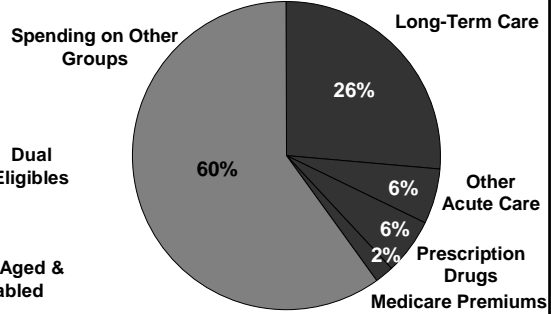
## Medicaid Dual Eligibles: Enrollment and Spending in 2003

**Medicaid Enrollment**



**Total = 55 Million**

**Medicaid Spending**



**Total = \$262.6 Billion  
(40% on Duals)**

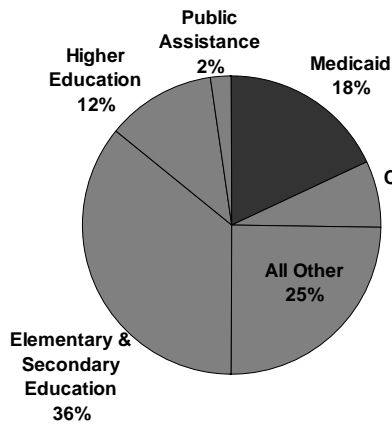
NOTE: Reflects spending for services only.  
SOURCE: KCMU estimates based on CMS data and Urban Institute analysis of data from MSIS.

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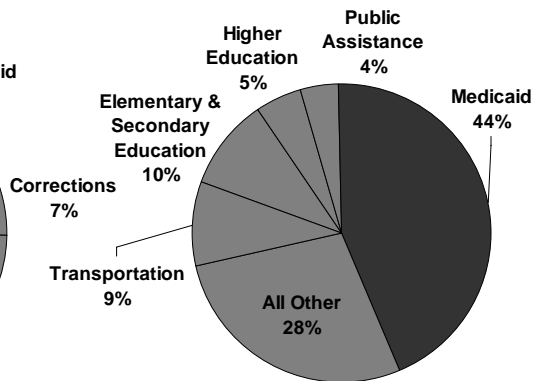
Figure 5

## Medicaid Spending In the States, 2005

**State General Fund Spending  
\$536 billion**



**Federal Funds to States by Program  
\$371 Billion**



SOURCE: National Association of State Budget Officers, 2004 State Expenditure Report, 2005.

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**Low Medicaid Spending Amid Rebounding State Revenues**  
**Results from a 50 State Medicaid Budget Survey**  
**State Fiscal Years 2006 and 2007**

Prepared by:

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Health Management Associates

*and*

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Kaiser Commission on Medicaid and the Uninsured

October 2006

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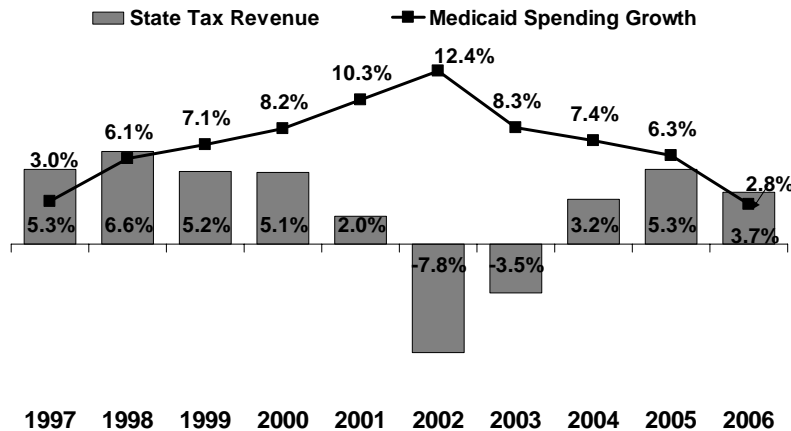
Figure 1

**About the Study**

- 6<sup>th</sup> Annual Survey of Medicaid directors in all 50 states and DC
- Purpose: To track trends in Medicaid spending, enrollment, policy initiatives and state reactions to Medicare Part D and the Deficit Reduction Act
- Responses reflect actions actually implemented in FY 2006 and adopted decisions for FY 2007
- Conducted in July and August 2006

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Figure 2  
**State Tax Revenue and Medicaid Spending Growth, 1997-2006**



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

SOURCE: KCMU Analysis of CMS Form 64 Data for Historic Medicaid Growth Rates and KCMU / HMA Survey for 2006 Medicaid Growth Estimates; Analysis by the Rockefeller Institute of Government for State Tax Revenue.

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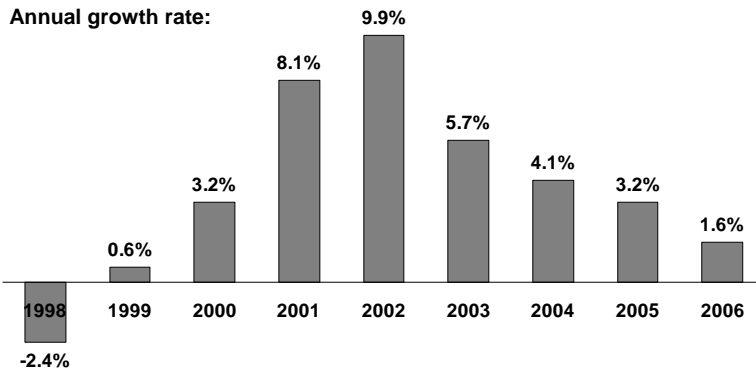
Figure 3  
**Factors in Low Rate of Total Medicaid Spending Growth in FY 2006**

- 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

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Figure 4

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



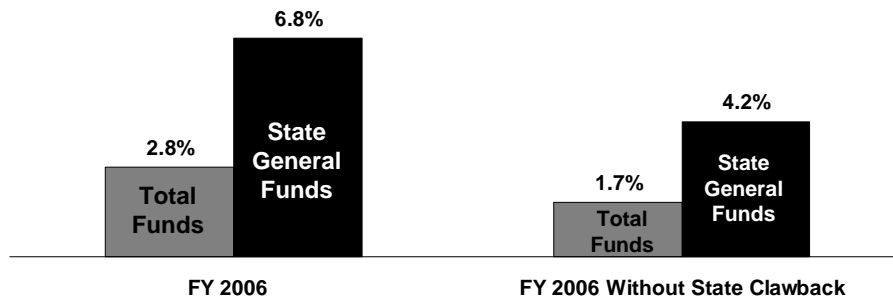
NOTE: Percentage changes from June to June of each year.

SOURCE: For 1998-2005: Eileen Ellis, Vernon Smith, David Rousseau and Karyn Schwartz, *Medicaid Enrollment in 50 States: June 2006 Update—Preliminary Data*, Kaiser Commission on Medicaid and the Uninsured, June 2006. For 2006 and 2007: Data provided to HMA by state officials for the Kaiser commission on Medicaid and the Uninsured, 2006.

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Figure 5

## Medicaid Spending Growth Rates Adjusted for State Clawback Payments FY 2006

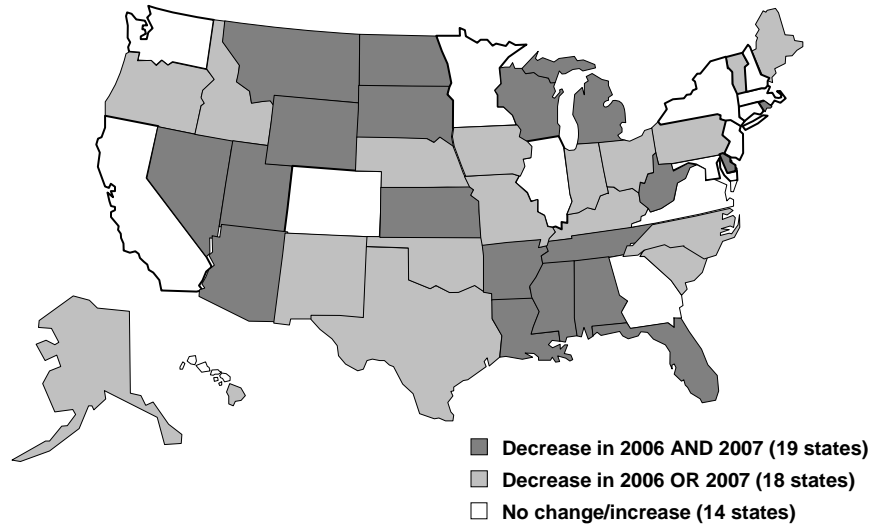


SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2006.

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Figure 6

### Nearly 3 out of 4 States Experienced a Reduced FMAP in 1 or Both Years for FY 2006 and FY 2007

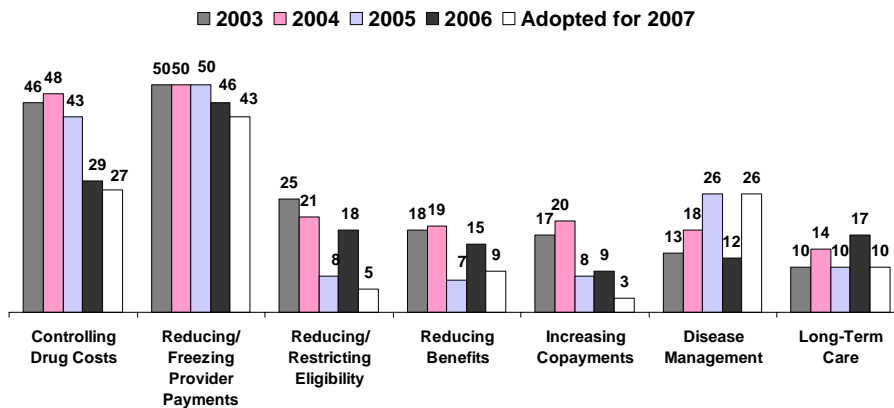


SOURCE: Federal Register, November 24, 2004 (Vol. 69, No. 226), <http://aspe.os.dhhs.gov/health/fmap06.htm>

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Figure 7

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

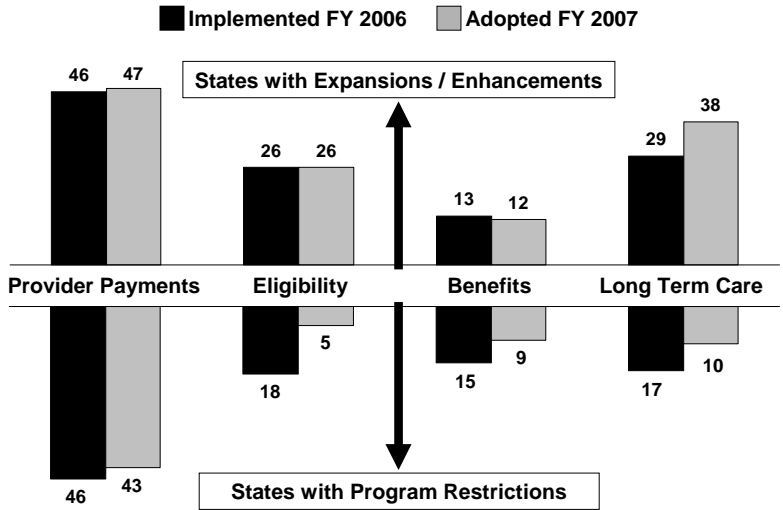


NOTE: Past survey results indicate not all adopted actions are implemented.

SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, September and December 2003, October 2004, October 2005, October 2006

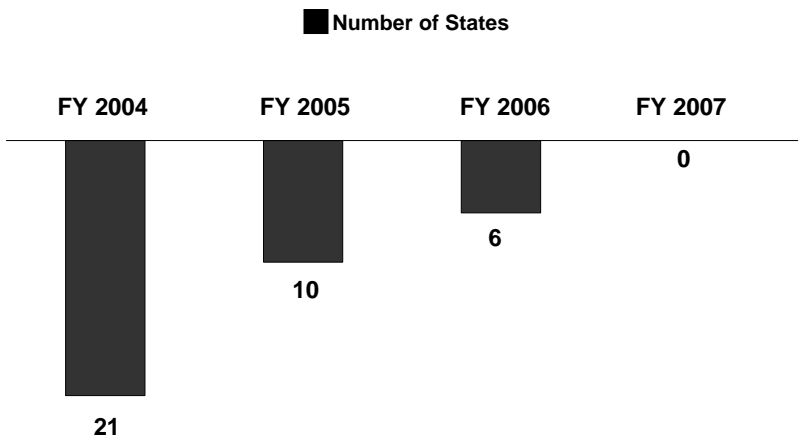
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Figure 8  
**State Policy Actions Implemented in FY 2006 and Adopted for FY 2007**



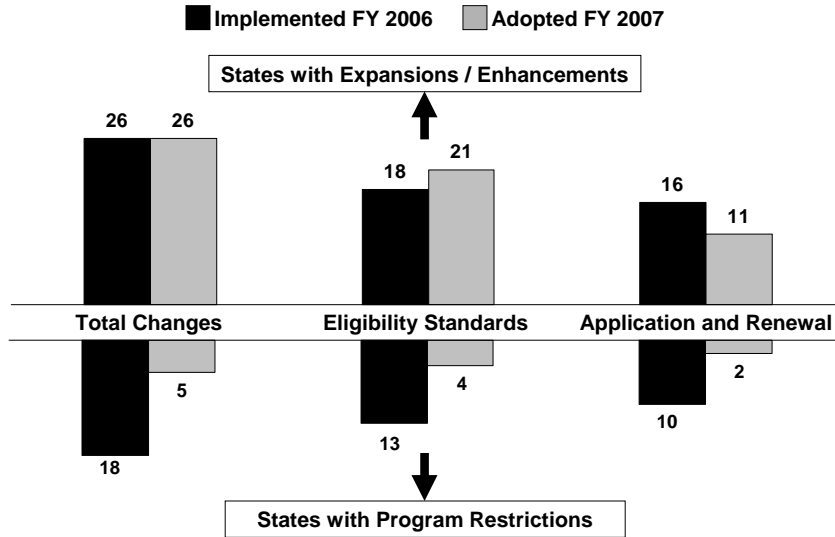
NOTE: Past survey results indicate not all adopted actions are implemented.  
 SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2006. **K A I S E R C O M M I S S I O N O N Medicaid and the Uninsured**

Figure 9  
**States Cutting Medicaid Rates for Inpatient Hospitals, Physicians, Nursing Facilities or Managed Care Organizations**



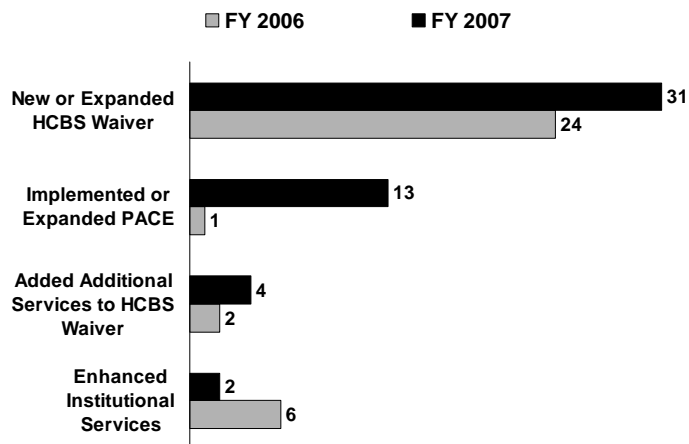
SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2004, October 2005 and October 2006. **K A I S E R C O M M I S S I O N O N Medicaid and the Uninsured**

Figure 10  
**States With Eligibility Changes Implemented in FY 2006 and Adopted for FY 2007**



NOTE: Past survey results indicate not all adopted actions are implemented.  
 SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2006. **K A I S E R C O M M I S S I O N O N Medicaid and the Uninsured**

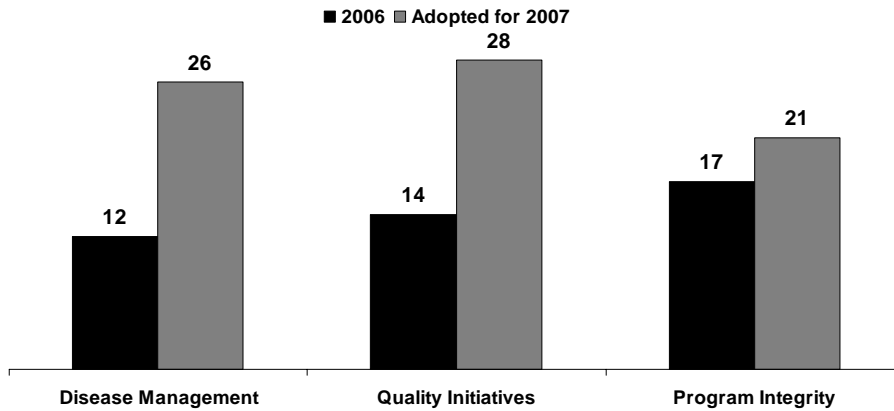
Figure 11  
**Medicaid Long-Term Care Expansions, Implemented in FY 2006 and Adopted for FY 2007**



SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2006. **K A I S E R C O M M I S S I O N O N Medicaid and the Uninsured**

Figure 12

## Other Policy Actions Implemented in FY 2006 and Adopted for FY 2007

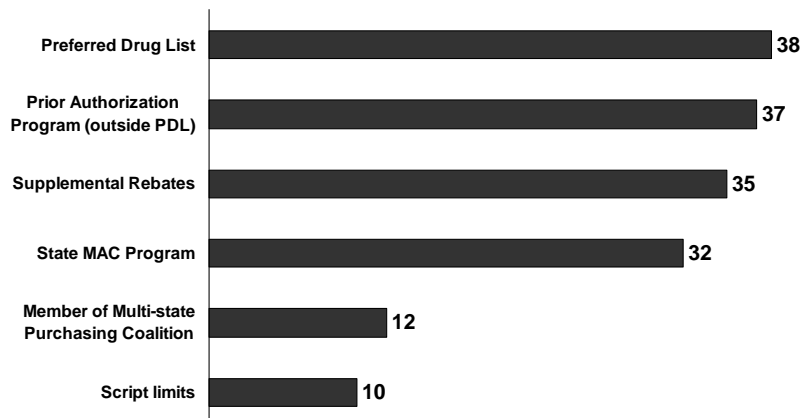


SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2006

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Figure 13

## Medicaid Pharmacy Cost Containment Measures in Place in FY 2006



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

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Figure 14

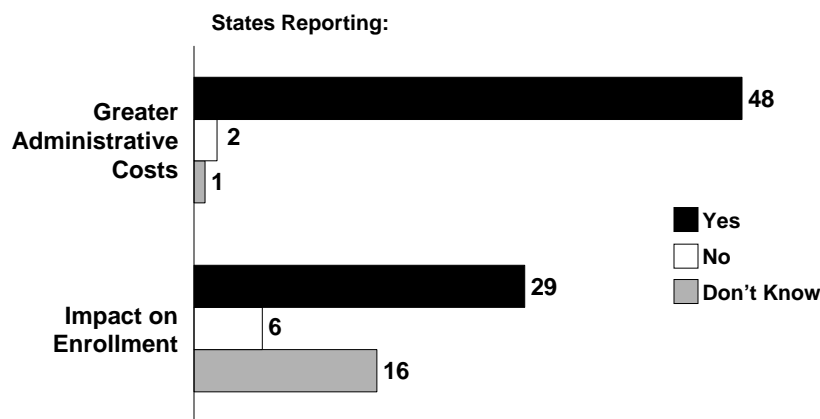
## DRA Overview

- 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

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Figure 15

## Impact of the DRA Citizenship Documentation Requirements



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

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Figure 16

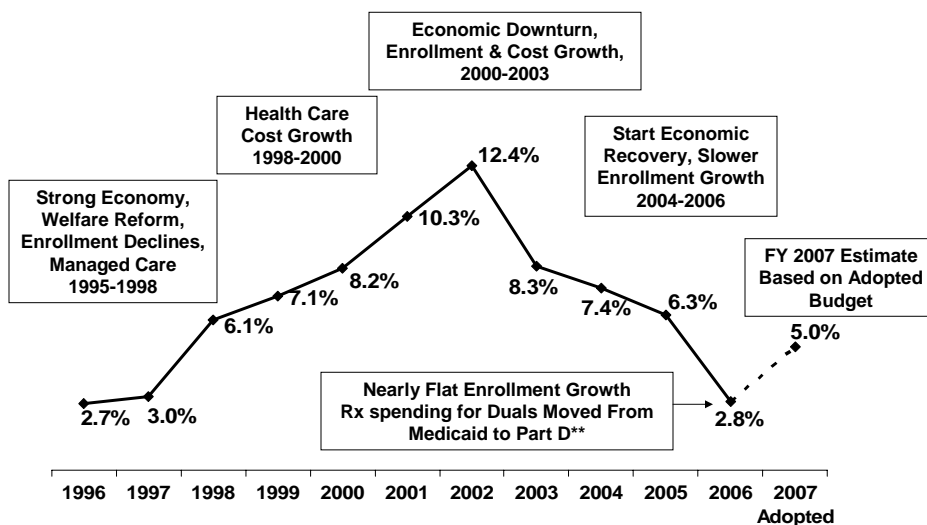
## States Taking Up DRA Options for FY 2007

DRA Options	# of States
<b>New Options</b>	
Benefits	3
Cost Sharing	1
Make Copayments Enforceable	2
<b>New LTC Options</b>	
LTC Partnership Program	22
Self-Directed Personal Assistance Services	16
HCBS Alternatives to Residential Treatment Facilities for Children	5
HCBS State Option	0
Medicaid Buy-In for Disabled Children	3
<b>Grants and Demonstration Programs</b>	
Medicaid Transformation Grants	26
Money Follows the Person	18
Health Opportunity Accounts	3

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Figure 17

## Medicaid Spending Growth, 1996-2007 (Estimate)



NOTE: Estimates in State Fiscal Year. FY 2007 estimate based on states adopted FY 2007 budget. State Clawback payments are counted as state Medicaid payments. SOURCE: KCMU analysis of CMS Form 64 Data and KCMU / HMA State Budget Survey, 2006

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Figure 18

## Medicaid Outlook for 2007 and Beyond

- Improved state revenues and low Medicaid spending growth provides some relief after years of fiscal stress
  - States now able to look at positive options they couldn't consider in recent years
- States still evaluating options in the DRA
- 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
- In some states, discussion of near-universal health coverage is back on the table
  - Medicaid is a base on which states build coverage expansions
  - A primary focus is children
- Key events on immediate horizon could impact state Medicaid actions
  - State and federal elections
  - Leavitt Federal Medicaid Commission recommendations

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