Medicaid Overview

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FISCAL RESEARCH DIVISION

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Overview

– Brief program overview
– Budget impact
– Economic stimulus
– Cost Containment Options
What is Medicaid?

– Health insurance for low-income North Carolinians

– Long-term care for the elderly

– Services for people with disabilities
What is Medicaid?

NC INSURANCE STATUS, 2006-07

- Employer: 50%
- Uninsured: 17%
- Medicaid: 13%
- Medicare: 13%
- Other Public: 2%
- Individual: 5%

Source: Kaiser Family Foundation, statehealthfacts.org
What is Medicaid?

Medicaid

Who:
- Low-income families, children, seniors, and people with disabilities

How:
- Federal, State, and county funds
- Eligibility determined by income, assets, age, and disability

Medicare

Who:
- People over 65 and people with disabilities who receive SSDI

How:
- Financed by employee contributions to SS Trust Fund
What is Medicaid?

– Within broad federal guidelines, each state:

1. Establishes its own eligibility standards
2. Determines the covered services
3. Sets the payment rate for services
4. Administers its own program
Who Receives Medicaid?

MANDATORY

– Aged, blind, disabled on Supplemental Security Income (SSI)

– Certain Medicare recipients

– Low-income pregnant women and infants ≤ 133% poverty

– Low-income children through age 18

– Low-income families with children who meet 1996 income restrictions

– Foster and adoptive children
Who Receives Medicaid?

OPTIONAL

– Aged, blind, disabled not on SSI ≤ 100% poverty

– Medically needy

– Pregnant women ≤ 185% poverty

– Children 0 - 5 between ≤ 200% poverty

– Children ages 19 and 20 ≤ 100% poverty

– Certain foster and adoptive children not otherwise eligible

– Women in the NC Breast and Cervical Cancer Control Program

– Family planning for adults up to 185% poverty
# Who Receives Medicaid?

## INCOME LIMITS

<table>
<thead>
<tr>
<th>Category</th>
<th>Poverty Level</th>
<th>Seniors, 65+</th>
<th>Low-Income Parents</th>
<th>Blind/Disabled</th>
<th>Children &lt; 6</th>
<th>Children 6 – 18</th>
<th>Pregnant women</th>
<th>Children 6 – 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seniors, 65+</td>
<td>100% Poverty</td>
<td>1 - $ 851/month</td>
<td>2 - $1,141/month</td>
<td>100% of Poverty</td>
<td>1 - $851/month</td>
<td>2 - $2,111/month</td>
<td>185% of Poverty</td>
<td>100% of Poverty</td>
</tr>
<tr>
<td>Blind/Disabled</td>
<td>100% of Poverty</td>
<td>1 - $851/month</td>
<td>2 - $1,141/month</td>
<td>200% of Poverty</td>
<td>2 - $2,334/month</td>
<td>2 - $1,141/month</td>
<td>185% of Poverty</td>
<td>2 - $1,141/month</td>
</tr>
<tr>
<td>Pregnant women</td>
<td>185% of Poverty</td>
<td>1 - $1,575/month</td>
<td>2 - $2,111/month</td>
<td>100% of Poverty</td>
<td>2 - $1,141/month</td>
<td>4 - $3,184/month</td>
<td>185% of Poverty</td>
<td>4 - $3,184/month</td>
</tr>
</tbody>
</table>

Source: DHHS, DMA Medicaid Annual Report, SFY 2007
Who Receives Medicaid?

MEDICAID RECIPIENTS AS A PORTION OF STATE POPULATION

Source: NC State Data Center, OSBM; DHHS, DMA
Who Receives Medicaid?

FY 2008 NC MEDICAID CASELOAD:
1.25 MILLION

- CHILDREN: 60%
- AGED: 9%
- DISABLED: 18%
- TANF ADULTS: 10%
- ALIENS/REFUGEES: 0.4%
- OTHER: 3%

Source: DHHS, DMA Program Expenditure Report, June 2008
Who Receives Medicaid?

MEDICAID CASELOAD AND UNEMPLOYMENT:
FY 2007 - PRESENT

MEDicaid Caseload

Unemployment Rate

Fiscal Research Division
A Staff Agency of the North Carolina General Assembly
Who Receives Medicaid?

MEDICAID CASELOAD GROWTH: FY 2007 - PRESENT

Source: DHHS, DMA Monthly Eligibles Report
What is Paid by Medicaid?

MANDATORY SERVICES

- Ambulance
- Durable Medical Equipment
- Family Planning
- Federally Qualified Health Centers (FQHCs)
- Health Check (EPSDT)
- Hearing Aids (children)
- Home Health
- Hospital Inpatient/Outpatient
- Nurse Midwife/Nurse Practitioner
- Nursing Facility
- Labs and X-rays
- Physician
- Psychiatric Residential Treatment and Residential Services
- Routine eye exams and visual aids (children)
What is Paid by Medicaid?

OPTIONAL SERVICES

– Case management
– Chiropractor
– Community Alternatives Programs (CAP)
– Dental and dentures
– Eye care
– Home infusion therapy
– Hospice
– Intermediate care facilities for the mentally retarded (ICF-MRs)
– Mental health services
– Orthotics and prosthetics
– Personal care services
– Physical, occupational, and speech therapies
– Podiatrist
– Prescription drugs
– Preventive care
– Private duty nursing
– Rehabilitative services
– Transportation
What is Paid by Medicaid?

FY 2008 MEDICAID CASELOAD AND EXPENDITURES

<table>
<thead>
<tr>
<th>Category</th>
<th>Caseload</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGED</td>
<td>9%</td>
<td>18%</td>
</tr>
<tr>
<td>DISABLED</td>
<td>18%</td>
<td>44%</td>
</tr>
<tr>
<td>FAMILIES AND CHILDREN</td>
<td>72%</td>
<td>36%</td>
</tr>
</tbody>
</table>

Source: DHHS, DMA Program Expenditure Report, June 2008
What is Paid by Medicaid?

FY 2008 AVERAGE PAID PER RECIPIENT

- FAMILIES AND CHILDREN: $3,598
- AGED: $14,194
- DISABLED: $17,391

Source: DHHS, DMA Program Expenditure Report, June 2008
What is Paid by Medicaid?

<table>
<thead>
<tr>
<th>TOP 15 MOST EXPENSIVE SERVICES</th>
<th>FY 2008</th>
<th>% TOTAL EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 HOSPITAL INPATIENT</td>
<td>$1,013,427,058</td>
<td>11.3%</td>
</tr>
<tr>
<td>2 PRACTITIONER-NON PHYSICIAN</td>
<td>999,990,508</td>
<td>11.1%</td>
</tr>
<tr>
<td>3 PRESCRIBED DRUGS</td>
<td>922,219,826</td>
<td>10.2%</td>
</tr>
<tr>
<td>4 PHYSICIAN</td>
<td>853,358,974</td>
<td>9.5%</td>
</tr>
<tr>
<td>5 NURSING FACILITIES</td>
<td>831,829,853</td>
<td>9.2%</td>
</tr>
<tr>
<td>6 HOSPITAL OUTPATIENT</td>
<td>396,011,598</td>
<td>4.4%</td>
</tr>
<tr>
<td>7 CAP-MENTALLY RETARDED</td>
<td>376,114,378</td>
<td>4.2%</td>
</tr>
<tr>
<td>8 PERSONAL CARE</td>
<td>299,741,176</td>
<td>3.3%</td>
</tr>
<tr>
<td>9 CAP-DISABLED</td>
<td>256,895,512</td>
<td>2.9%</td>
</tr>
<tr>
<td>10 DENTAL</td>
<td>239,997,938</td>
<td>2.7%</td>
</tr>
<tr>
<td>11 ICF-MRC, STATE-OWNED</td>
<td>225,820,988</td>
<td>2.5%</td>
</tr>
<tr>
<td>12 PART B BUY-IN MEDICARE DUAL</td>
<td>218,833,357</td>
<td>2.4%</td>
</tr>
<tr>
<td>13 ICF-MR, NON STATE-OWNED</td>
<td>216,515,478</td>
<td>2.4%</td>
</tr>
<tr>
<td>14 EMERGENCY ROOM</td>
<td>214,508,708</td>
<td>2.4%</td>
</tr>
<tr>
<td>15 HIGH RISK INTERVENTION</td>
<td>143,758,944</td>
<td>1.6%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$7,209,024,296</td>
<td>80.1%</td>
</tr>
</tbody>
</table>

Source: DHHS, DMA Top 15 Categories of Service; BD 701
Budget Impact

FEDERAL ENTITLEMENT PROGRAM

– If eligible, cannot legally be denied service

– If State must pay for Medicaid regardless of revenue or appropriations shortfalls
Budget Impact

FY 2008-09 NC NET GENERAL FUND APPROPRIATION
$21.4 billion

- Public Education 36%
- Medicaid 15%
- UNC System 13%
- All Other Agencies 22%
- Community Colleges 4%
- Justice & Public Safety 10%
- All Other Agencies 22%
- Public Education 36%
- Medicaid 15%
- UNC System 13%
- Community Colleges 4%
- Justice & Public Safety 10%
Budget Impact

FY 2008-09 MEDICAID CERTIFIED BUDGET
$11,740,011,999

Revenue, $8,560,840,536, 73%
Net Appropriations, $3,179,171,463, 27%
Budget Impact

FINANCIAL RESPONSIBILITY

– SFY 2008-09 costs split between federal, State, and county governments

  Federal (FMAP):  64.46%
  State (SMAP):    32.87%
  County:         2.67%

– S.L. 2007-323: NCGA began phase out of county share over 3 years

– SFY 2009-10 State assumes 100% county share = $592 million
Budget Impact

MEDICAID TOTAL EXPENDITURES

Source: DHHS, DMA
Budget Impact

PAST COST CONTAINMENT EFFORTS (FY 2001-2008)

– Limits on prescription drugs
– Changes for Medicaid providers
– Changes for Medicaid recipients
– Changes to Medicaid services
– Managed care initiative: Community Care of NC (CCNC)
– Shift of prescription drug coverage to Medicare Part D for dually eligible recipients
Budget Impact

MEDICAID EXPENDITURES: PERCENT GROWTH OVER PRIOR FISCAL YEAR

Source: DHHS, DMA
Budget Impact

CURRENT RECESSION

– Latest data shows FY 2008-09 Medicaid expenditures about even with last year’s spending

– Latest caseload data shows similar growth as last year

– Unemployment continues to rise
Budget Impact

– For 1% increase in unemployment in NC ~
  + 17,000 children on Medicaid/SCHIP: $17 million
  + 11,000 adults on Medicaid: $24 million

$41 million GF for every 1% increase in unemployment

– December 2008 NC unemployment: 8.1%

Source: Kaiser Commission on the Uninsured (http://www.kff.org/uninsured/upload/7850.pdf); State Data Center; DMA; BLS
Economic Stimulus

FINAL BILL

– Increases amount federal government pays for Medicaid by:
  + 6.2% points for all states
  + percentage points for state-specific unemployment increases

– Effective for claims paid October 2008 through December 2010
### Economic Stimulus

#### Federal Medical Assistance Percentages (FMAP)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Old</th>
<th>=</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>SFY 2008-09</td>
<td>64.60%</td>
<td></td>
<td>74.51%</td>
</tr>
<tr>
<td>SFY 2009-10</td>
<td>65.16%</td>
<td></td>
<td>74.98%</td>
</tr>
<tr>
<td>SFY 2010-11</td>
<td>65.56%</td>
<td></td>
<td>75.36%</td>
</tr>
</tbody>
</table>
## Economic Stimulus

### ESTIMATED FEDERAL ASSISTANCE

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Estimated Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2008-09</td>
<td>$670.5 million</td>
</tr>
<tr>
<td>FY 2009-10</td>
<td>$1.05 billion</td>
</tr>
<tr>
<td>FY 2010-11</td>
<td>$535 million</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$2.255 billion</strong></td>
</tr>
</tbody>
</table>

Source: FFIS estimates, February 24, 2009
Economic Stimulus

FINAL BILL

– Cannot decrease eligibility

– Must comply with Medicaid “prompt pay” provisions

– Prohibits moving any savings directly or indirectly into any reserve or rainy day fund
Economic Stimulus

CONSIDERATIONS

– Stimulus funds are time-limited

– Caseloads will likely increase

– Currently facing significant revenue shortfall
Cost Containment Options

CONSIDERATIONS

– Provider rates
– Prescription drugs
– Optional services
## Cost Containment Options

<table>
<thead>
<tr>
<th>State</th>
<th>Medicaid-to-Medicare Provider Fee Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>69%</td>
</tr>
<tr>
<td>New York</td>
<td>45%</td>
</tr>
<tr>
<td>California</td>
<td>59%</td>
</tr>
<tr>
<td>Florida</td>
<td>65%</td>
</tr>
<tr>
<td>Louisiana</td>
<td>73%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>76%</td>
</tr>
<tr>
<td>Virginia</td>
<td>77%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>80%</td>
</tr>
<tr>
<td>Georgia</td>
<td>81%</td>
</tr>
<tr>
<td>South Carolina</td>
<td>89%</td>
</tr>
<tr>
<td>Alabama</td>
<td>90%</td>
</tr>
<tr>
<td>Mississippi</td>
<td>91%</td>
</tr>
<tr>
<td>North Carolina</td>
<td>97%</td>
</tr>
</tbody>
</table>

## Cost Containment Options

### PRESCRIPTION DRUG PRICING

<table>
<thead>
<tr>
<th>State</th>
<th>Per Script</th>
<th>Supplemental Rebate Program?</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Carolina</td>
<td>AWP – 10%</td>
<td>No</td>
</tr>
<tr>
<td>Alabama</td>
<td>AWP – 10%</td>
<td>Yes</td>
</tr>
<tr>
<td>Virginia</td>
<td>AWP – 10.25%</td>
<td>Yes</td>
</tr>
<tr>
<td>South Carolina</td>
<td>AWP – 10.5%</td>
<td>Yes</td>
</tr>
<tr>
<td>Georgia</td>
<td>AWP – 11%</td>
<td>Yes</td>
</tr>
<tr>
<td>Mississippi</td>
<td>AWP – 12 - 25%</td>
<td>Yes</td>
</tr>
<tr>
<td>Louisiana</td>
<td>AWP – 13.5 -15%</td>
<td>Yes</td>
</tr>
<tr>
<td>Kentucky</td>
<td>AWP – 14 -15%</td>
<td>Yes</td>
</tr>
<tr>
<td>Tennessee</td>
<td>AWP – 13 -16%</td>
<td>Yes</td>
</tr>
<tr>
<td>Florida</td>
<td>AWP – 16.4%</td>
<td>Yes</td>
</tr>
<tr>
<td>West Virginia</td>
<td>AWP – 15 - 30%</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Centers for Medicare and Medicaid Services. AWP = Average Wholesale Price
Cost Containment Options

SERVICES

• Can limit amount of service provided for adults

• Can better manage utilization of services

• Can look at optional services
  – NC covers all but 2 optional services allowed by Medicaid
Questions

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