



THE KAISER COMMISSION ON
Medicaid and the Uninsured

What Has Caused the Growth in Medicaid Spending in Recent Years?

A briefing by the
Kaiser Commission on Medicaid and the Uninsured

Barbara Jordan Conference Center
Washington, DC

January 26, 2005



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Medicaid's Role Today

Diane Rowland, Sc.D.
Kaiser Commission on Medicaid and the Uninsured

Figure 1

Medicaid Overview

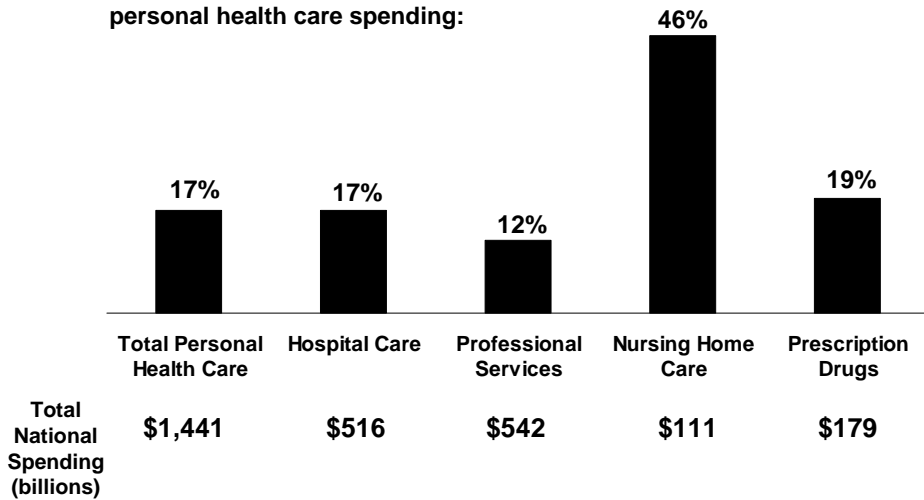
- 75% of Medicaid enrollees are children or adults from low-income families, but they account for only 30% of program spending.
- Although only 1 in 4 Medicaid enrollees are elderly or disabled, the health and long term care services they use constitute 70% of program expenditures.
- On a per capita basis, expenses for the elderly and disabled (\$12,000) are six times that of children and adults (\$2,000) in low-income families.

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Figure 2

Medicaid's Role in the Health System, 2003

Medicaid as a share of national personal health care spending:

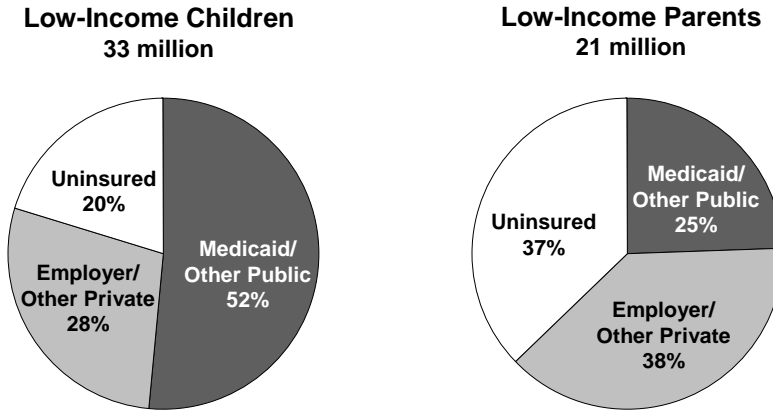


SOURCE: Smith, et al, 2005. Based on National Health Care Expenditure Data, CMS, Office of the Actuary.

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Figure 3

Health Insurance Coverage of Low-Income Children and Parents, 2003

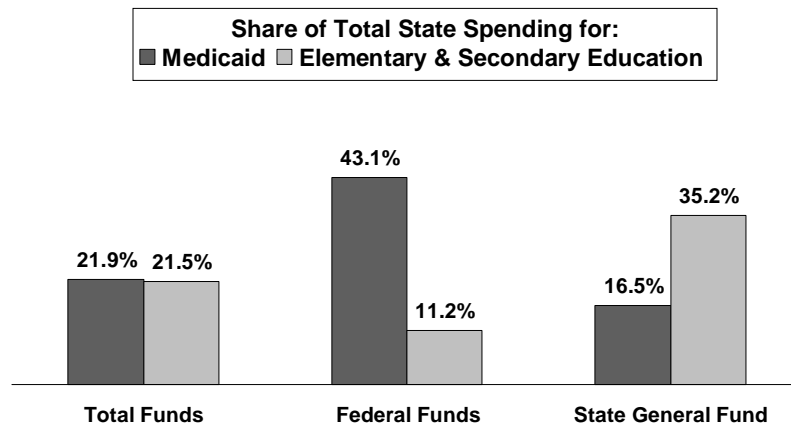


Note: Medicaid also includes SCHIP and other state programs. Low-income is defined as 200% of poverty or less (\$29,360 for a family of three in 2003).
SOURCE: KCMU and Urban Institute analysis of March 2004 Current Population Survey.

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Figure 4

Medicaid and State Budgets



SOURCE: National Association of State Budget Officers, 2003 State Expenditure Report, October 2004.

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Understanding the Recent Growth in Medicaid Spending: 2000-2003

John Holahan and
Arunabh Ghosh
The Urban Institute

Figure 5

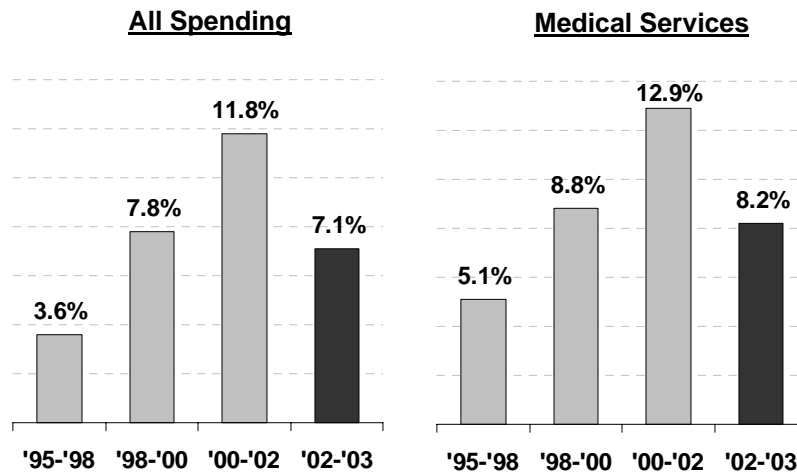
Study Overview

- Medicaid expenditures grew from \$205.7 billion in 2000 to \$275.5 billion in 2003
- Paper addresses why this has occurred
 - The growth in enrollment and in spending per enrollee
 - The growth in spending on acute care vs. long term care services
 - The growth in spending on families vs. the aged and disabled
 - The changes in spending through DSH and UPL programs
- Paper relies on enrollment data collected by KCMU and CMS-64 and MMIS expenditure data

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Figure 6

Average Annual Growth in Medicaid Expenditures, 1995-2003



SOURCE: Urban Institute, 2004; estimates based on data from HCFA Financial Management Reports, 2004 (HCFA-64/CMS-64).

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Figure 7

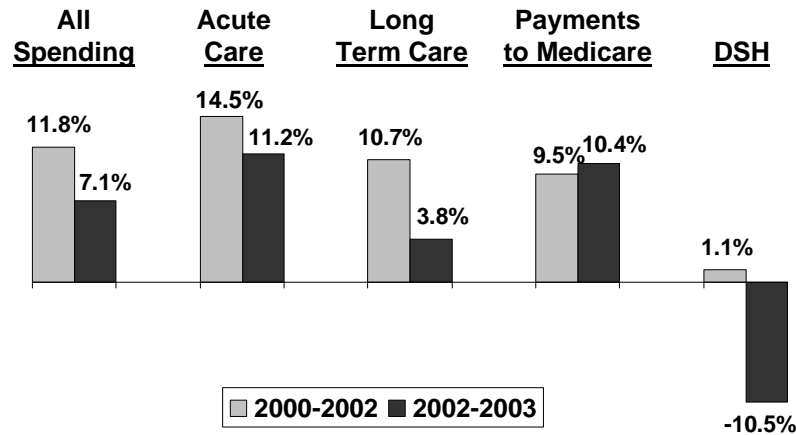
Spending Growth Slows in 2003

- Slowdown in recession-induced enrollment growth
- State actions in response to fiscal situation:
 - Reimbursement rate reductions
 - Benefit reductions
 - Eligibility cuts; enrollment barriers
- Federal actions to limit upper payment limit (UPL) programs and DSH spending

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Figure 8

Medicaid Spending Growth Average Annual Growth Rates, 2000-2003

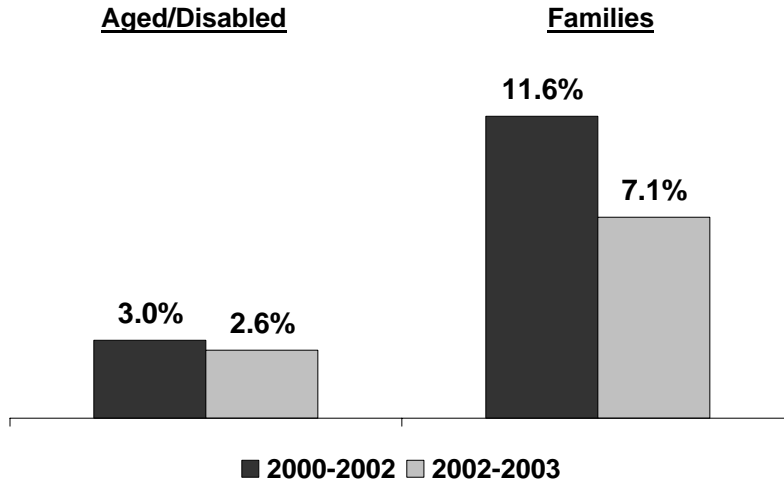


SOURCE: Urban Institute, 2004; estimates based on data from HCFA Financial Management Reports, 2004 (HCFA-64/CMS-64).

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Figure 9

Medicaid Enrollment Growth Average Annual Growth Rates, 2000-2003

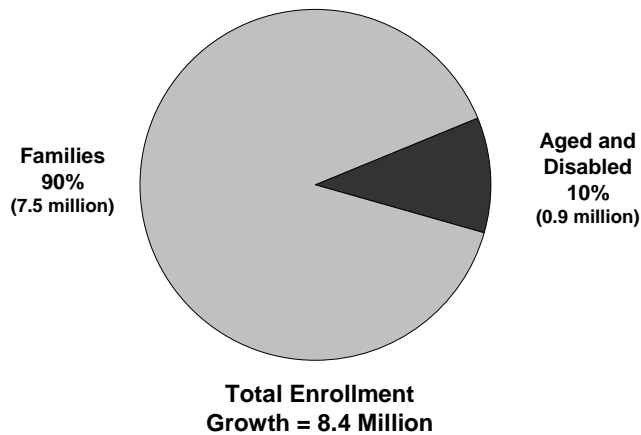


SOURCE: Urban Institute estimates based on KCMU Medicaid enrollment data collected by Health Management Associates from 44 states inflated proportionally to national totals, 2004.

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Figure 10

Contributors to Change in Medicaid Enrollment*, 2000-2003



* Monthly enrollment for June of each year.
SOURCE: Urban Institute estimates based on KCMU Medicaid enrollment data collected by Health Management Associates from 44 states inflated proportionally to national totals, 2004.

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Figure 11

Sources of Enrollment Growth

Families and Children

- The Recession and Rising Health Care Costs
- State Expansions in the Late 1990's

Aged and Disabled

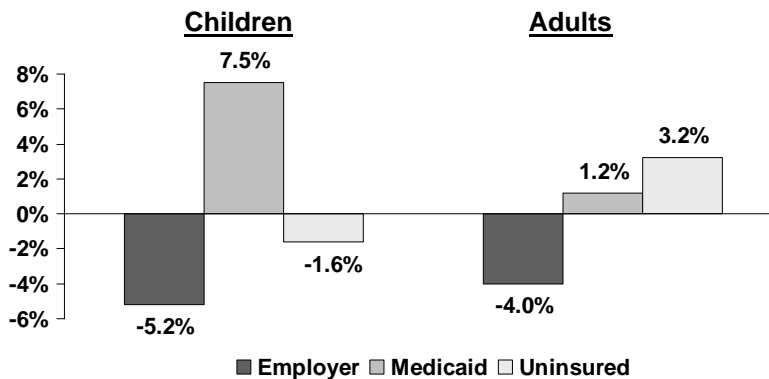
- Increased Participation in Medicaid, Likely Due to Rising Health Care Costs, e.g. Prescription Drugs
- Aging of the Baby Boomers Affecting Disability Rates
- Medical Technology
- Increased Participation in Home- and Community-based Waiver Programs

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Figure 12

Changes in Health Insurance Coverage for Low-Income Children and Adults, 2000-2003

Percentage Point Changes



Change in
Population
Change in
Uninsured

2.0 Million

-0.1 Million

5.7 Million

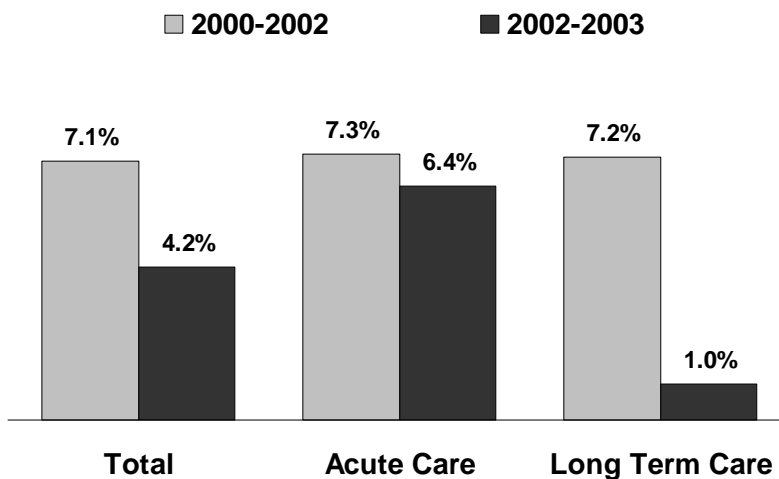
3.9 Million

Note: Low-income is defined as less than 200% of poverty (\$29,360 for a family of three)
SOURCE: Urban Institute for the Kaiser Commission on Medicaid and the Uninsured, 2004

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Figure 13

Growth in Medicaid Spending Per Enrollee 2000-2003

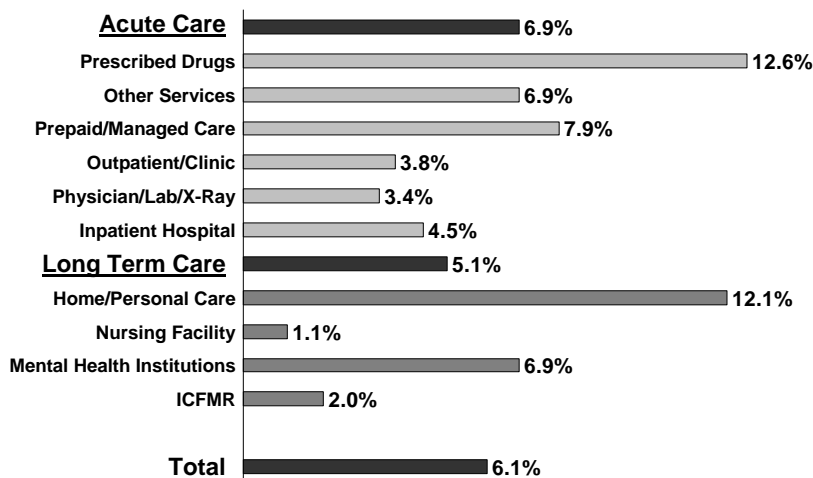


SOURCE: Urban Institute, 2004; estimates based on data the Medicaid Statistical Information System (MSIS), HCFA Financial Management Reports (HCFA-64/CMS-64), and KCMU/HMA enrollment data.

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Figure 14

Average Annual Percentage Change in Spending Per Enrollee by Service, 2000-2003

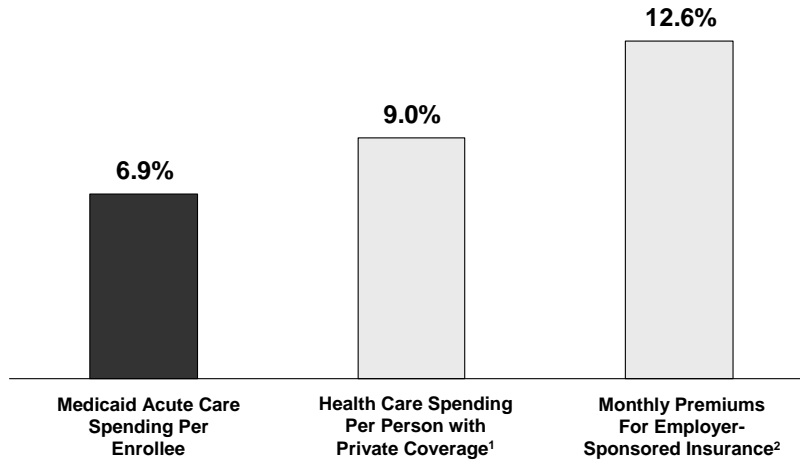


SOURCE: Urban Institute, 2004; estimates based on data the Medicaid Statistical Information System (MSIS), HCFA Financial Management Reports (HCFA-64/CMS-64), and KCMU/HMA enrollment data.

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Figure 15

Average Annual Medicaid Spending Growth Compared to Growth in Private Health Spending, 2000-2003

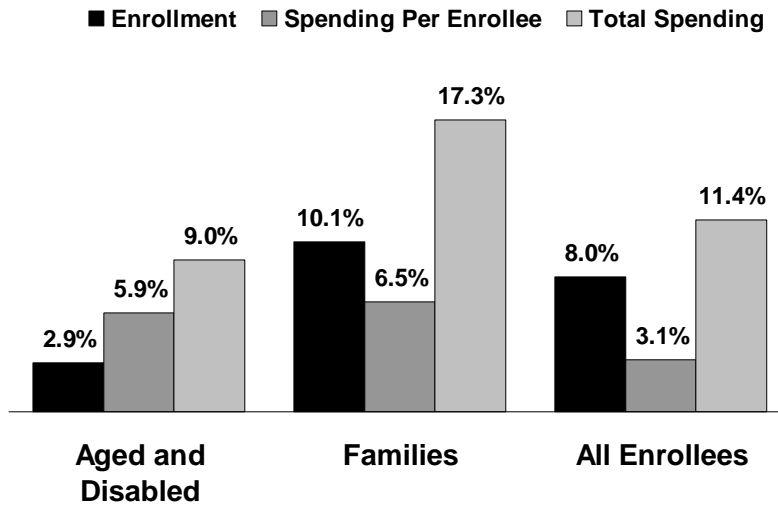


¹ Strunk and Ginsburg, 2004.
² Kaiser/HRET Survey, 2003.

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Figure 16

Growth in Enrollment, Spending Per Enrollee, and Total Spending, 2000-2003

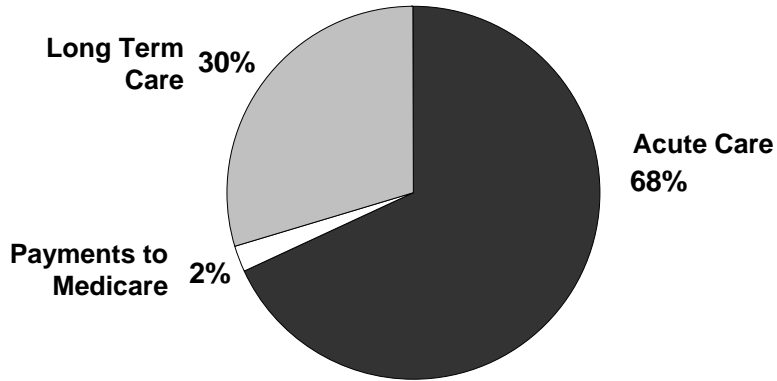


SOURCE: Urban Institute, 2004; estimates based on data the Medicaid Statistical Information System (MSIS), HCFA Financial Management Reports (HCFA-64/CMS-64), and KCMU/HMA enrollment data.

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Figure 17

Share of Medicaid Spending Growth Attributable to Acute and Long Term Care between 2000 and 2003

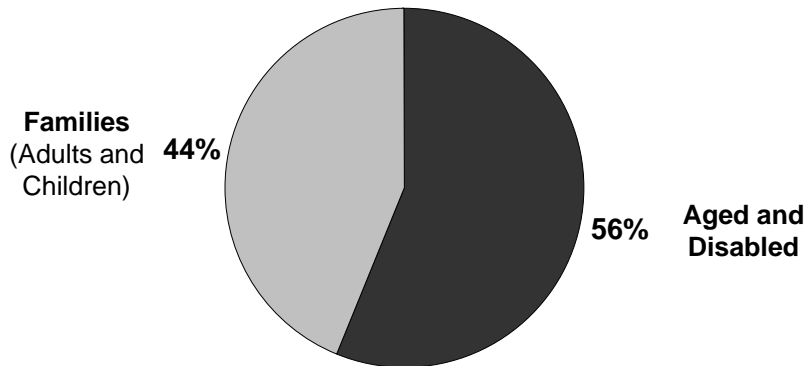


SOURCE: Urban Institute, 2004; estimates based on data from HCFA Financial Management Reports, 2004 (HCFA-64/CMS-64).

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Figure 18

Share of Medicaid Spending Growth Attributable to Aged/Disabled and Families between 2000 and 2003



SOURCE: Urban Institute, 2004; estimates based on data from HCFA Financial Management Reports, 2004 (HCFA-64/CMS-64), MSIS and KCMU.

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Figure 19

Conclusion

- **Medicaid spending growth has predominantly been driven by enrollment growth.**
- **Without this enrollment growth, the number of uninsured would have been substantially higher.**
- **Tight caps on Medicaid spending growth would not have allowed this enrollment growth.**

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Figure 20

Conclusion (cont.)

- **Medicaid was more successful in controlling spending per person than the private sector.**
- **Much of Medicaid's spending growth between 2000 and 2003 reflects a shift from private to public spending, and not additional dollars being spent on health care overall.**

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