

CHARTPACK

# Medicaid and its Role in State/Federal Budgets & Health Reform

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April 2013

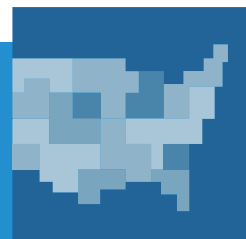


Figure 1

## #1: What is Medicaid and What Does it Do?



Figure 2

## Medicaid has many vital roles in our health care system.

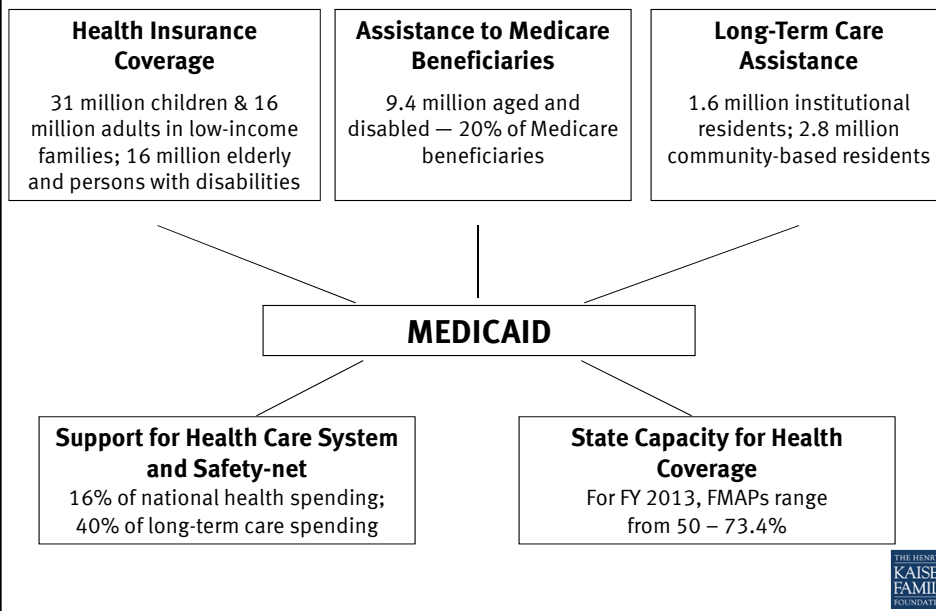
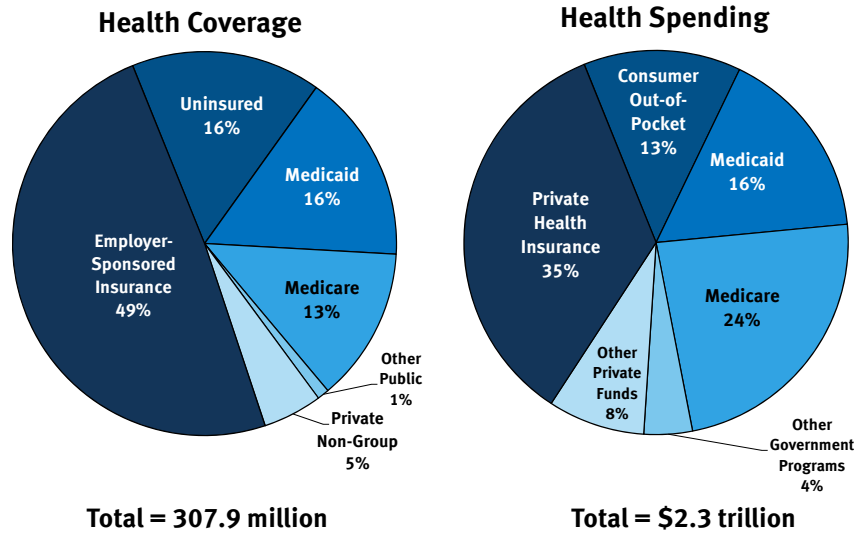


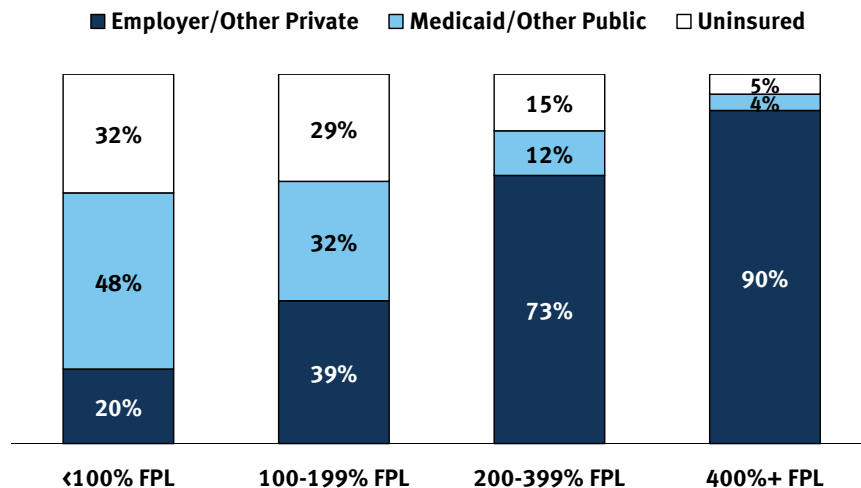
Figure 3  
**Medicaid is a major source of health coverage and spending.**



NOTE: Health spending total does not include administrative spending.  
 SOURCE: Health insurance coverage: KCMU/Urban Institute analysis of 2011 data from 2012 ASEC Supplement to the CPS.  
 Health expenditures: KFF calculations using 2011 NHE data from CMS, Office of the Actuary



Figure 4  
**Medicaid helps to fill gaps in private insurance coverage.**

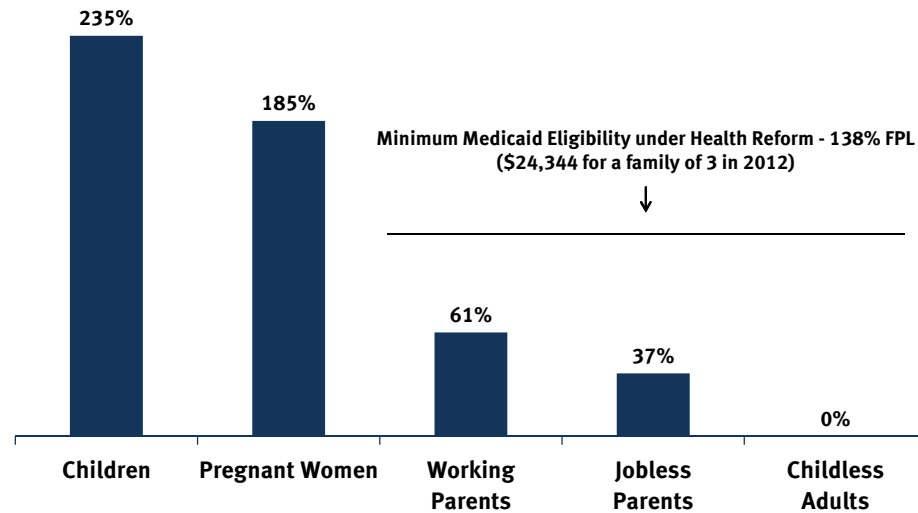


NOTE: FPL-- Federal Poverty Level. The FPL was \$22,350 for a family of four in 2011.  
 Data may not total 100% due to rounding.  
 SOURCE: KCMU/Urban Institute analysis of 2012 ASEC Supplement to the CPS



**Medicaid eligibility levels are more limited for adults than for children.**

Figure 5

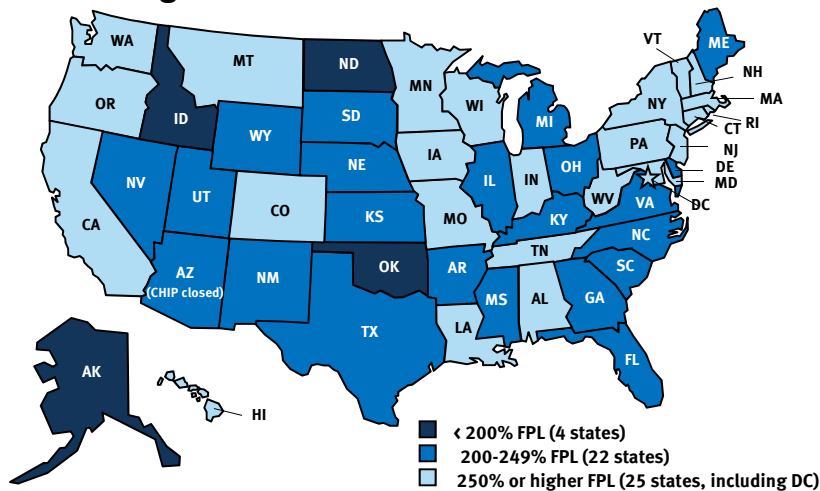


SOURCE: Based on the results of a national survey conducted by the Kaiser Commission on Medicaid and the Uninsured and the Georgetown University Center for Children and Families, 2013.



**All but 4 states set Medicaid/CHIP eligibility for children at 200% FPL or higher.**

Figure 6



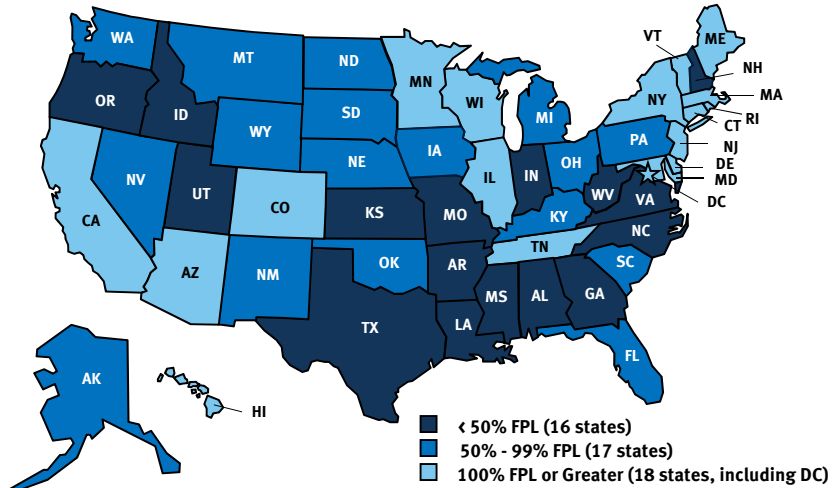
NOTE: The federal poverty line (FPL) for a family of three in 2012 is \$19,090 per year. OK has a premium assistance program for select children up to 200% of the FPL. AZ's CHIP program is currently closed to new enrollment.

SOURCE: Based on the results of a national survey conducted by the Kaiser Commission on Medicaid and the Uninsured and the Georgetown University Center for Children and Families, 2013.



## Medicaid coverage for working parents is more limited.

Figure 7

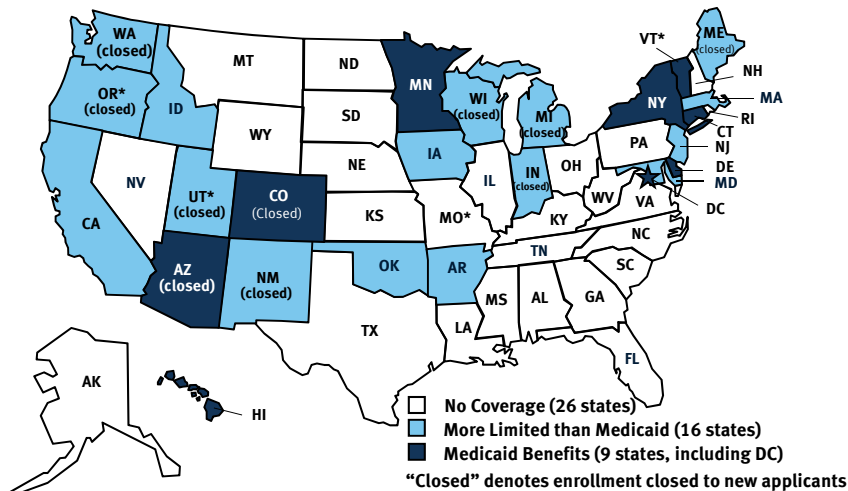


NOTE: The federal poverty line (FPL) for a family of three in 2012 is \$19,090 per year. Several states also offer coverage with a benefit package that is more limited than Medicaid to parents at higher income levels through waiver or state-funded coverage.  
SOURCE: Based on the results of a national survey conducted by the Kaiser Commission on Medicaid and the Uninsured and the Georgetown University Center for Children and Families, 2013.



## Only 9 states provide full Medicaid to childless adults.

Figure 8



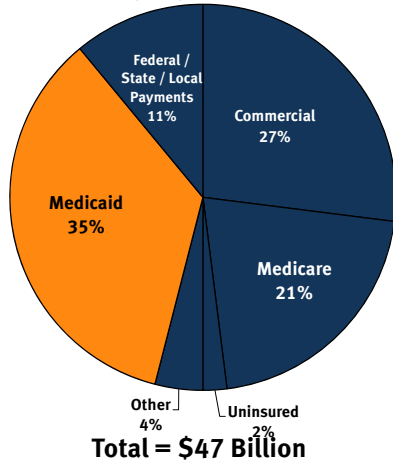
NOTE: Map identifies the broadest scope of coverage in the state. MN and VT also offer waiver coverage that is more limited than Medicaid. OR and UT also offer "premium assistance" with open enrollment. IL, LA, and MO offer coverage limited to adults residing in a single county or area.  
SOURCE: Based on the results of a national survey conducted by the Kaiser Commission on Medicaid and the Uninsured and the Georgetown University Center for Children and Families, 2013.



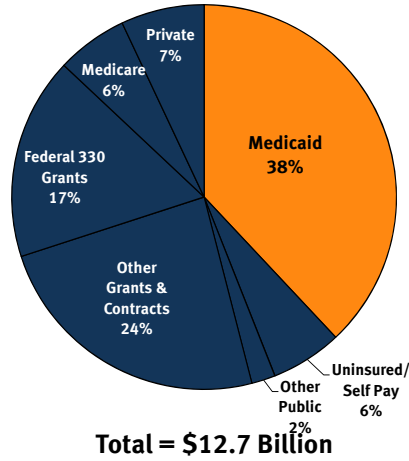
**Medicaid is the largest source of funding for safety-net providers.**

Figure 9

**Safety-Net Hospital Net Revenues by Payer, 2010**



**Health Center Revenues by Payer, 2011**

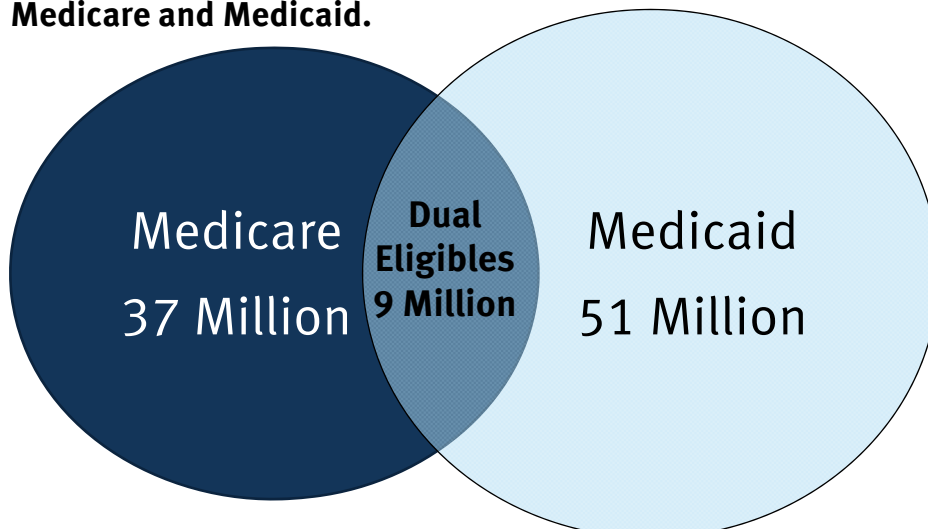


SOURCES: Data for hospitals from *America's Safety Net Hospitals and Health Systems, 2010*, National Association of Public Hospitals and Health Systems, May 2012. Health center data from 2011 Uniform Data System (UDS), BPHC/HRSA/HHS.



**9 Million dual eligible beneficiaries are covered by both Medicare and Medicaid.**

Figure 10



SOURCE: Kaiser Family Foundation analysis of Medicare Current Beneficiary Survey, 2008, and KCMU and Urban Institute estimates based on data from the FY2008 MSIS.



Figure 11

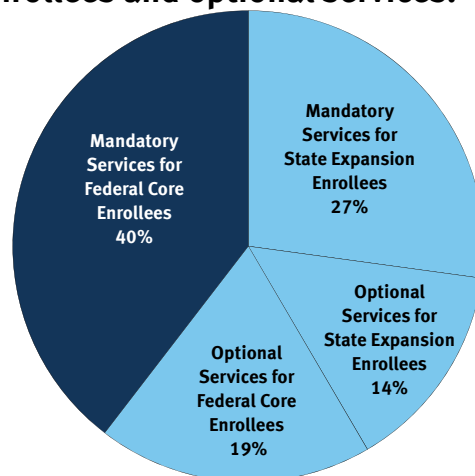
### Medicaid provides benefits to reflect the needs of the population it serves.

<b>Low-Income Families</b>	<ul style="list-style-type: none"> <li>• Pregnant Women: Pre-natal care and delivery costs</li> <li>• Children: Routine and specialized care for childhood development (immunizations, dental, vision, speech therapy)</li> <li>• Families: Affordable coverage to prepare for the unexpected (emergency dental, hospitalizations, antibiotics)</li> </ul>
<b>Individuals with Disabilities</b>	<ul style="list-style-type: none"> <li>• Autistic Child: In-home therapy, speech/occupational therapy</li> <li>• Cerebral Palsy: Assistance to gain independence (personal care, case management and assistive technology)</li> <li>• HIV/AIDS: Physician services, prescription drugs</li> <li>• Mental Illness: Prescription drugs, physicians services</li> </ul>
<b>Elderly Individuals</b>	<ul style="list-style-type: none"> <li>• Medicare beneficiary: help paying for Medicare premiums and cost sharing</li> <li>• Community Waiver Participant: community based care and personal care</li> <li>• Nursing Home Resident: care paid by Medicaid since Medicare does not cover institutional care</li> </ul>



Figure 12

### Six in ten dollars of Medicaid spending is for state expansion enrollees and optional services.



**Total = \$311 billion**

NOTE: Total expenditures do not include disproportionate share hospital (DSH) payments, drug rebates, administrative costs, or accounting adjustments. Shares may not sum to 100% due to rounding.

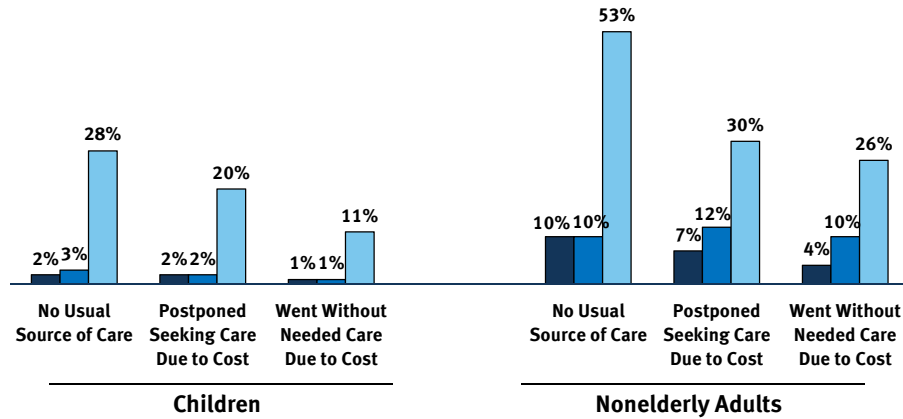
SOURCE: Urban Institute estimates based on FFY data from the 2007 MSIS and CMS 64.



## Medicaid provides access to care that is comparable to private insurance and better than access for the uninsured.

Figure 13

■ Employer/Other Private ■ Medicaid/Other Public ■ Uninsured



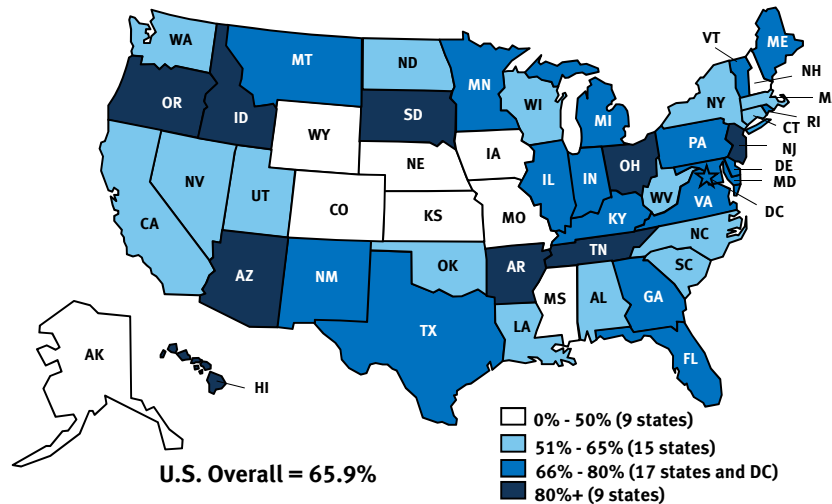
NOTES: In past 12 months. Respondents who said usual source of care was the emergency room were included among those not having a usual source of care. All differences between the uninsured and the two insurance groups are statistically significant ( $p < 0.05$ ).

SOURCE: KCMU analysis of 2011 NHIS data.



## Most Medicaid enrollees receive care through private managed care.

Figure 14



NOTE: Includes enrollment in MCOs and PCCMs. Most data as of October 2010.  
SOURCE: KCMU/HMA Survey of Medicaid Managed Care, September 2011.





Figure 15

## **#1: What is Medicaid and What Does it Do?**

### **Answers**

- Medicaid is the nation's primary health insurance program for Americans with low incomes and significant health care needs.
- Medicaid increases access to care and limits out-of-pocket burdens for low-income people.
- Medicaid is the largest source of funding for safety-net providers and the dominant payer for long-term care. Medicaid also helps to make Medicare work for low-income elderly and disabled beneficiaries.
- Medicaid provides an entitlement to coverage for individuals eligible for the program. Medicaid also guarantees federal matching payments to states with no cap in order to meet program needs.
- States administer Medicaid within broad federal rules.
- Although Medicaid is publicly financed, the program purchases health services primarily in the private sector.



Figure 16

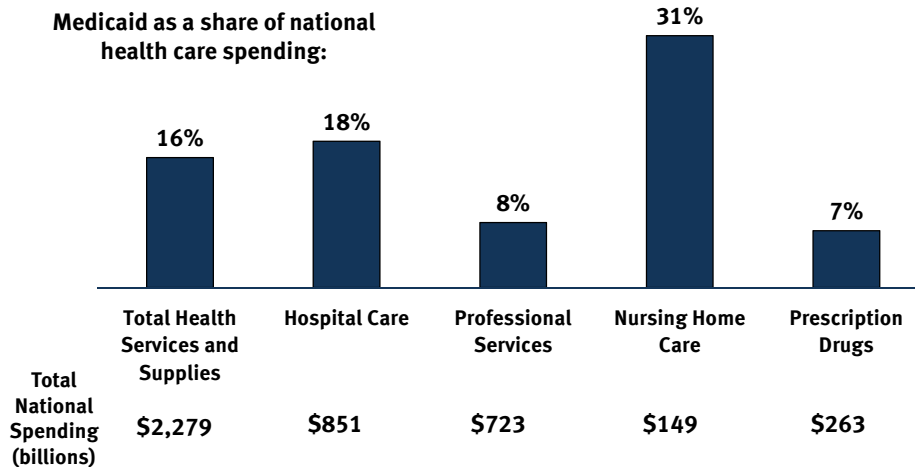
## **#2: What does Medicaid cost and why?**



Figure 17

## Medicaid provides support for providers and services in the health care system.

Medicaid as a share of national health care spending:



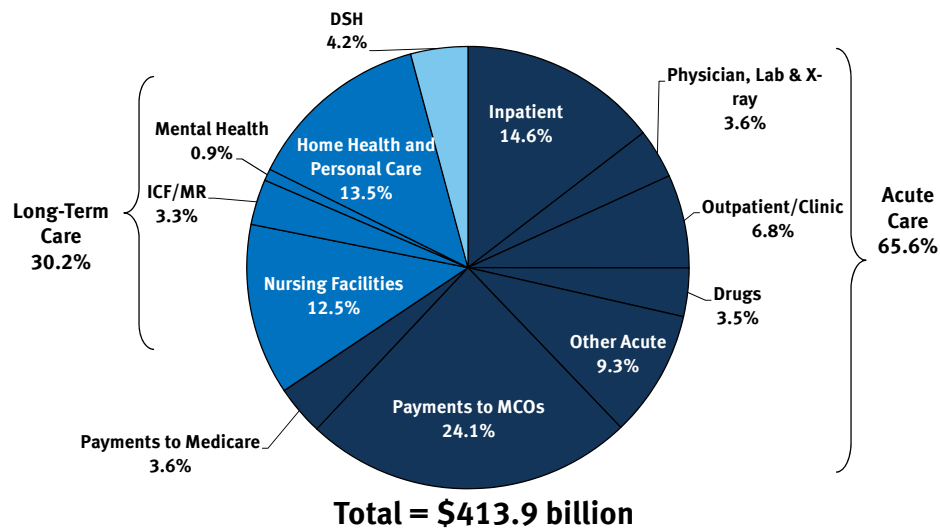
NOTE: Includes neither spending on CHIP nor administrative spending. Definition of nursing facility care was revised from previous years and no longer includes residential care facilities for mental retardation, mental health or substance abuse. The nursing facility category includes continuing care retirement communities.

SOURCE: CMS, Office of the Actuary, National Health Statistics Group, *National Health Expenditure Accounts*, 2013. Data for 2011.



Figure 18

## The majority of Medicaid expenditures are for acute care.



NOTE: Excludes administrative spending, adjustments and payments to the territories.

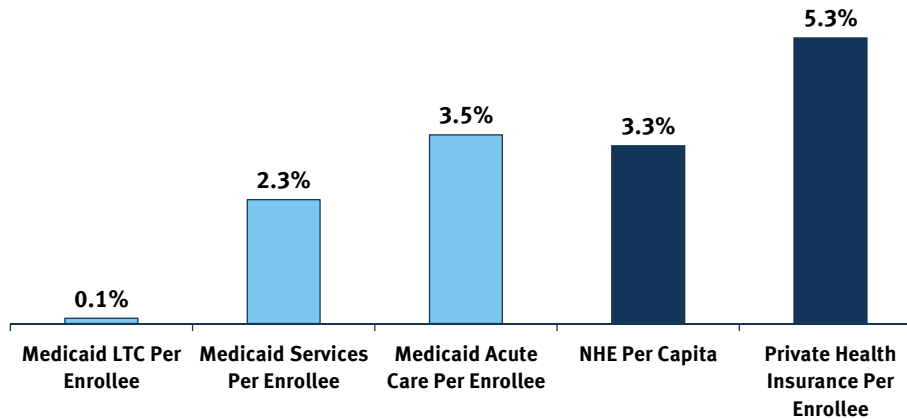
SOURCE: Urban Institute estimates based on FY 2011 data from CMS (Form 64), prepared for the Kaiser Commission on Medicaid and the Uninsured.



Figure 19

## Medicaid spending growth per capita was slower than private health care spending from 2007 to 2011.

### Spending Growth FFY 2007-2011



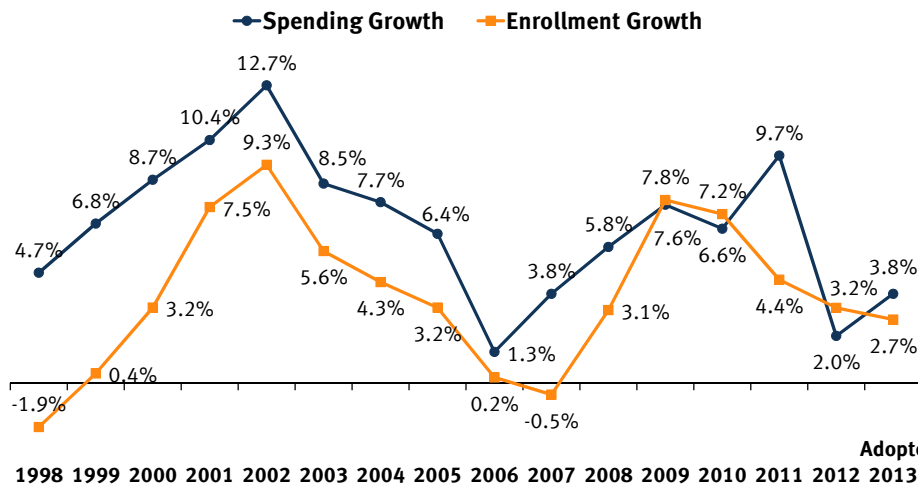
NOTE: Acute Care includes payments to managed care plans.

SOURCE: Medicaid estimates from Urban Institute analysis of data from the Medicaid Statistical Information System (MSIS), Medicaid Financial Management Reports (CMS Form 64), and Kaiser Commission and Health Management Associates data. NHE and private health insurance data from Centers for Medicare & Medicaid Services Office of the Actuary, National Health Statistics Group.



Figure 20

## Medicaid enrollment and spending growth is accelerated during economic downturns.



Adopted

1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013

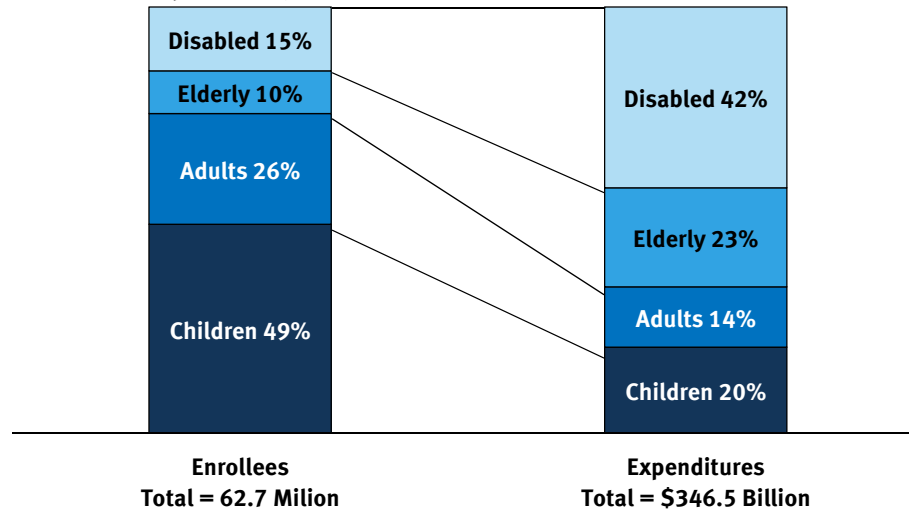
NOTE: Enrollment percentage changes from June to June of each year. Spending growth percentages in state fiscal year.

SOURCE: Medicaid Enrollment June 2011 Data Snapshot, KCMU, June 2012. Spending Data from KCMU Analysis of CMS Form 64 Data for Historic Medicaid Growth Rates. FY 2012 and FY 2013 data based on KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2012.



## Figure 21

### The elderly and disabled account for the majority of Medicaid spending.



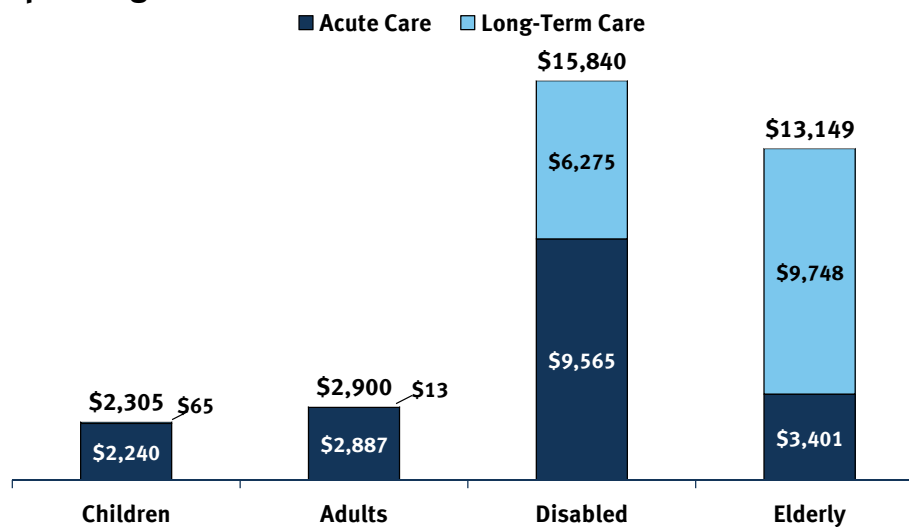
NOTE: Percentages may not add up to 100 due to rounding.

SOURCE: KCMU/Urban Institute estimates based on data from FFY 2009 MSIS and CMS-64, 2012. MSIS FFY 2008 data were used for PA, UT, and WI, but adjusted to 2009 CMS-64.



## Figure 22

### Disability and long-term care drive higher per-enrollee spending.

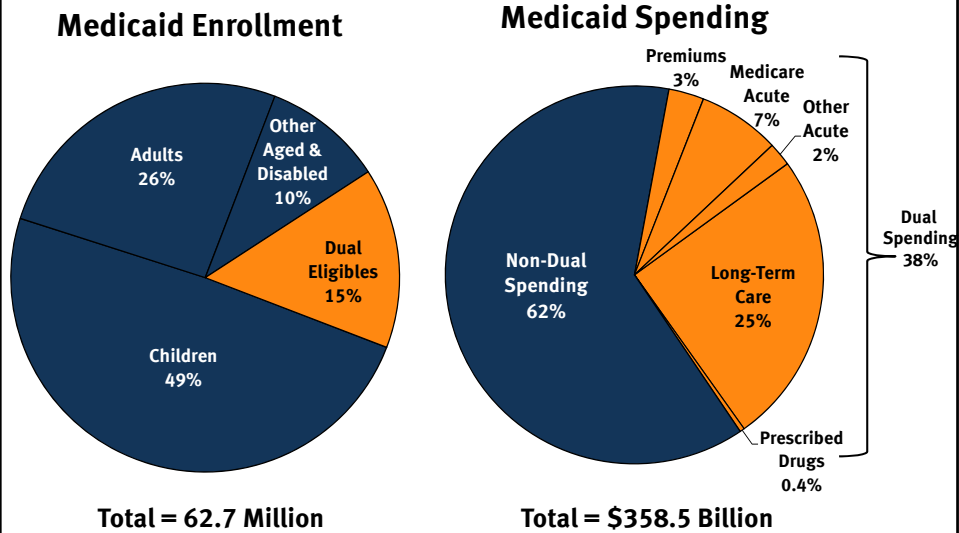


SOURCE: Kaiser Commission on Medicaid and the Uninsured and Urban Institute estimates based on FFY 2009 MSIS and CMS-64 data. MSIS FFY 2008 data was used for PA, UT, and WI, but adjusted to 2009 CMS-64.



## Duals account for 38% of Medicaid spending.

Figure 23

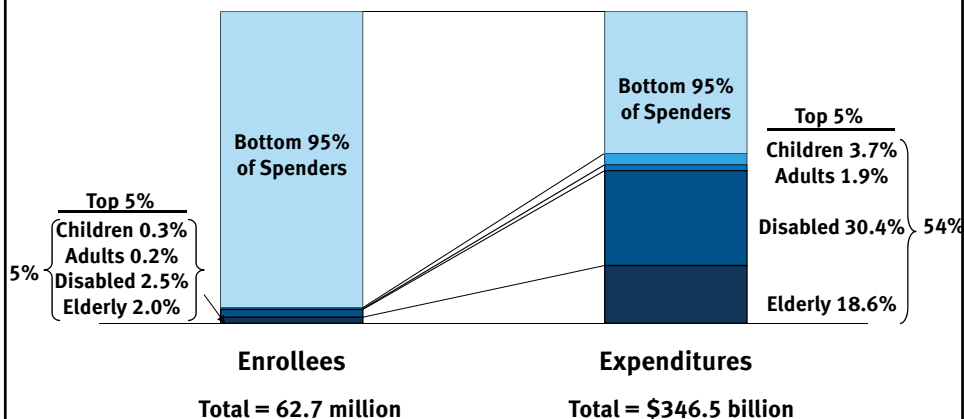


SOURCE: Kaiser Commission on Medicaid and the Uninsured and Urban Institute estimates based on data from FFY 2009 MSIS and CMS-64 reports, 2012. 2008 MSIS data was used for PA, UT, and WI, because 2009 data were unavailable.



## Top 5% of enrollees accounted for more than half of Medicaid spending in FFY 2009.

Figure 24



SOURCE: KCMU/Urban Institute estimates based on data from FY 2009 MSIS and CMS-64, 2012. MSIS FY 2008 data were used for PA, UT, and WI, but adjusted to 2009 CMS-64.



Figure 25

## **#2: What does Medicaid cost and why?**

### **Answers**

- Medicaid accounts for about one sixth of total health care spending in the country.
- On a per enrollee basis, Medicaid spending is growing more slowly than premiums for employer-sponsored insurance or national health care spending. However it is subject to same market pressures as other payers.
- Enrollment is the dominant driver in Medicaid spending, especially during periods of economic downturn.
- The elderly and disabled account for the majority of Medicaid spending.
- Medicaid spending is concentrated among a small number of beneficiaries with complex health care needs.
- States have a strong incentive to manage Medicaid cost growth.



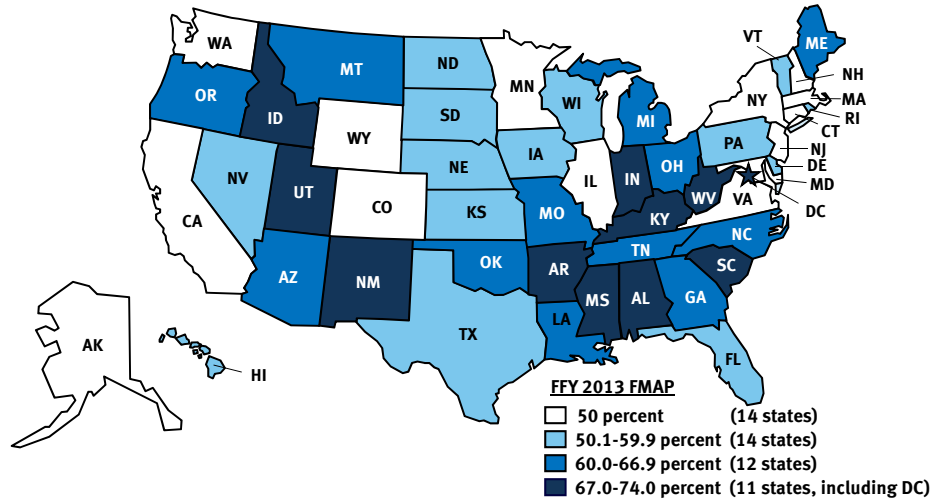
Figure 26

## **#3: What is Medicaid's role in state budgets?**



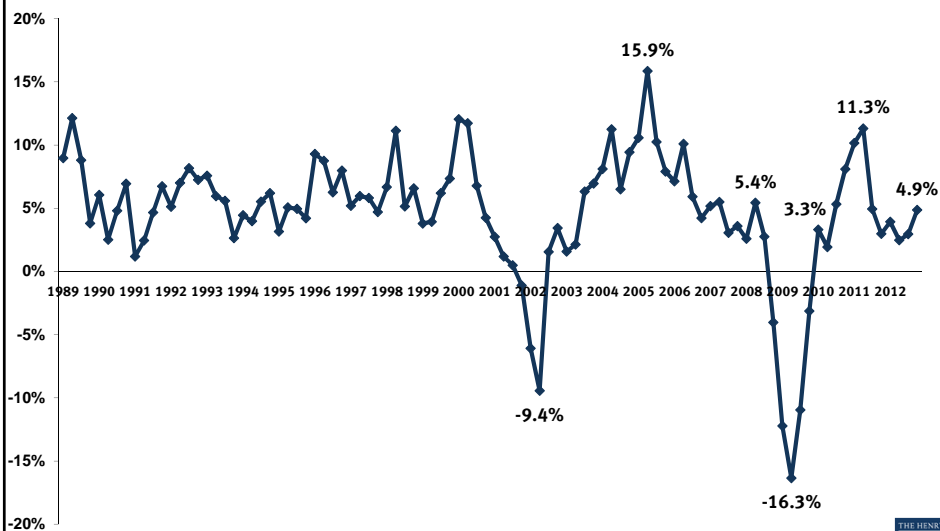
## Medicaid Costs are Shared by the States and the Federal Government

Figure 27



## State Tax Revenue, 1989 – 2012

Figure 28

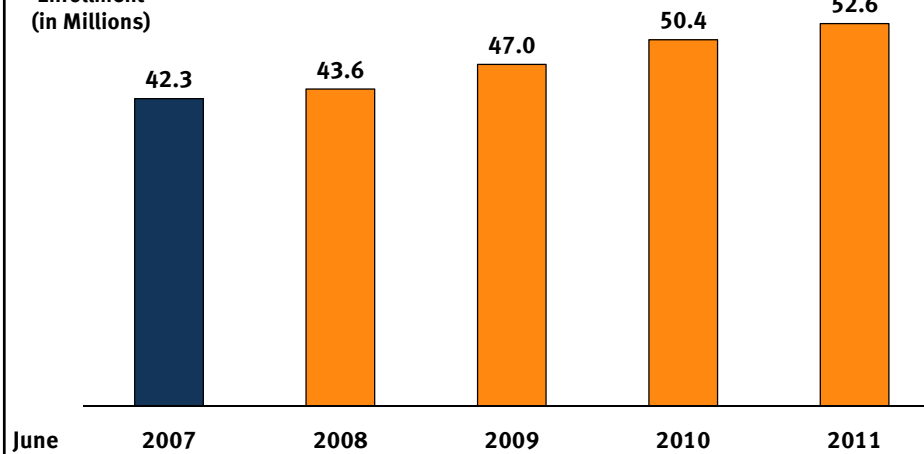


SOURCE: Percent change in quarterly state tax revenue, US Census Bureau. Updated October 2012.

**Since the start of the recession about 10 million more enrolled in Medicaid.**

Figure 29

**Total Monthly Enrollment (in Millions)**

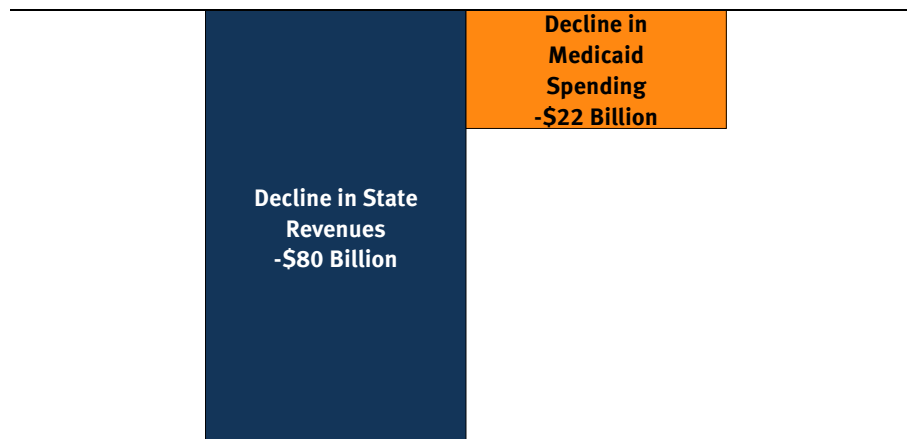


NOTE: The orange bars denote the period since the most recession started, though it technically started in December 2007.  
SOURCE: Compiled by Health Management Associates from State Medicaid enrollment reports for the Kaiser Commission on Medicaid and the Uninsured.



**Drops in revenues had a larger impact on state budgets than increases in Medicaid spending during the recession.**

Figure 30



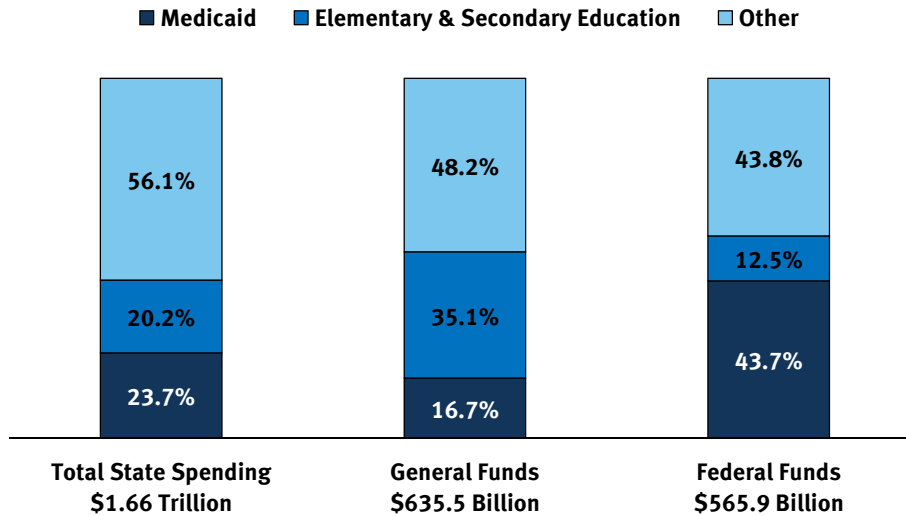
NOTES: Measures the change in state own source revenues (taxes, miscellaneous revenues, and charges) between state fiscal years 2008 and 2010 compared the change in state spending on Medicaid between state fiscal years 2008 and 2010. Medicaid spending does not include administrative costs, accounting adjustments, or the U.S. Territories.  
SOURCES: 2008, 2009, and 2010 *Annual Survey of State Government Finances*. U.S. Census Bureau, 2012. KCMU and Urban Institute estimates based on data from HCFA/CMS (Form 64), 2010.





## Medicaid is a budget item and a revenue item in state budgets.

Figure 31

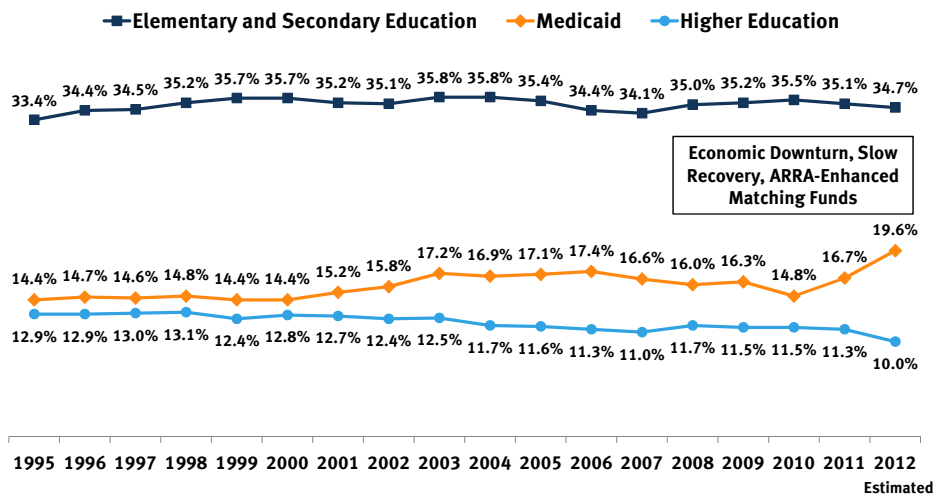


SOURCE: Actual FY 2011 data reported in: *State Expenditure Report*, NASBO, December 2012.



## Shares of state general fund spending for Medicaid and education have remained fairly stable over time.

Figure 32

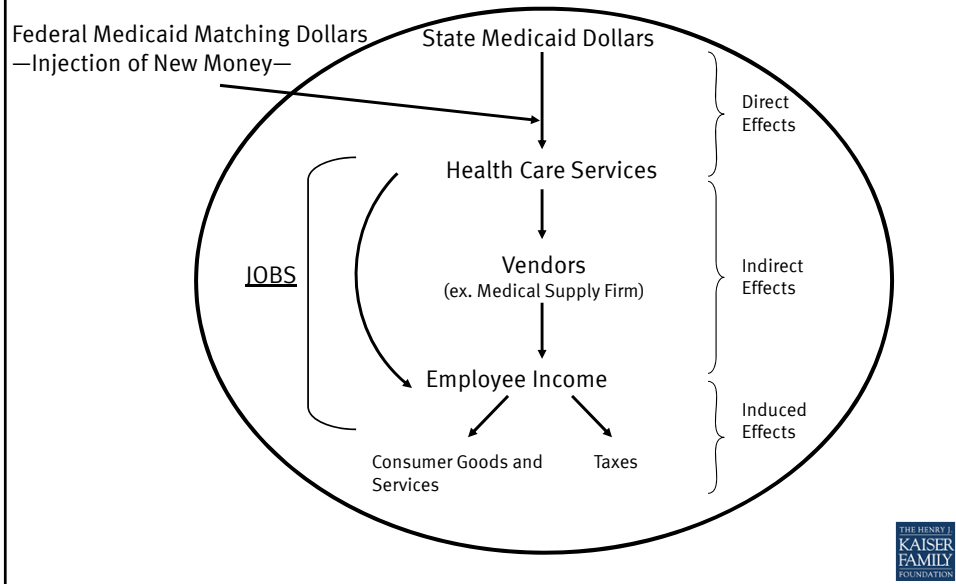


SOURCE: *State Expenditure Report*, NASBO, December 2012.



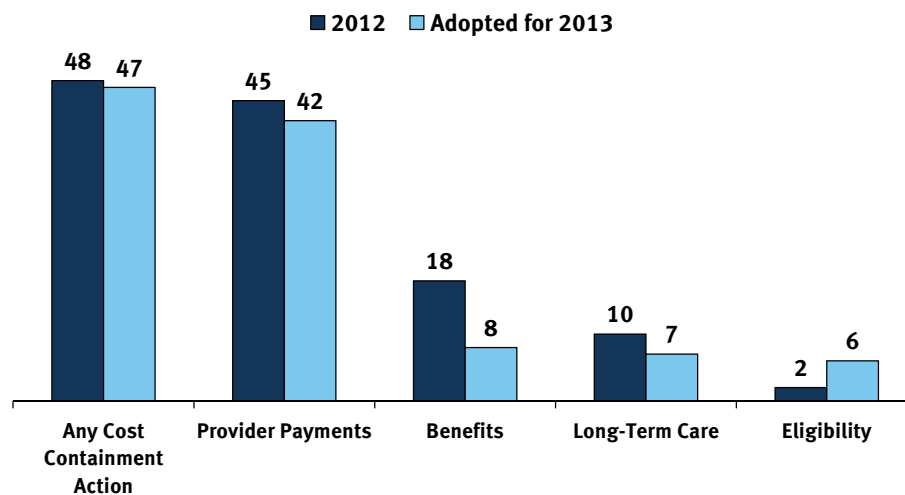
## Medicaid helps to generate jobs in state economies.

Figure 33



## State budget pressures have resulted in Medicaid cost containment efforts, but eligibility is protected.

Figure 34



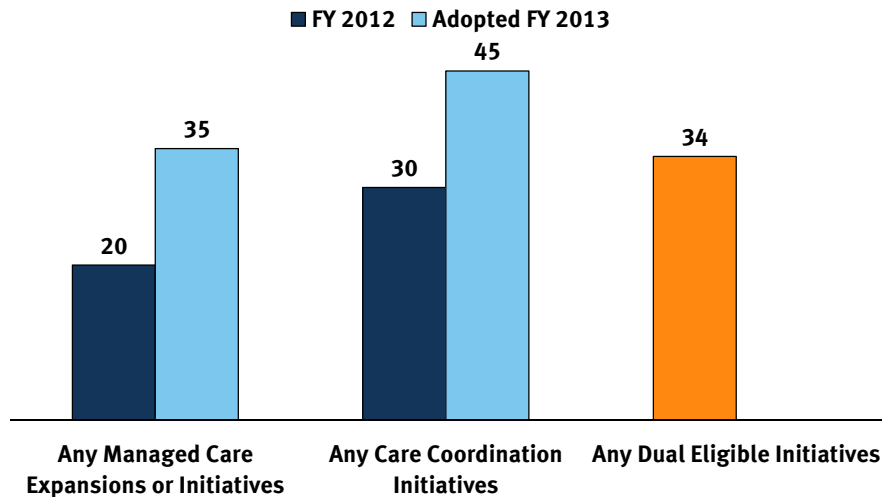
NOTE: Past survey results indicate not all adopted actions are implemented. Provider payment restrictions include rate cuts for any provider or freezes for nursing facilities or hospitals. Survey was conducted in July and August 2012.

SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2012.

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**States are also moving ahead with initiatives to better coordinate care, especially for more complex populations.**

Figure 35



SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2012.



**#3: What is Medicaid's role in state budgets?**  
**Answers**

Figure 36

- The Medicaid program is jointly funded by states and the federal government.
- Medicaid is a counter-cyclical program; during economic downturns, individuals lose jobs, incomes drop, state revenues decline, and more individuals qualify and enroll in Medicaid which increases spending.
- Medicaid is the largest source of federal revenue for states. Medicaid funds support health care providers, jobs and state economies overall.
- Due to budget pressures over the last decade, states have adopted an array of cost containment measures.



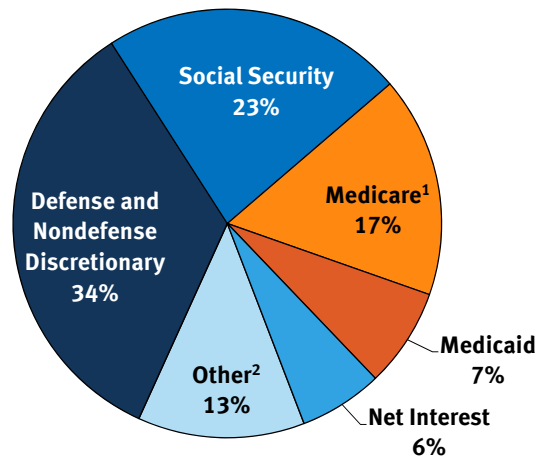
Figure 37

#### #4: What is Medicaid's role in the federal budget?



Figure 38

**Medicaid is the third largest domestic program in the federal budget.**



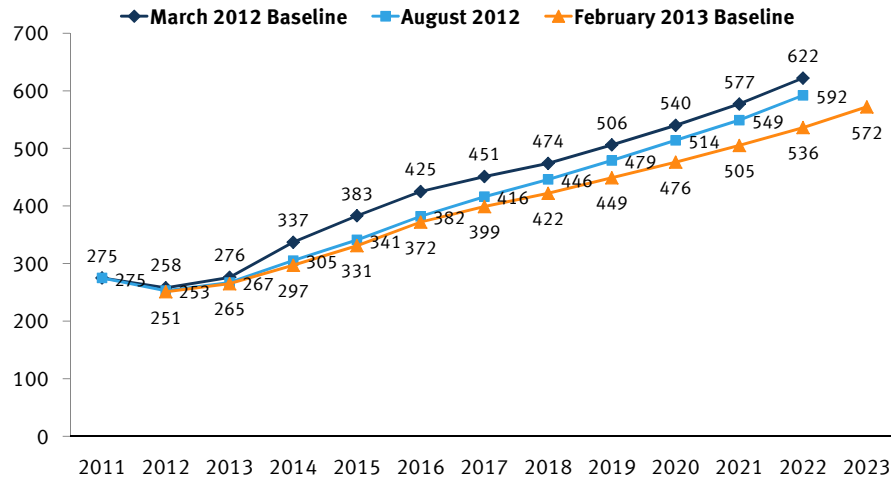
**Projected FY 2013 Total Federal Outlays = \$3.6 trillion**

NOTE: FY is fiscal year. <sup>1</sup>Amount for Medicare is mandatory spending and excludes offsetting premium receipts (premiums paid by beneficiaries and state contribution (clawback) payments to Medicare Part D). <sup>2</sup>"Other" category includes other mandatory outlays and offsetting receipts.

SOURCE: Kaiser Family Foundation based on Congressional Budget Office, Budget and Economic Outlook Fiscal Years 2013-2023, February 2013.



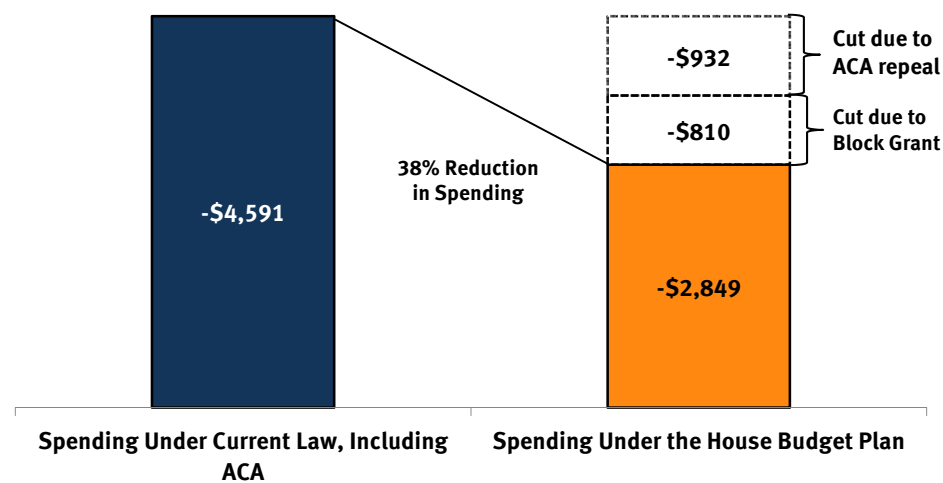
**Figure 39**  
**CBO's most recent projections of federal Medicaid spending are lower than previous projections as current spending has slowed.**



SOURCE: Medicaid Spending and Enrollment Detail for CBO's March 2013 Baseline and the February 2013 Baseline



**Figure 40**  
**The House Budget Plan is estimated to result in a 38% reduction in federal Medicaid spending over the 2013-2022 period.**

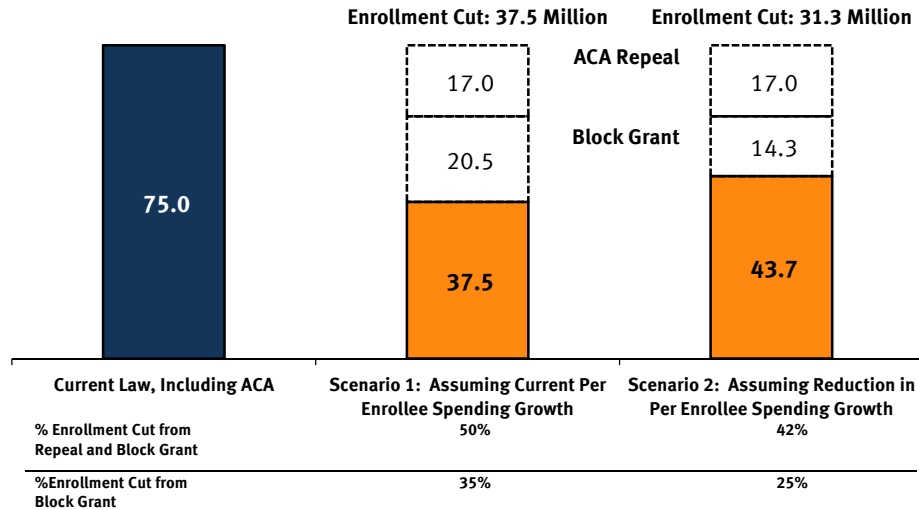


Source: Urban Institute estimates prepared for the Kaiser Commission on Medicaid and the Uninsured, October 2012



## Medicaid enrollment in 2022 would decline significantly under the House Budget Plan.

Figure 41



Source: Urban Institute estimates prepared for the Kaiser Commission on Medicaid and the Uninsured, October 2012.



## #4: What is Medicaid's role in the federal budget? Answers

Figure 42

- Medicaid is the third-largest domestic program in the federal budget.
- Medicaid is exempt from automatic budget reductions; however Medicaid continues to be discussed as part of federal deficit reduction efforts.
- Leading budget proposals for FFY 2014 released by the Administration and House Republicans take fundamentally different approaches to Medicaid spending.
- The FMAP formula that determines the federal share of Medicaid spending has remained steady since the start of the program; Congress has only amended the formula to provide more federal funding, not less.



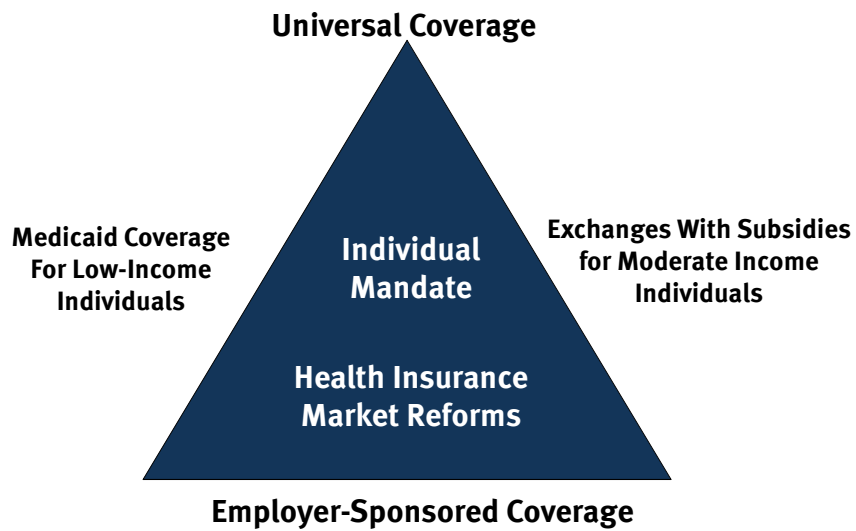
Figure 43

## #5: What is Medicaid's role in health reform?



Figure 44

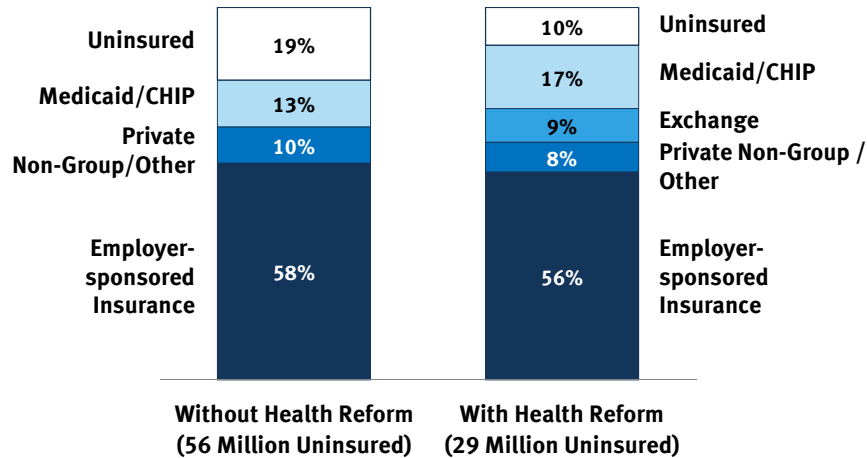
**Expanding Medicaid is a key element in health reform.**



**Under the ACA, there will be fewer uninsured as individuals gain coverage through Medicaid and new exchanges.**

Figure 45

**Total Nonelderly Population = 288 million**

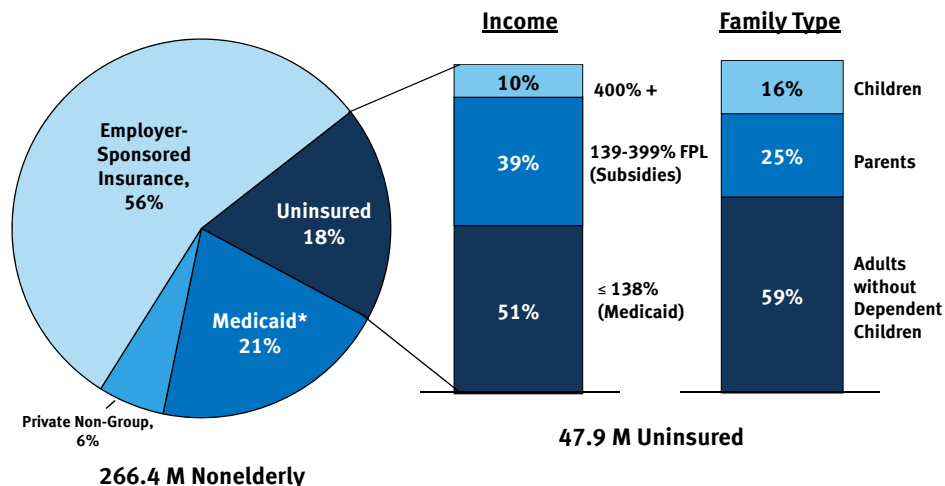


NOTE: This assumes that all states choose to expand Medicaid eligibility up to 138% FPL January 2014.  
SOURCE: Congressional Budget Office, February 2013. Total may not equal 100% due to rounding



**More than half of the uninsured have incomes at or below 138% of poverty, the Medicaid eligibility floor under the ACA.**

Figure 46



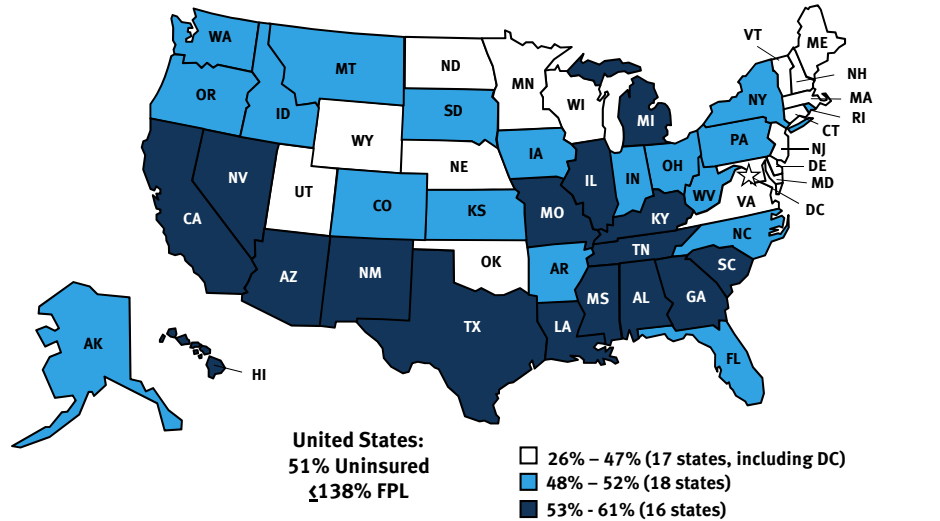
NOTES: \* Medicaid also includes other public programs: CHIP, other state programs, Medicare and military-related coverage. The federal poverty level for a family of four in 2011 was \$22,350.  
Numbers may not add to 100 due to rounding.  
SOURCE: KCMU/Urban Institute analysis of 2012 ASEC Supplement to the CPS.





Figure 47

**There is significant variation in the share of the uninsured that is below the Medicaid expansion limit across states.**

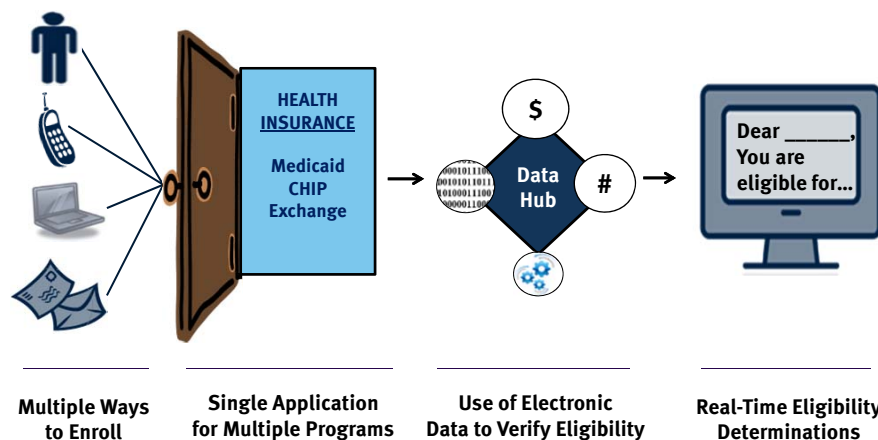


SOURCE: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2011 and 2012 Current Population Survey (CPS: Annual Social and Economic Supplements).



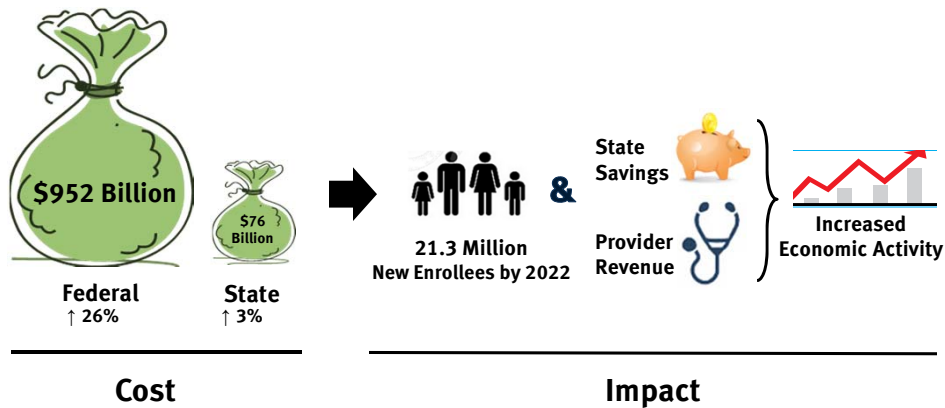
Figure 48

**The ACA streamlines enrollment processes, making it easier to obtain coverage.**



## The federal government will fund the vast majority of Medicaid expansion costs.

Figure 49



NOTE: Assumes all states expand Medicaid.



## #5: What is Medicaid's role in health reform? Answers

Figure 50

- Health reform builds on Medicaid as a base of coverage for low-income Americans.
- As they plan their FY 2014 budgets, states are debating whether to adopt the Medicaid expansion.
- The Federal Government will finance over 90% of the cost of the Medicaid expansion in new states; overall, many states are likely to see net savings from the Medicaid expansion.
- The Medicaid expansion would significantly reduce the uninsured and increase access to care.
- The ACA provides new options to expand community-based long-term care and to coordinate care for high cost populations.





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

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