

DEPARTMENT OF HEALTH & HUMAN SERVICES

**MEDICAID PROGRAM
OVERVIEW**

**North Carolina General Assembly
Fiscal Research Division
February 2005**

Medicaid Program Overview

- Purpose of Medicaid
- Impact of Medicaid
 - On the State Economy
 - On State Government
 - On the State Budget
 - On Local Government
- Medicaid Services
- Medicaid Recipients
- Program Changes Since 1990

Medicaid Program

THREE PROGRAMS IN ONE

- HEALTH INSURANCE
- LONG TERM CARE FOR THE ELDERLY
- SERVICES FOR PEOPLE WITH DISABILITIES

Medicaid Program

MEDICAID VS. MEDICARE

Medicaid is health care for certain groups of poor persons, including single parent families, persons over age 65 and the disabled. Coverage is based on a person falling into one of the target groups and passing income and resources tests. Medicaid is administered by states and counties and financed with federal, state and county funds.

Medicare is health care for persons over age 65 and for the disabled who receive Social Security payments. Medicare is administered by the Centers for Medicare & Medicaid Services and financed by employer/employee contributions to the Social Security Trust Fund. Beginning in 2006, states will pay a portion of Medicare Part D to cover the cost of prescription drugs previously paid for persons dually eligible for Medicaid and Medicare.

Medicaid Program

ENTITLEMENT STATUS

Medicaid is a federal entitlement program. Entitlement means any individual who is found eligible for Medicaid has a legal right to receive services under the Medicaid Program and cannot be denied coverage.

Implications for State Government

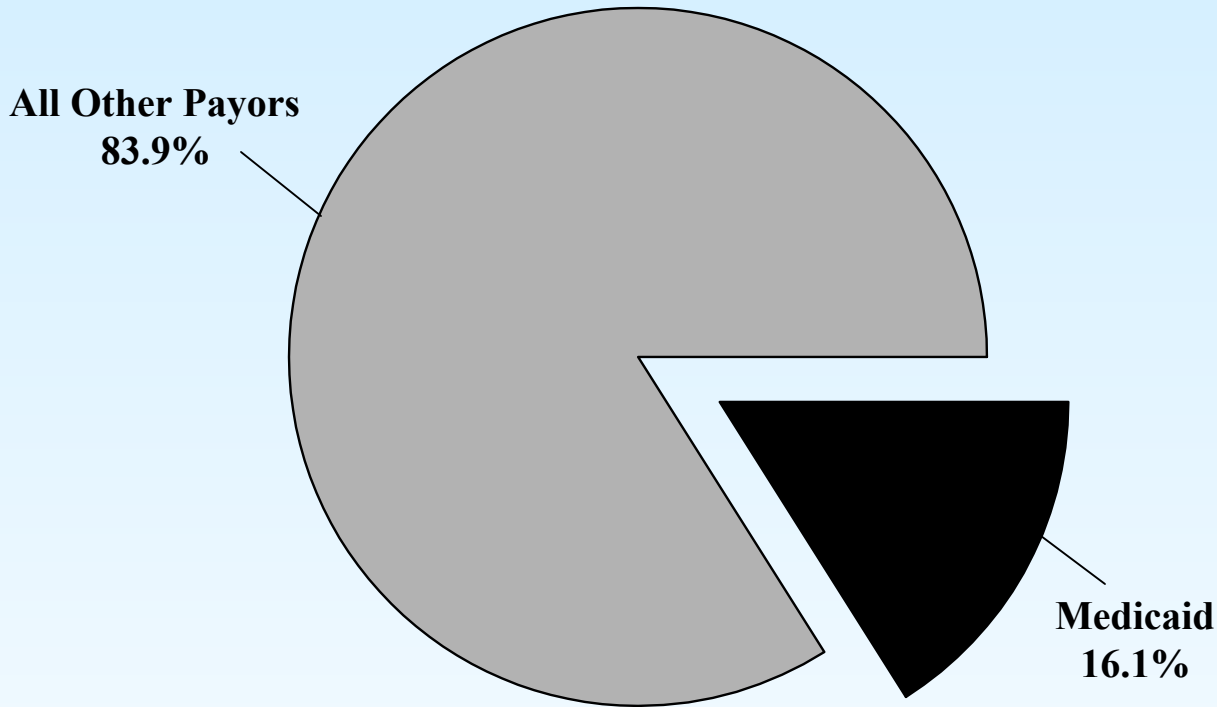
- ✓ **All eligible persons who apply for Medicaid must be served.**
- ✓ **The medical bills for Medicaid eligibles must be paid.**
- ✓ **If the appropriations for the Medicaid Program are inadequate, eligible persons must be served even if the funding must come from other areas of State government.**

IMPACT OF MEDICAID

- ✓ On the State Economy
- ✓ On State Government
- ✓ On the State Budget
- ✓ On Local Government

Medicaid Program

Medicaid Expenditures Vs. NC Health Care Expenditures



SFY 2004

- ✓ **NC Health Care Expenditures \$52.7 Billion (estimated)**
- ✓ **All Other Payors \$44.2 Billion (estimated)**
- ✓ **Medicaid \$8.5 Billion (actual)**
- ✓ **NC Health Care Per Capita \$6,167 (estimated)**

Source: Health Affairs, February 2004, Health Spending Projections Through 2013

Medicaid Program

N. C. MEDICAID SNAPSHOTS

- Covered 1.5 Million state residents in SFY 2004
-- 17.7% of N.C.'s population
- Covered over 870,000 children during SFY 2004
-- 58% of Medicaid eligibles
- Covers 45% of the babies born each year
- 29.3% of recipients consume 69% of resources
-- includes aged, blind, and disabled
- Enrolled over 52,000 providers of medical services.

Medicaid Program

N. C. MEDICAID SNAPSHOTS

- Inpatient care consumes 42.6% of expenditures for services -- includes hospitals, nursing homes, residential high risk intervention services and mental retardation centers.
- Expenditures for drugs were \$1.47 Billion in SFY 2004.
 - 66.5% of the state's 41,000 nursing home beds are funded through Medicaid.
- 16% of N. C. hospital charges are paid by Medicaid -- 45% are paid by Medicare.

Medicaid Program

IMPACT ON STATE AND LOCAL AGENCIES

- The Medicaid Program supplies significant support to State and Local agencies that provide medical services to Medicaid recipients -- 12% of Medicaid expenditures support State and Local agencies.
- The following State and Local Agencies receive reimbursement from Medicaid: Mental Retardation Centers, State Psychiatric Hospitals, Special Care Center, UNC Hospitals, Area Mental Health Agencies, Alcohol and Drug Treatment Centers, Public Health Departments, Social Services Departments, County Owned Home Health Agencies, County Owned Ambulance Services and Local Education Agencies.

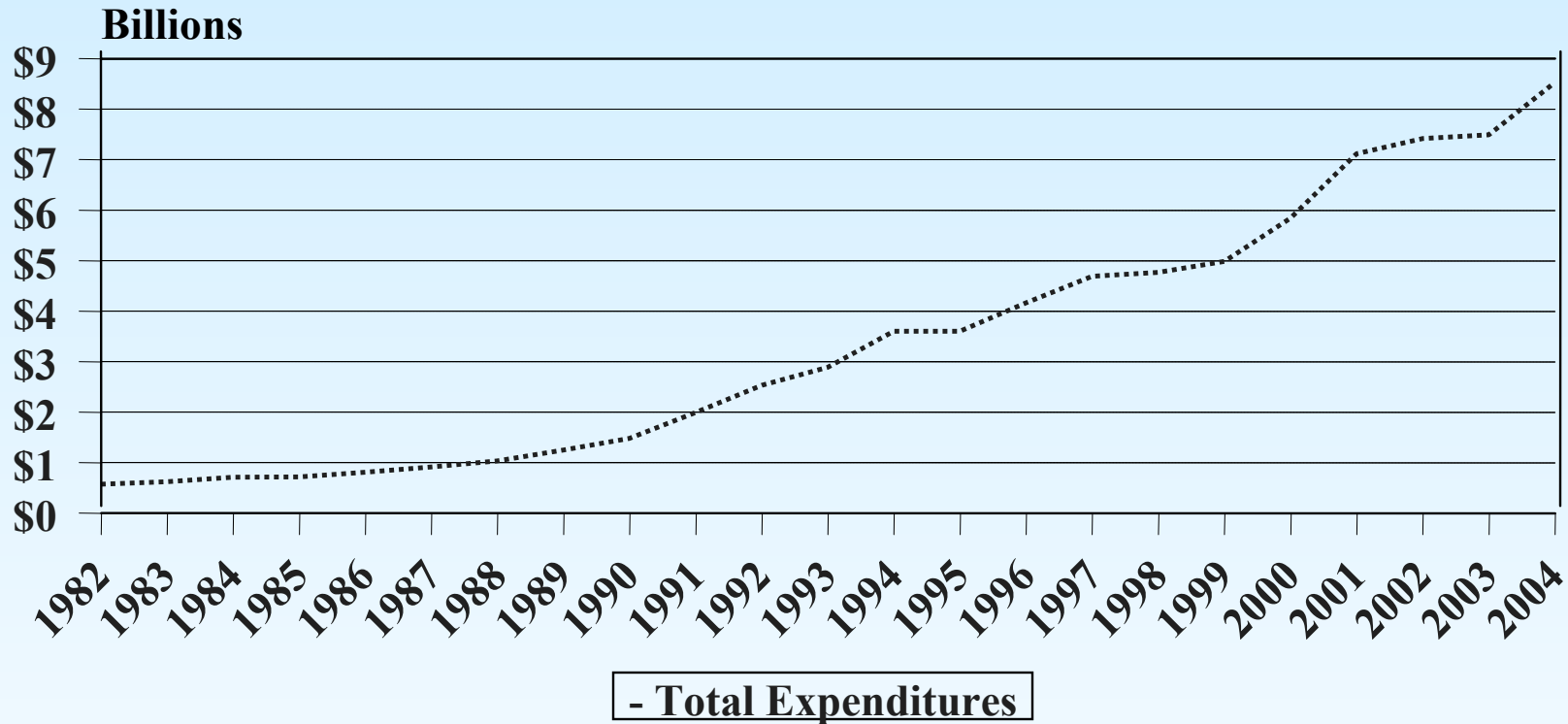
Medicaid Program

HISTORY OF TOTAL EXPENDITURES

STATE FISCAL YEAR	TOTAL EXPENDITURES
1979-80	\$410,053,625
1989-90	\$1,427,672,567
1999-00	\$5,789,133,085
2003-04	\$8,475,768,498

Medicaid Program

HISTORY OF MEDICAID EXPENDITURES

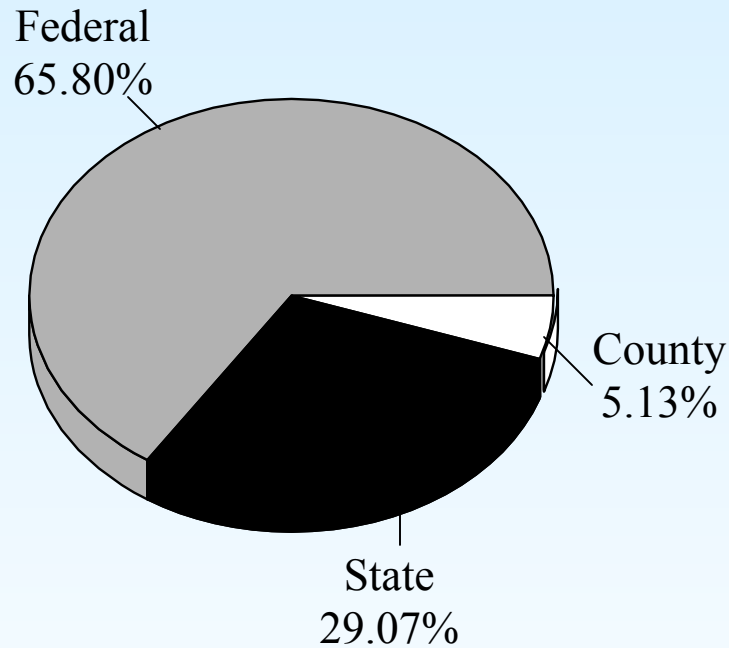


- During the past twenty years, the rate of growth for Medicaid expenditures has varied considerably - ranging from 0% to 35%.
- Higher rates of growth have occurred during years of economic distress or when major Medicaid expansions have been authorized. Lower rates of growth have occurred during years when the Medicaid population has been stable or declining.

Medicaid Program

FEDERAL FINANCIAL PARTICIPATION

Medical Benefits



Other Matching Rates

Family Planning

Federal	90%
State	8.5%
County	1.5%

Administration - Skilled Medical Personnel & MMIS

Federal	75%
NonFederal	25%

Administration - All Other

Federal	50%
NonFederal	50%

SFY 2003-04

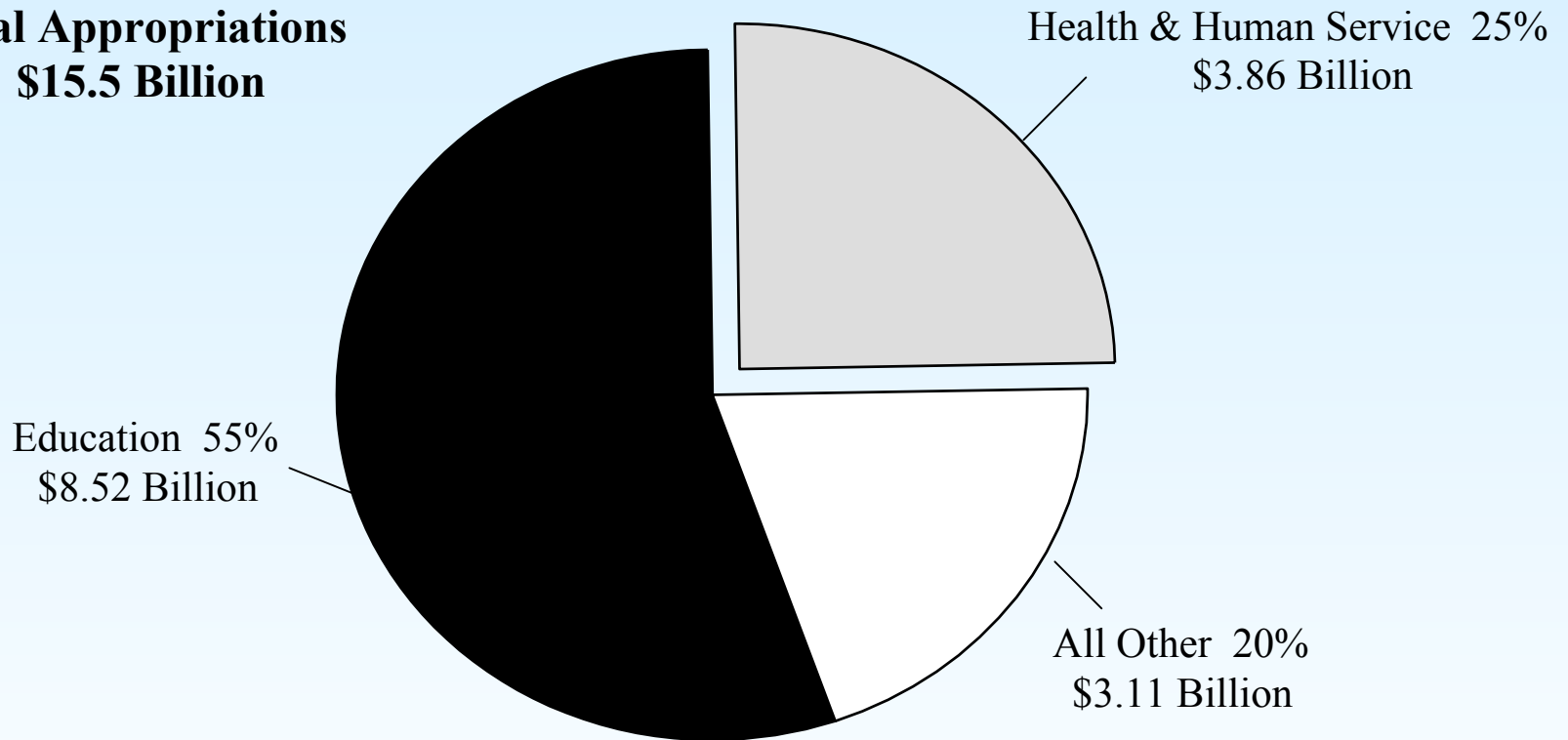
Federal Fiscal Relief provided an enhanced match that ended 06/30/04.

Medicaid Program

HHS SHARE OF GENERAL FUND APPROPRIATIONS

SFY 2005

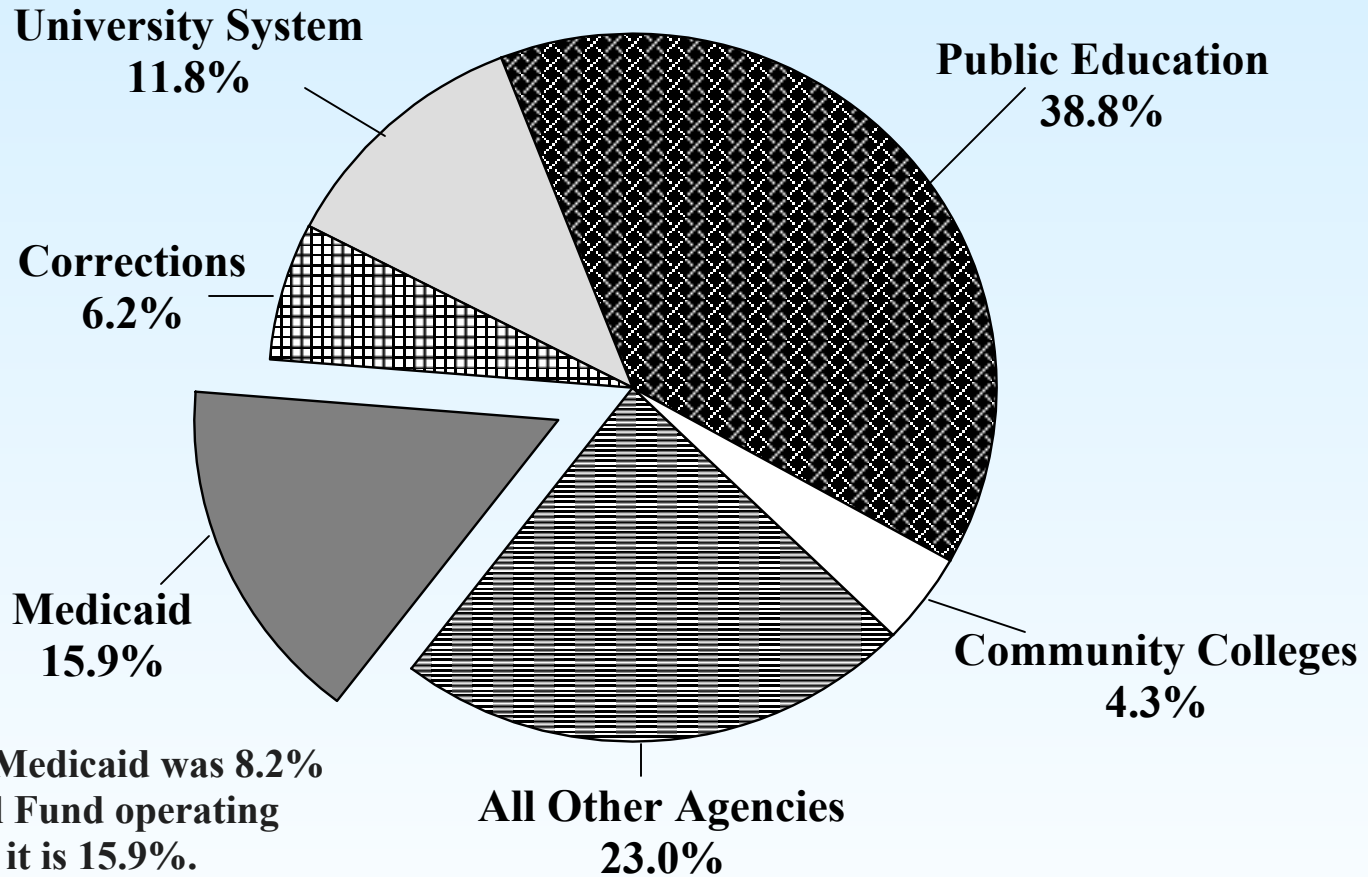
Total Appropriations
\$15.5 Billion



Source: NC General Fund Operating Appropriations SFY 2005

Medicaid Program

GENERAL FUND APPROPRIATIONS BY MAJOR PROGRAM AREA SFY 2005

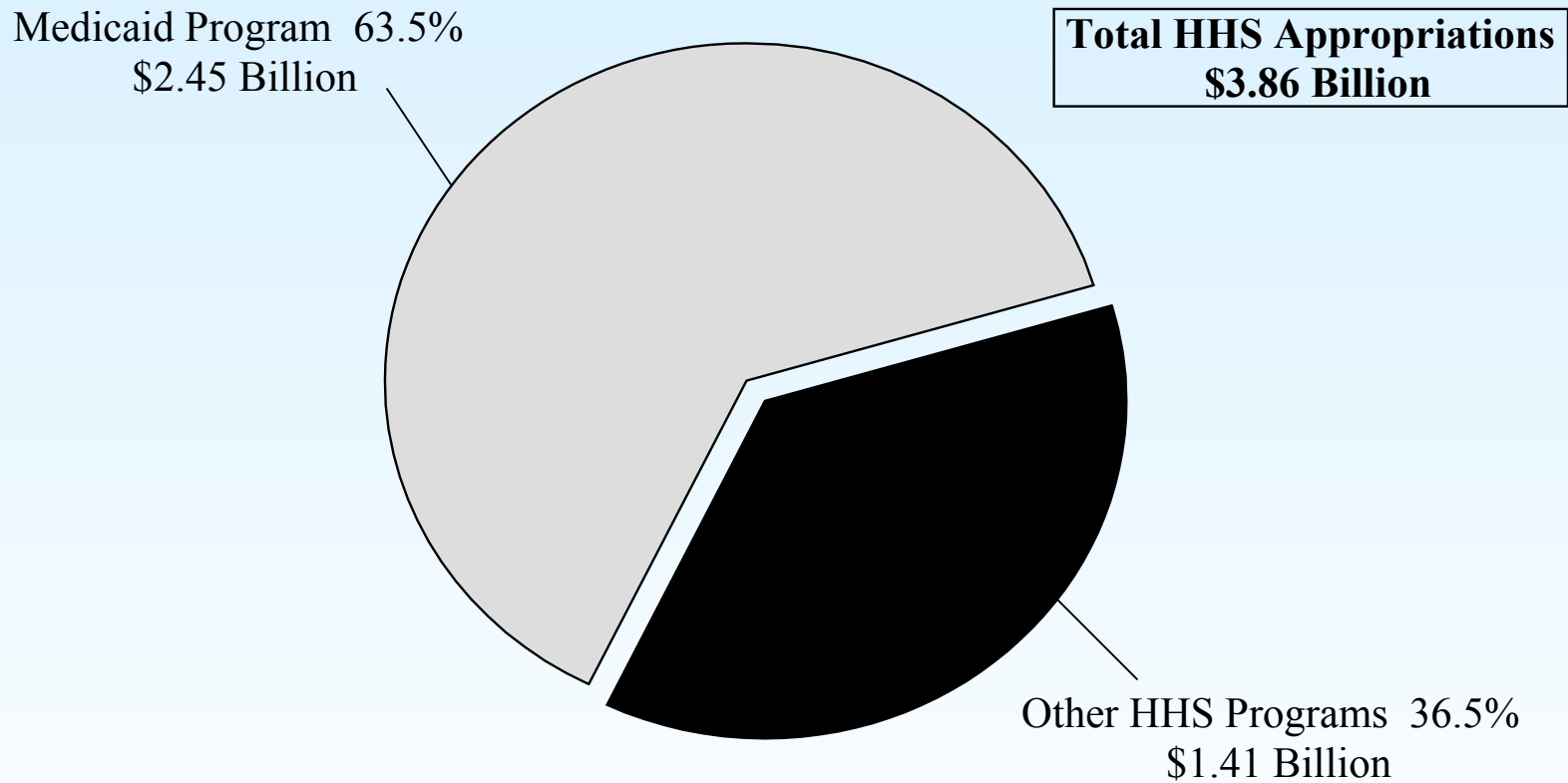


10 years ago, Medicaid was 8.2% of the General Fund operating budget; today it is 15.9%.

Source: NC General Fund Operating Appropriations SFY 2005

Medicaid Program

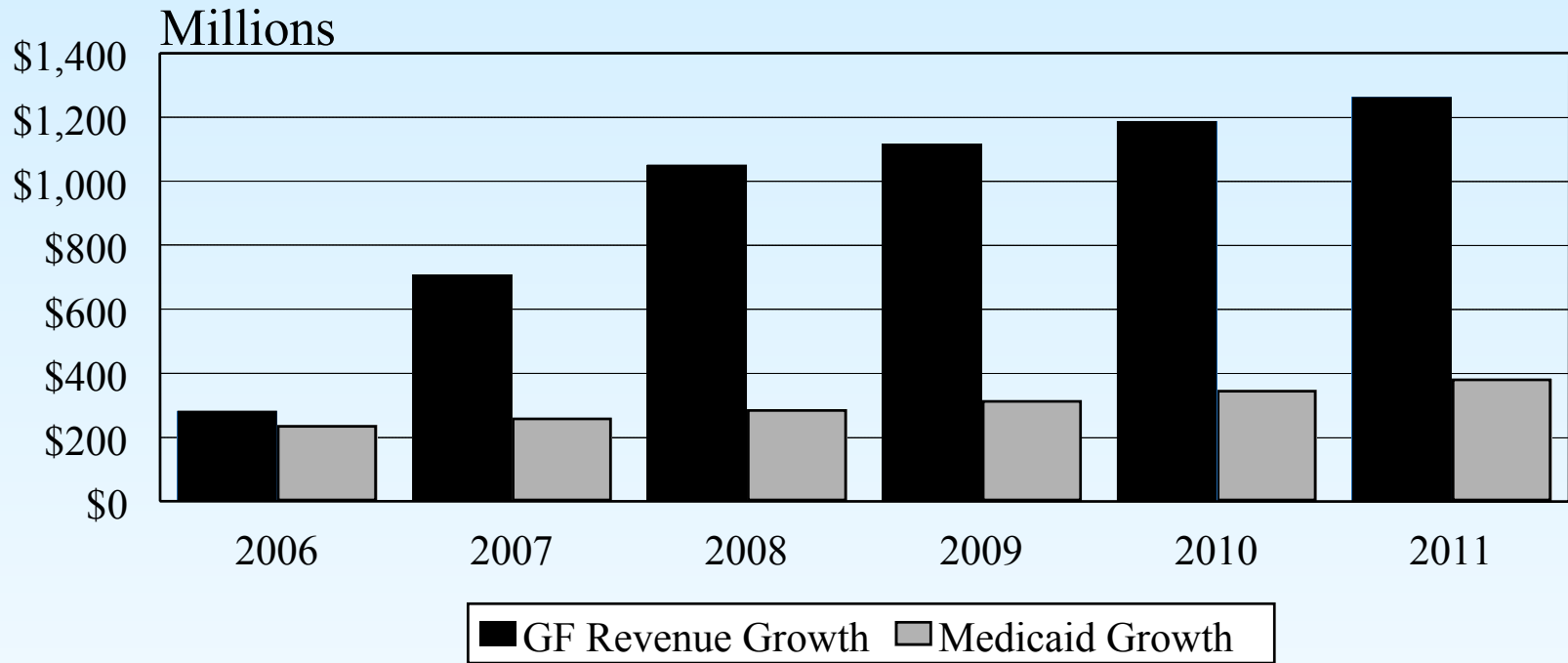
MEDICAID'S SHARE OF HHS GENERAL FUND APPROPRIATIONS FOR SFY 2005



Source: NC General Fund Operating Appropriations SFY 2005

Medicaid Program

MEDICAID GROWTH VS. GENERAL FUND REVENUE GROWTH



If Medicaid expenditures increase 10% annually, growth in General Fund expenditures for Medicaid will consume 30% of new General Fund revenues by SFY 2011.

Medicaid Program

IMPACT ON COUNTIES

- State law requires counties to pay 15% of the nonfederal share of Medicaid Services and 100% of the nonfederal share for County Medicaid Administration.
- For SFY 2005, counties are projected to pay \$450 million for Medicaid Services or 5.5% of the expenditures for Medicaid Services.
- For SFY 2005, counties are also projected to pay \$63 million for County Medicaid Administration or 50% of the expenditures for County Medicaid Administration.

MEDICAID SERVICES

Medicaid Program

Mandatory Services and Eligibles

Under federal law, all states operating a Medicaid Program are required to provide certain services and serve specific categories of eligibles. The services and eligibles are **mandatory** and must be included in order to receive federal reimbursement.

Medicaid Program

Mandatory Services

- Health Check Services (EPSDT)
- Family Planning Services
- Federally Qualified Health Centers
- Hearing Aids (children)
- Home Health Services (includes Durable Medical Equipment)
- Inpatient Hospital Services
- Outpatient Hospital Services
- Physicians
- Laboratory & X-Ray Services
- Nurse Midwives
- Nurse Practitioners
- Nursing Facilities
- Prenatal Care
- Rural Health Clinics
- Specialty Hospitals
- Transportation
- Vaccines for Children

Medicaid Program

Optional Services and Eligibles

- Current federal law also will provide federal reimbursement for other services and eligibles that are discretionary, but are allowed under federal law. Each state is allowed to choose which optional services it wants to provide and optional categories of eligibles it wants to serve.
- The North Carolina Medicaid Program covers 28 of the 34 optional Medicaid services.

Medicaid Program

Optional Services

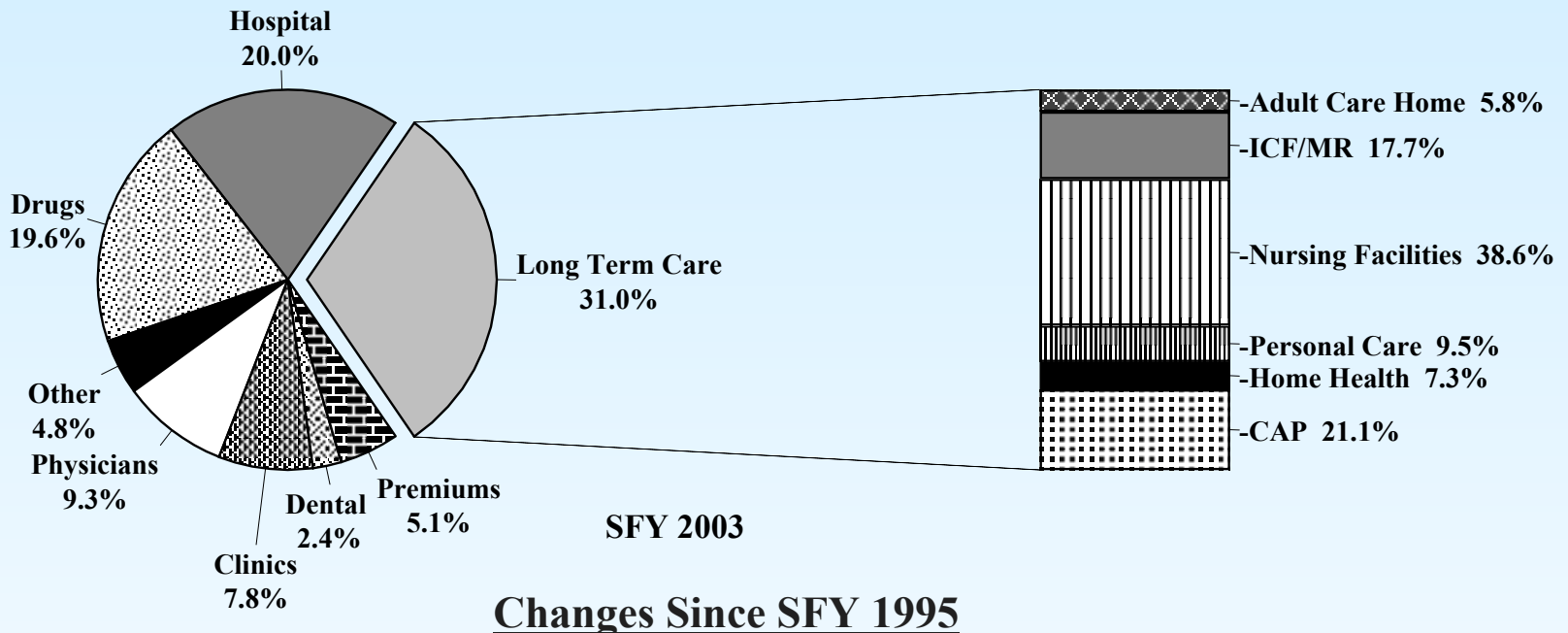
- Ambulance Transportation
- Targeted Case Management Services
- Chiropractors
- Clinic Services
- Community Alternatives Programs (CAP)
- Dental Care Services (Dentures)
- Diagnostic, Screening, Preventative Services
- Emergency Hospital Services
- Eyeglasses
- Hospice
- Intermediate Care Facilities for the Mentally Retarded (ICF-MR)
- Mental Hospitals (Age 65 and over)
- Inpatient Psychiatric Care (Under age 21)
- Occupational, Physical, and Speech Therapies
- Optometrists
- Personal Care Services
- Podiatrists
- Prescription Drugs
- Prosthetics and Orthotics
- Private Duty Nursing Services
- Rehab. Services (Mental Health)

Medicaid Program

EXPENDITURES FOR SERVICES

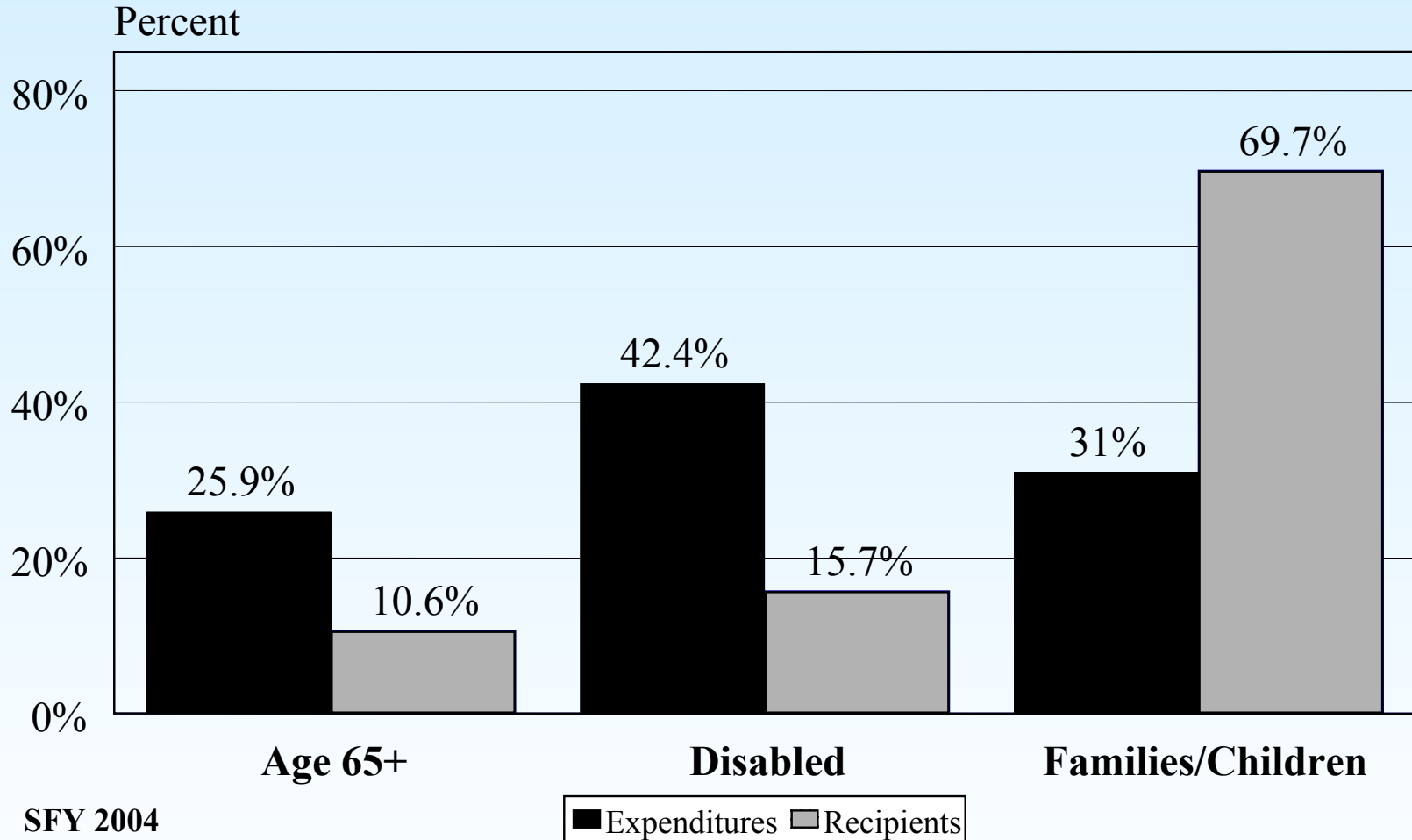
- Total expenditures for services and premiums was \$7.4 Billion for SFY 2004. The State share was \$2.16 Billion.
- 96.5% of expenditures for services paid for direct medical services while the remaining 3.5% paid for Medicare and HMO premiums.

Medicaid Program EXPENDITURES FOR SERVICES



- ✓ Long-Term Care expenditures continue to decline-40.4% to 31%.
- ✓ In-Home Services are an increasing share of Long-Term Care expenditures - 18.5% to 37.9%
- ✓ Hospital expenditures have also declined - 26.9% to 20%.
- ✓ Drug expenditures have increased significantly - 8.2% to 19.6%.

Medicaid Program EXPENDITURES AND RECIPIENTS



Medicaid Program

EXPENDITURES AND RECIPIENTS

SFY 2004

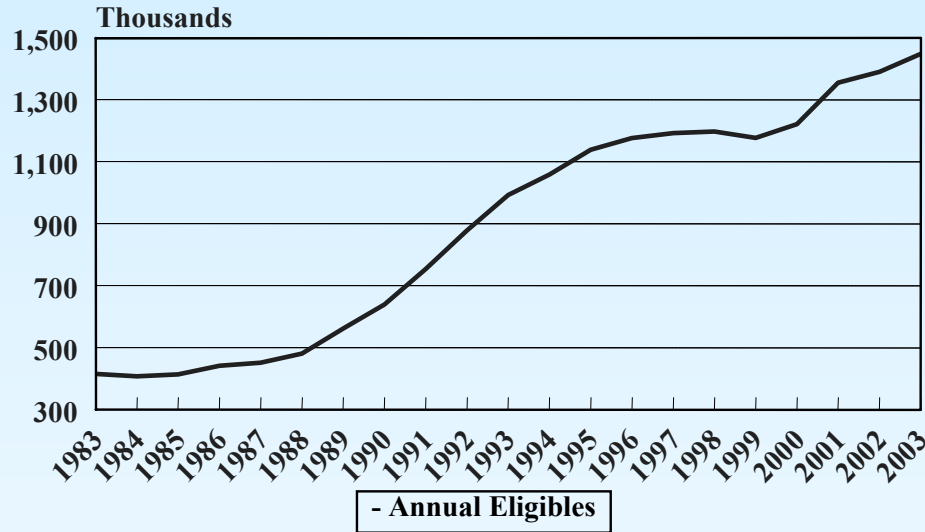
Eligibility Category	Number of Recipients	Expenditures	Annual Cost Per Recipient
Elderly	204,135	\$1,941,800,149	\$8,932
Aged	162,675	\$1,912,877,837	\$10,992
Medicare-Aid	41,460	\$28,922,311	\$665
Disabled	243,774	\$3,127,627,817	\$11,971
Families & Children	1,074,554	\$2,285,088,549	\$1,967
Aliens & Refugees	18,987	\$51,681,385	\$2,735

NOTE: The Aged and Medicare-Aid categories are subsets of the Elderly category.

MEDICAID RECIPIENTS

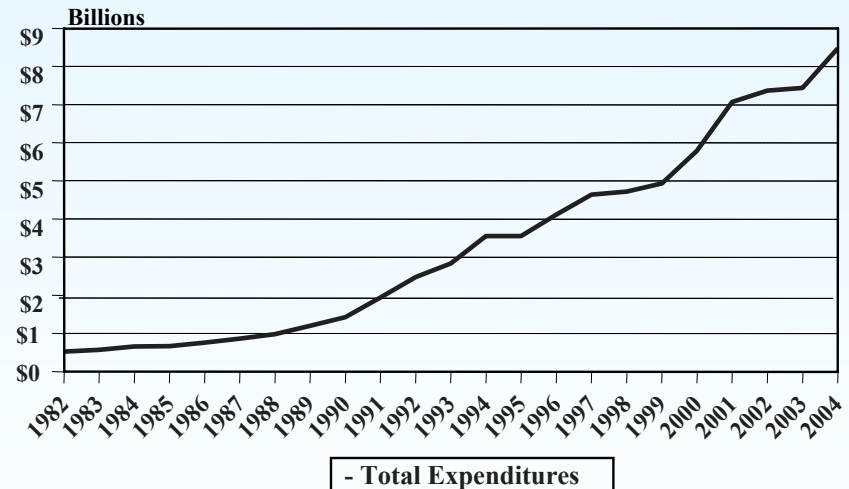
Medicaid Program

GROWTH IN ELIGIBLES AND EXPENDITURES



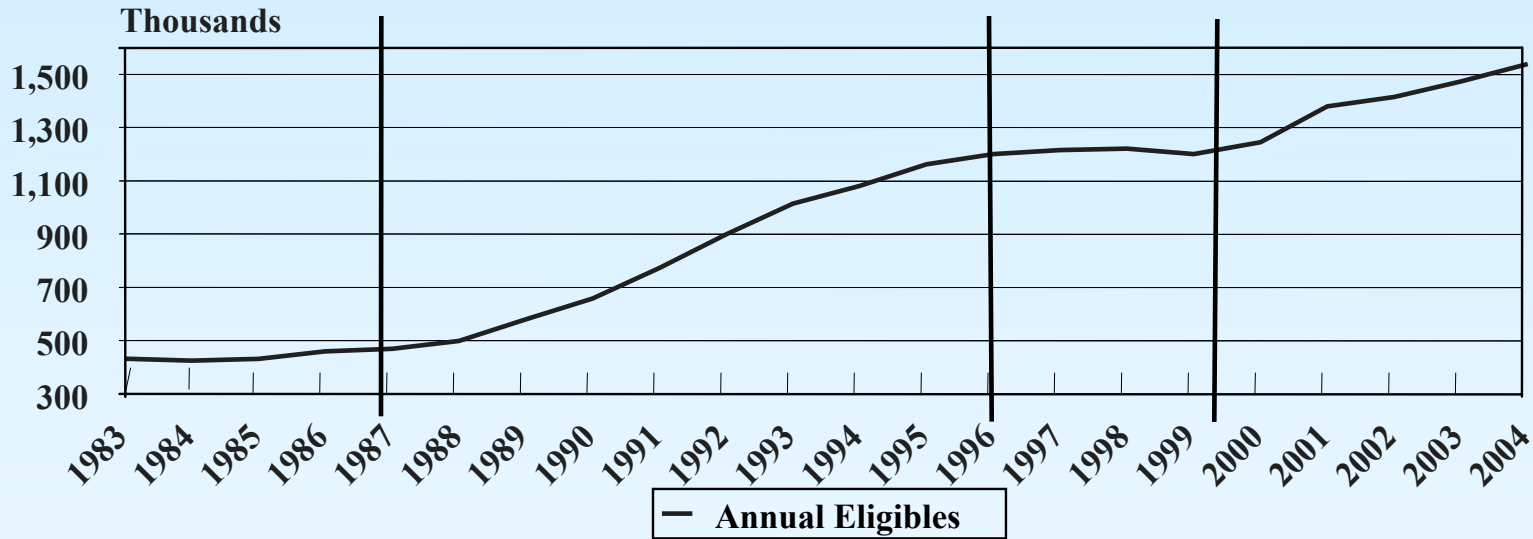
During the early 1980s, the number of eligibles did not grow significantly, and the rate of growth in expenditures for Medicaid was moderate.

Beginning in 1987, a series of mandated and optional eligibility expansions occurred and expenditures for Medicaid began to grow rapidly.



Medicaid Program

HISTORY OF ANNUAL ELIGIBLES



- ✓ Early 19980s - The growth rate for eligibles was flat because the economy was stable.
- ✓ 1987 through 1996 - A series of mandated and optional eligible expansions occurred, and welfare caseloads increased significantly during the economic downturn in the early 1990s.
- ✓ 1996 through 1999 - Welfare reform and the improved economy caused welfare caseloads to decline and actually decrease.
- ✓ 2000 through 2004 - Economic downturn caused enrollment to increase and the last major eligibility expansions were enacted.

Medicaid Program

MANDATORY ELIGIBILITY GROUPS

- Low Income Families and Children (Based on the AFDC State Plan as of July 16, 1996)
- Transitional Medicaid
- Aged, Blind, and Disabled SSI Recipients
- Infants born to Medicaid eligible women (to 185% of FPL)
- Children under age 6 (to 133% of FPL)
- Pregnant Women (to 150% of FPL)
- All Children born after 9/30/83 (to 100% of FPL)
- Recipients of Adoption Assistance and Foster Care
- Refugees/Aliens
- Certain Medicare Recipients
 - Dual Eligibles
 - Qualified Medicare Beneficiaries
 - Specified Low-Income Medicare beneficiaries
 - Qualified Disabled and Working Individuals

Note: FPL is the Federal Poverty Level

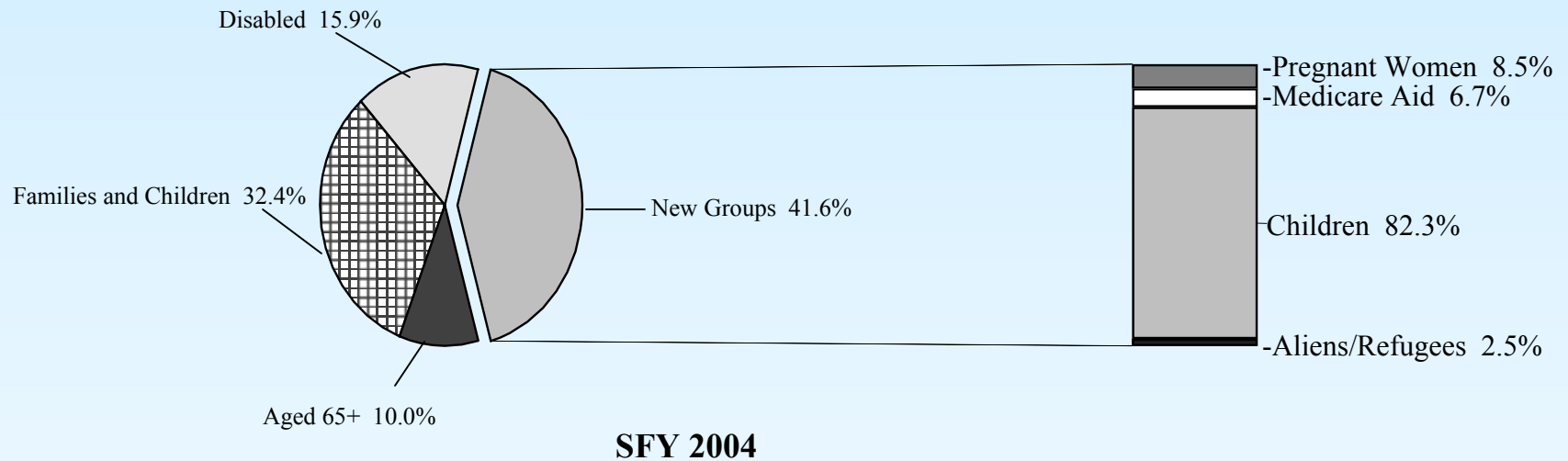
Medicaid Program

OPTIONAL ELIGIBILITY GROUPS

- Pregnant Women (150% to 185% of FPL)
- Children age 18, 19, and 20 meeting AFDC income standards
- Special Needs Adoptive Children
- Recipients of State/County Special Assistance
- Recipients of State Assistance to the Blind
- Persons receiving care under home and community-based waivers
- Aged, Blind, and Disabled persons presumed eligible for but not receiving SSI
- Aged, Blind, and Disabled persons with non-SSI income (to 100% of the FPL)
- Medically Needy Persons
- Women with Breast and Cervical Cancer (to 185% of FPL)

Note: FPL is the Federal Poverty Level

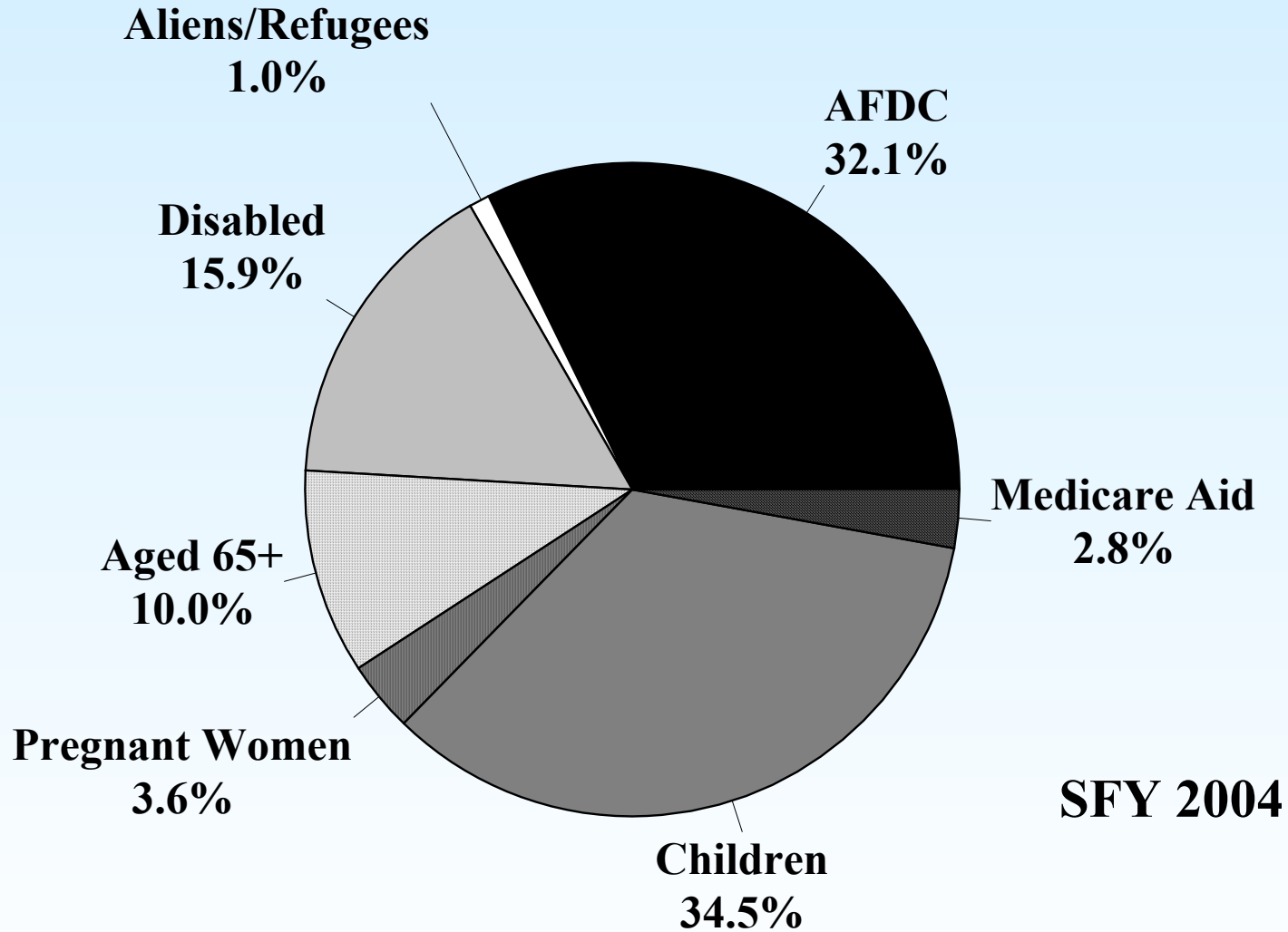
Medicaid Program NEW GROUPS SINCE 1987



When Medicaid began, the program focused on providing medical care for the disabled, aged, and families receiving welfare. Since 1987, Medicaid eligibility has been expanded to cover children, pregnant women, qualified Medicare beneficiaries, and aliens/refugees.

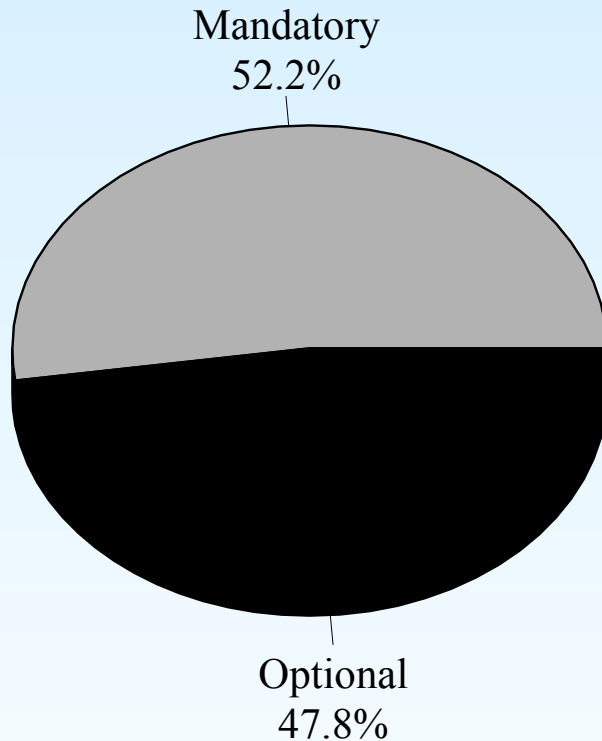
Medicaid Program

MEDICAID ELIGIBLES



Medical Assistance Payments

Mandatory Vs. Optional



**Mandatory Services and Eligibles
\$4.0 Billion**

**Optional Services and Eligibles
\$3.7 Billion**

Projected Expenditures for SFY 2004

PROGRAM CHANGES SINCE 1990

Medicaid Program

PROGRAM CHANGES SINCE 1990

Eligibility Expansions

- **Mandated**

- ✓ Increase children ages 11 to 19 coverage to 100% of FPL - Effective 7/1/94
- ✓ Increase children ages 1 to 6 coverage to 133% of FPL - Effective 10/1/90

- **Optional**

- ✓ Increase pregnant women and infant coverage to 150% of FPL - Effective 1/1/90
- ✓ Increase pregnant women and infant coverage to 185% of FPL - Effective 10/1/90
- ✓ Add adoptive children with special rehabilitative needs - Effective 10/1/94
- ✓ Automatic coverage of SSI eligible aged, blind and disabled persons - Effective 1/1/95
- ✓ Add non-SSI eligible aged, blind, and disabled persons to 100% of FPL - Effective 1/1/99
- ✓ Add women with breast and cervical cancer coverage to 185% of FPL - Effective 10/1/01

Note: FPL is the Federal Poverty Level

Medicaid Program

PROGRAM CHANGES SINCE 1990

Federal Revenue Maximization Efforts

- ✓ Intermediate Care Facilities for the Mentally Retarded
- ✓ Thomas S program (lawsuit)
- ✓ Willie M program (lawsuit)
- ✓ Adult Care Home Personal Care Services
- ✓ DSH Payments
- ✓ Health Departments & Area Mental Health Programs
- ✓ Health Related Services In Schools
- ✓ Administrative Claiming in Schools
- ✓ Provider Assessments for Nursing Facilities and ICF-MRs
- ✓ Targeted Case Management Services