

#### Department of Medical Assistance Services



# Medicaid Overview and Financing

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Medicaid Innovation and Reform Commission

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## **Presentation Outline**

Federal Overview of Medicaid

Medicaid in Virginia

Virginia Medicaid Financing

## **Federal Overview**

- Both Medicare and Medicaid were created on July 30, 1965, through the Social Security Amendments of 1965.
- **Medicare** is established in Title XVIII of the Social Security Act (SSA).
  - Provides health insurance to people who are either age 65 and over, or who meet other special criteria.
  - Administered by the U.S. government at the Centers for Medicare and Medicaid services (CMS).
  - Total Medicare spending is expected to reach \$536 billion for fiscal year 2012, or 15.6 percent of all federal spending. The only larger categories of federal spending are Social Security and defense.

# Medicaid Plays Many Roles In Our National Health Care System

#### Health Insurance Coverage

31 million children & 16 million adults in low-income families; 16 million elderly

### Assistance to Medicare Beneficiaries

9.4 million aged and disabled — 20% of Medicare beneficiaries

#### Long-Term Care Assistance

1.6 million institutional residents; 2.8 million community-based residents

#### **MEDICAID**

### **Support for Health Care System** and **Safety-Net**

16% of national health spending; 35% of safety-net hospital net revenues

#### State Capacity for Health Coverage

FY 2013 FMAPs range from 50% to 73.4%



### **Medicaid Fast Facts**

60 million	People in the United States with Medicaid coverage. Almost 20% of all Americans.		
\$427 billion	Projected Medicaid spending for FY 2010.		
1 million	Medicaid beneficiaries resulting from a 1% increase in unemployment; enrollment growth averaged 8.5% in FY2010, the highest increase in eight years.		
16 - 20 million	New Medicaid beneficiaries expected between 2014-2019 through health reform.		
41%	Births in the U.S. covered by Medicaid.		
28%	Children in the U.S. covered by Medicaid.		
29%	Medicaid beneficiaries under 65 who are from diverse racial/ethnic groups.		
49%	Medicaid beneficiaries with disabilities diagnosed with mental illness.		
5%	Medicaid beneficiaries account for nearly 60% of total program spending.		
41%	Total long-term care costs in U.S. financed by Medicaid; 34% of all Medicaid dollars used for long-term care.		
\$230 billion	Projected total Medicare and Medicaid dollars spent on the roughly 9.2 million people who are dually eligible, equaling roughly 39% of all Medicaid spending.		

### Medicaid and the Social Security Act

- Medicaid is established through Title XIX of the SSA.
- Often considered an "afterthought" to Medicare.
- Each state administers its own Medicaid program, however all rules and services must be approved by the federal government.
- All rules and services must also be approved at the state level.
- Each state submits a "State Plan for Medical Assistance" to CMS for federal approval.
- Title XIX requires that Medicaid services must be provided in the same *amount*, *duration*, *and scope* to all beneficiaries within a state.

# Children's Health Insurance Program (CHIP)

- Established in 1997 as Title XXI of the SSA.
- Previously called "SCHIP"
- Expands health insurance coverage to children whose family incomes exceed the amount allowed for Medicaid.
- Like Medicaid, CHIP is administered at the state level, but requires federal approval.
- States receive a higher match rate for CHIP (65/35 in VA).
- CHIPRA (the CHIP Reauthorization Act of 2009) reauthorized/expanded certain services (e.g., dental).

### Medicaid Waivers...

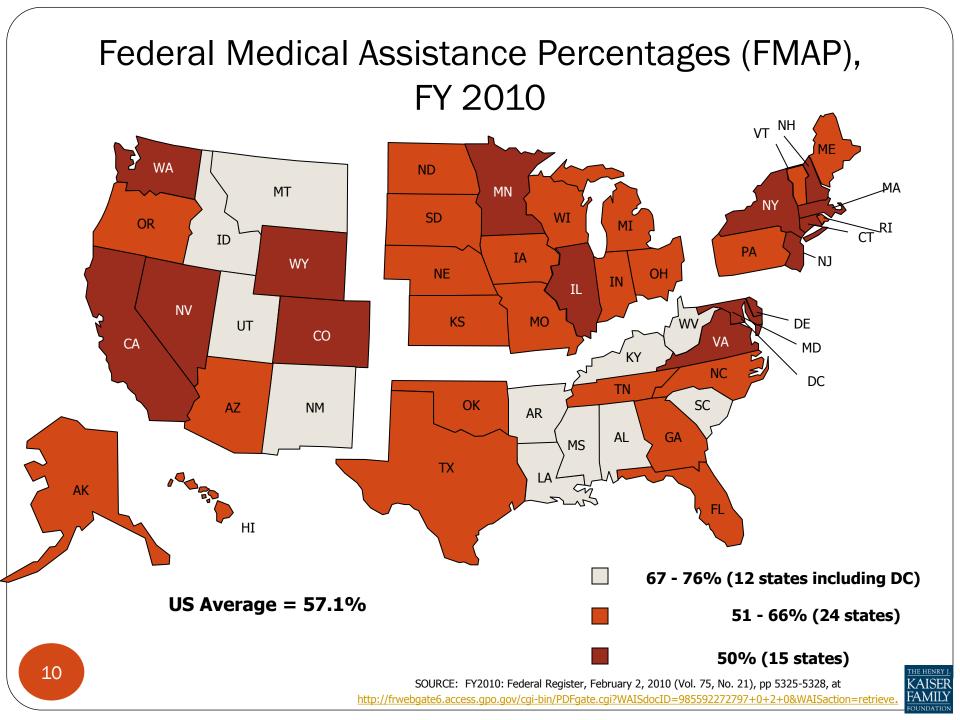
#### When states take the rules into their own hands

- When states want to develop programs and services that do not fit nicely into Title XIX, they submit applications to CMS to "waive" certain rules.
- Most often, waivers are used by states to:
  - Offer home- and community-based services (HCBS) so individuals can receive long-term supports in the community instead of in nursing facilities (§1915(c));
  - Require mandatory participation in managed care (§1915(b)); and
  - §1115 waivers when a state wants to implement innovative or broad based reforms

# Why do states care about federal approval?

# **MONEY!**

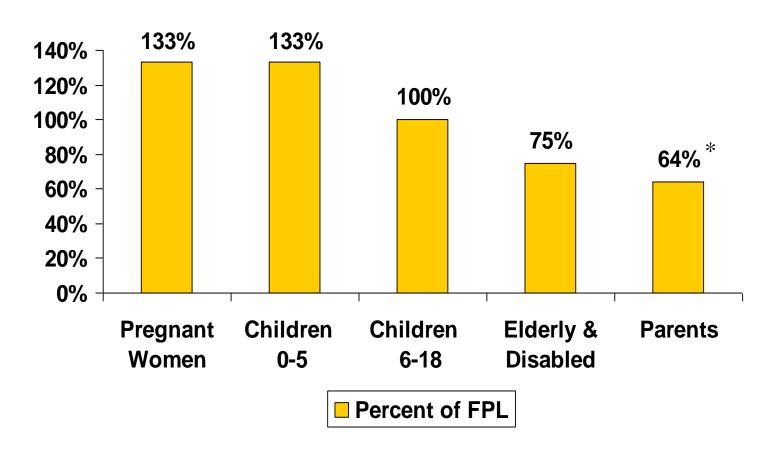
- Medicaid costs are shared by the federal and state governments. To receive federal funding, states must obtain federal approval for all programs and services.
- The amount of funding that a state receives from the federal government is called the Federal Medicaid Assistance Percentage or "FMAP."
- For majority of programs, 50% FMAP.



# Who is Eligible for Medicaid?

- Eligibility is EXTRAORDINARILY complex!
- Currently, to qualify for Medicaid, individuals must:
  - Meet financial eligibility requirements; *AND*
  - Fall into a "covered group" such as:
    - Aged, blind, and disabled;
    - Pregnant;
    - Child; or
    - Caretaker parents of children.
- Currently, Virginia Medicaid does **not** provide medical assistance for all people with limited incomes and resources.

# Federally Mandated Minimum Medicaid Eligibility Levels 2013



<sup>\*</sup> National median Medicaid income eligibility level

Source: Kaiser Commission on Medicaid and the Uninsured; Sept., 2011

# 2013 Federal Poverty Level (FPL) Guidelines

	Annual Family Income			
Family Size	100% FPL	133% FPL	185% FPL	200% FPL
1	\$11,490	\$15,528	\$21,257	\$22,980
2	\$15,510	\$20,629	\$28,694	\$31,020
3	\$19,530	\$25,975	\$36,131	\$39,060
4	\$23,550	\$31,322	\$43,568	\$47,100
5	\$27,570	\$36,669	\$51,005	\$55,140

Source: 2013 Federal Poverty Guidelines, U.S. Dept. of Health and Human Services

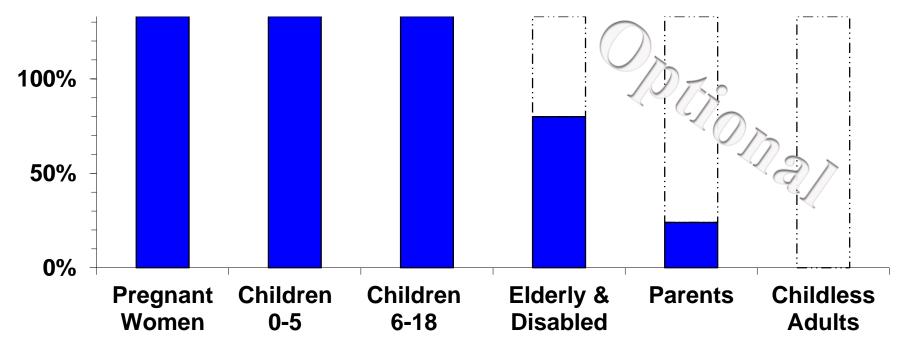
# Virginia's Current Medicaid Program

### When Compared to other states:

- Virginia ranks 24<sup>th</sup> in Medicaid spending per recipient.
- Virginia ranks 48<sup>th</sup> in Medicaid spending per capita.
- No coverage for childless adults

# Virginia Medicaid Eligibility

- The Supreme Court effectively ruled that the Medicaid Expansion was optional for states
- This ruling causes the expansion to be a policy choice for Virginia, as opposed to a federal mandate



### What Services Does Medicaid Cover?

#### **Mandatory**

- Inpatient Hospitalization
- Outpatient Hospital Services
- Physicians' Services
- Lab & X-Ray Services
- Home Health
- Nursing Facility Services
- Early and Periodic Screening,
   Diagnostic and Treatment
   (EPSDT) Services for Children
- Non-Emergency Transportation

#### **Optional**

- Prescription Drugs
- Eyeglasses & Hearing Aids (Children Only)
- Organ Transplants
- Psychologists' Services & other Behavioral Health Services
- Podiatrists' Services
- Dental Services (Children Only)
- Physical, Occupational and Speech Therapies
- Rehabilitative Services
- Intermediate Care Facilities for Individuals with Intellectual Disabilities
- Case Management (only through select HCBS waivers)
- Emergency Hospital Services
- Hospice
- Prosthetic Devices
- Home and community based care, such as Personal Care (only through HCBS waivers)

# Medicaid Service Delivery Structure (Current)

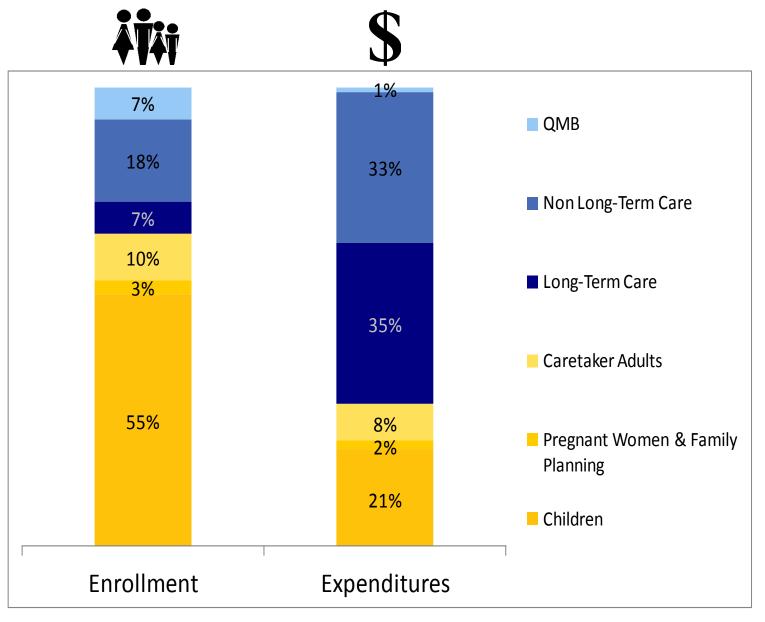
#### Fee-for-Service

- Directly administered by the state.
- Participants typically fall into these groups:
  - New enrollees waiting for MCO assignment
  - Individuals receiving Home- and Community-Based services
  - Individuals in LTC settings
  - Individuals with other insurance
  - Dual eligibles (Medicaid and Medicare enrollees) (moving to MCOs in 2014)
  - Foster Care Children (moving to MCOs this year)

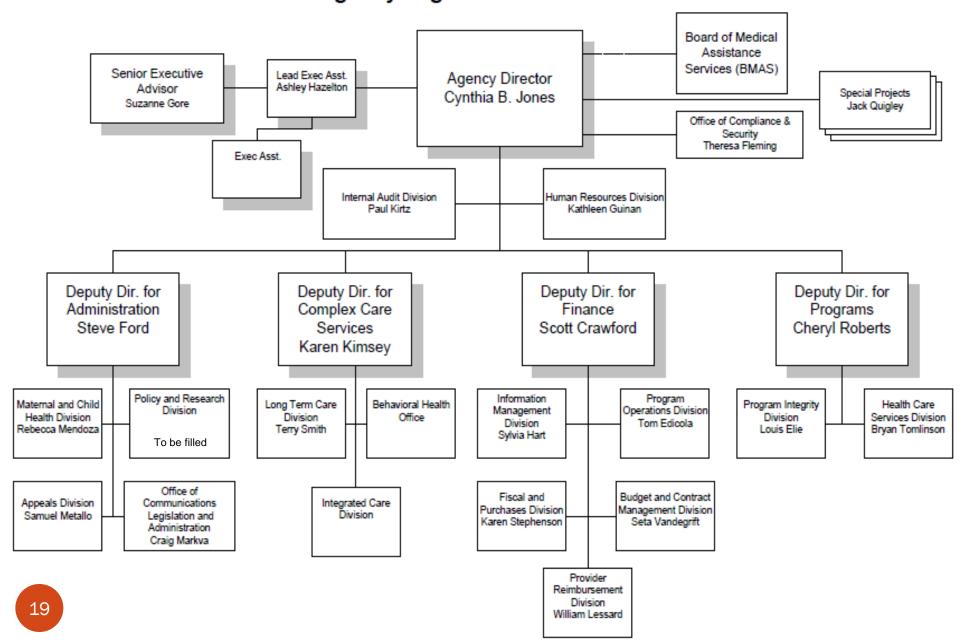
### **Contracted**

 MCO: Managed care organizations provide care to beneficiaries through contracts with the state. Sometimes the MCOs do not provide certain services. These services are referred to as being "carved out." (E.g., community mental health and dental for children)

### Virginia Medicaid: Enrollment v. Spending



# Department of Medical Assistance Services Agency Organization Structure





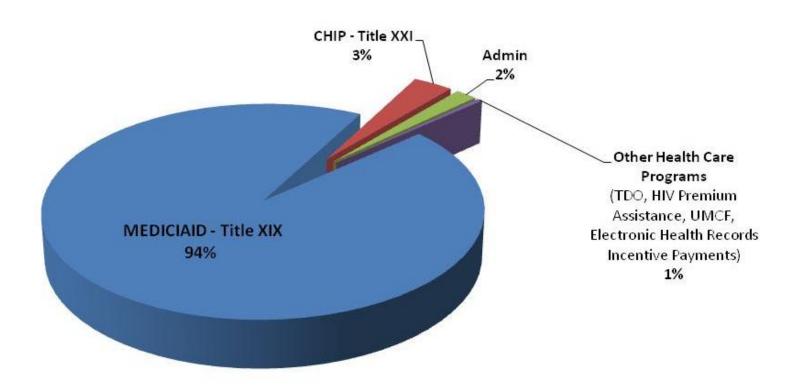
#### Department of Medical Assistance Services



# Explaining the Cost of the Virginia Medicaid Program

Dr. William A. Hazel, MD
Secretary of Health and Human Resources
Medicaid Innovation and Reform Commission
June 17, 2013

# DMAS Budget by Program SFY 2013

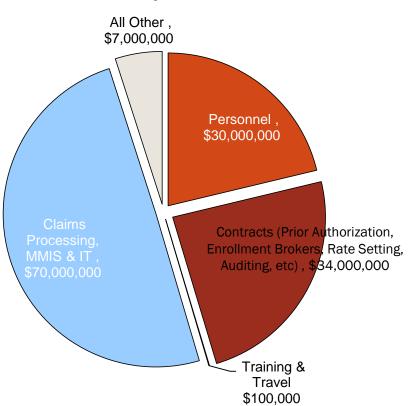


#### Notes:

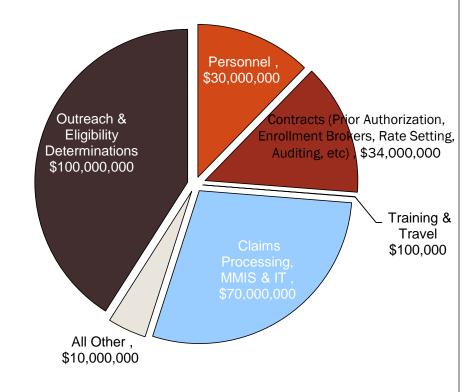
Again, Administration figures shown here reflect funding at DMAS; there is approximately an additional \$120 million (\$60m GF/\$60m NGF) spent by other state agencies in support of the Medicaid and CHIP programs. So the total administrative expenditures for the Virginia Medicaid program are \$266 million (approx 3% of total program expenditures).

# Administrative Budget Expenditures SFY 2012

#### **DMAS Expenditures**



### Total Medicaid Administrative Expenditures (Includes Eligibility Determinations)



#### Notes:

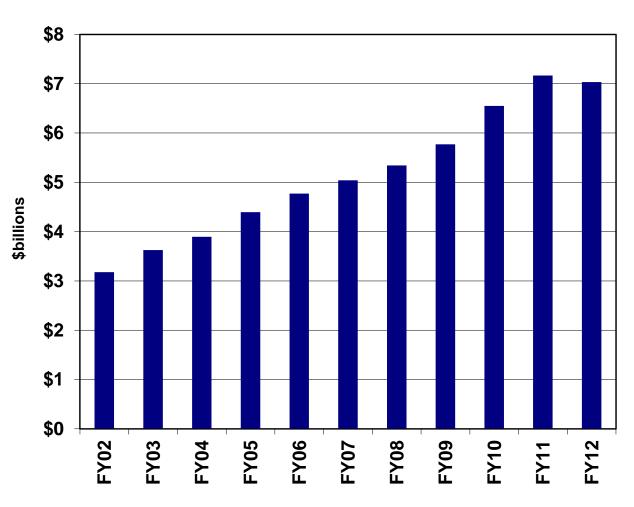
Expenditures shown here reflect total funds.

All Other expenditures include legal fees, rent, parking, printing. Assessments and screenings are included in the second graph.

# Virginia Medicaid Expenditures

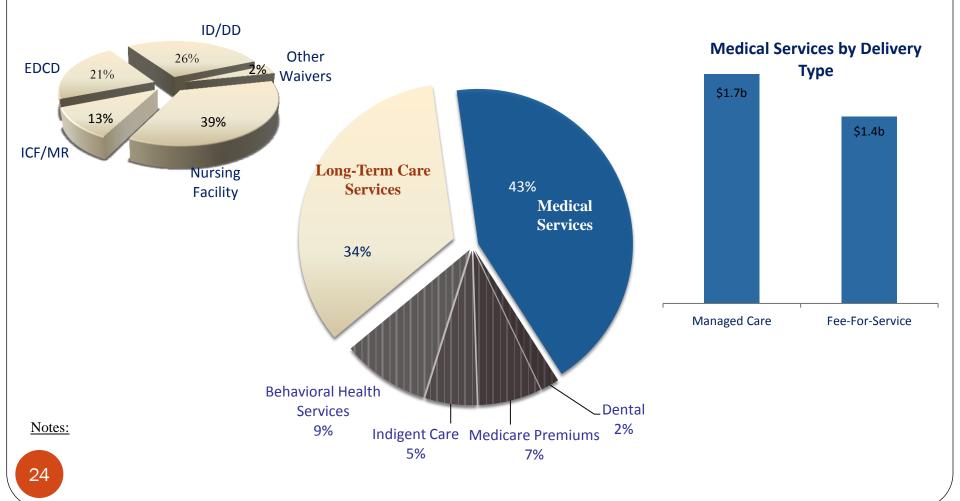
# Top Expenditure Drivers:

- Enrollment Growth: Now provide coverage to over 400,000 more members than 10 years ago (80% increase)
- Growth in the U.S. cost of health care
- Growth in Specific
  Services: Significant growth in expenditures for Home & Community Based LTC services and Community
  Behavioral Health services



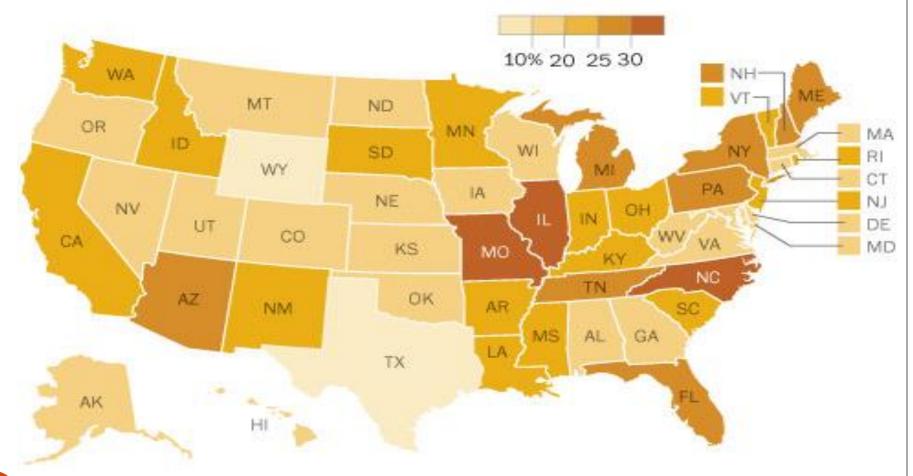
# Composition of Virginia Medicaid Expenditures – SFY 2012

#### **Long-Term Care Expenditures**

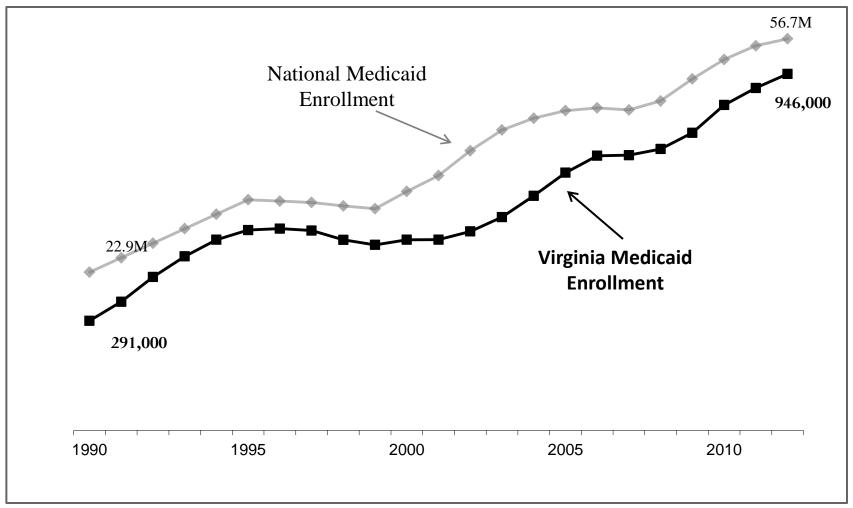


# Medicaid as a Percent of Total State Expenditures

Medicaid as a percentage of total expenditures in 2010



### **Medicaid Enrollment**



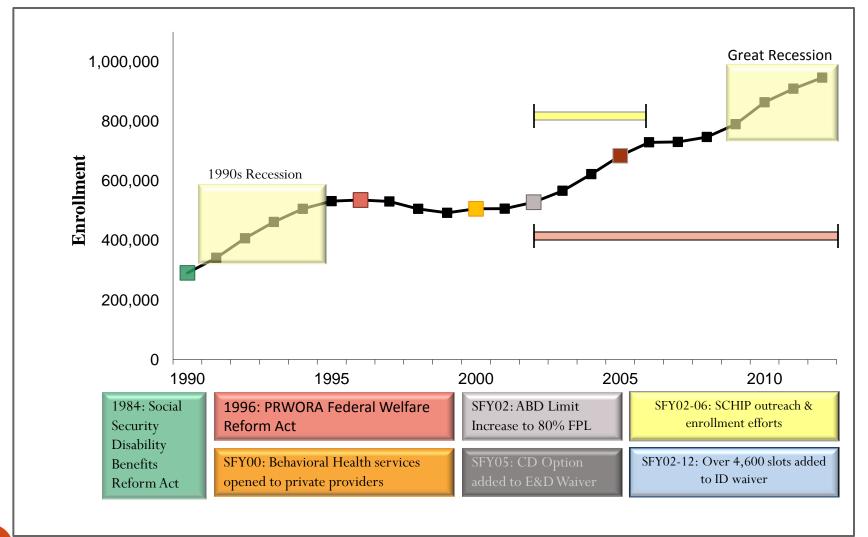
Note: For the purposes of this presentation, the term "Medicaid" is used to represent both Virginia's Title XIX Medicaid and Title XXI CHIP programs.

Source: National Medicaid Enrollment - 2010 Actuarial Report On The Financial Outlook For Medicaid. Office of the Actuary, Centers for Medicare & Medicaid Services, and the U.S.

Department of Health & Human Services

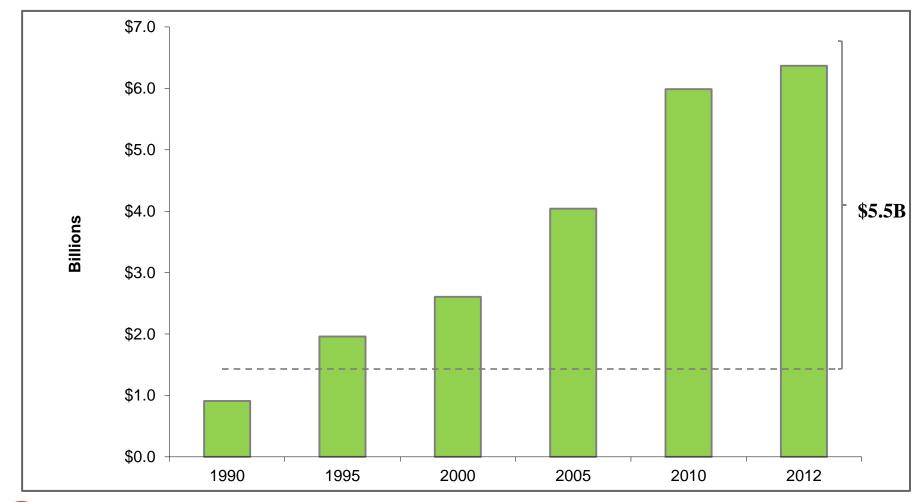
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## Economic Conditions and Policy Changes Affecting the Virginia Medicaid Program



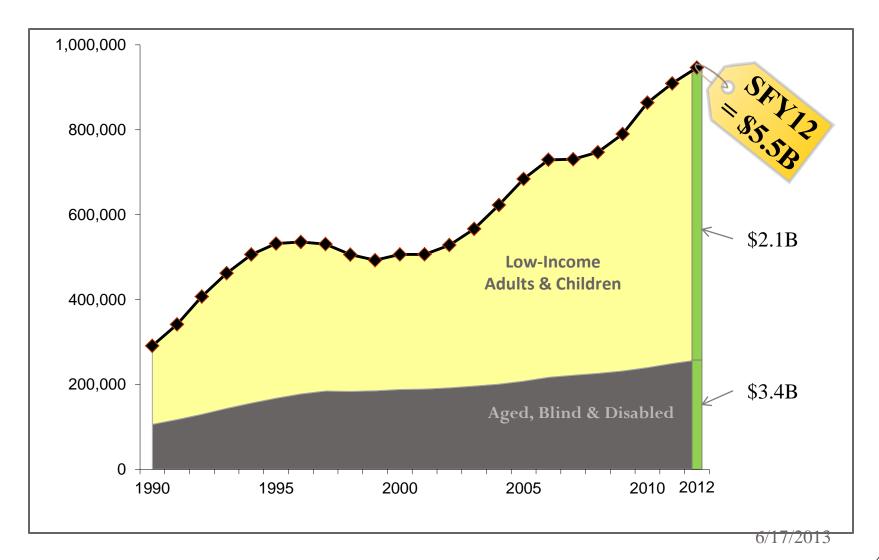
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# Growth in Medicaid Program Costs 1990-2012

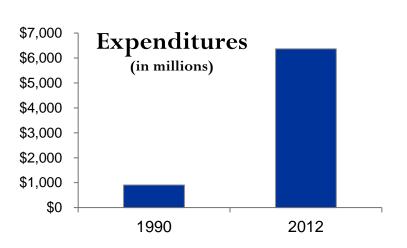


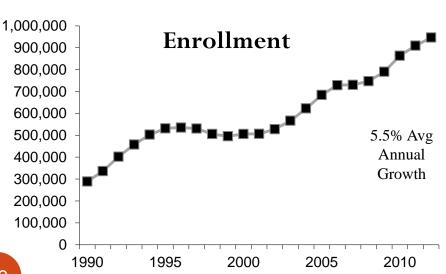
Source: Virginia Department of Medical Assistance Services. Medicaid & CHIP program expenditures (total funds) associated directly with recipient claims, excludes post payment settlements and indigent care payments. 6/17/2013

# Growth in Medicaid Program Costs by Enrollment Category

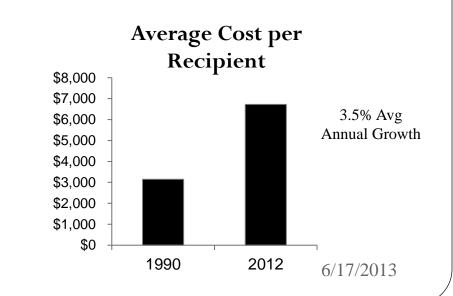


# Medicaid Program Snapshot: TOTAL



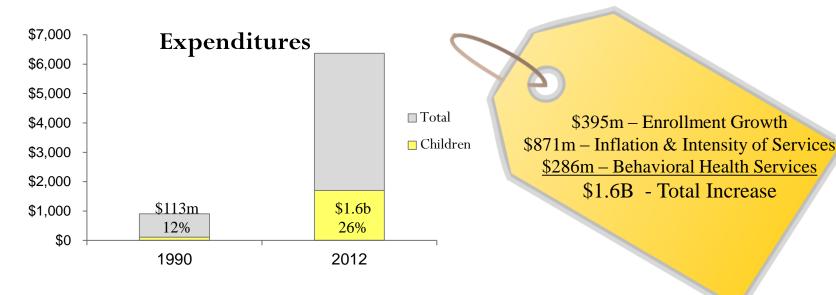


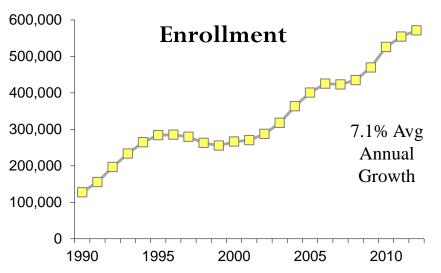
Factors that Contribute to Increased Expenditures	Increase in Millions	% of Total Increase
1. Enrollment Growth		
Non-Disabled Adults & Children	\$523	10%
Aged & Disabled	\$734	14%
2. Inflation & Intensity of Services		
Non-Disabled Adults & Children	\$1,233	23%
Aged & Disabled	\$2,331	43%
3. Behavioral Health Services	\$572	11%
SUBTOTAL	\$5.5B	100%

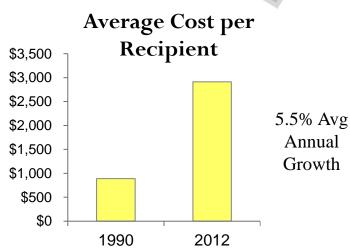


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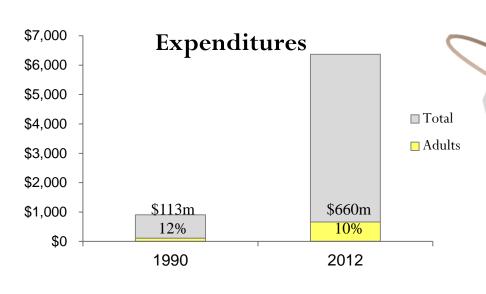
# Medicaid Program Snapshot: Children



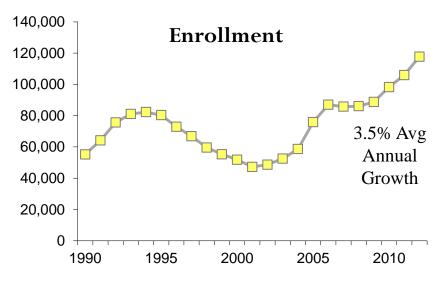


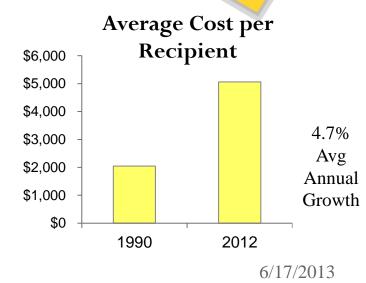


## Medicaid Program Snapshot: Non-Disabled Adults

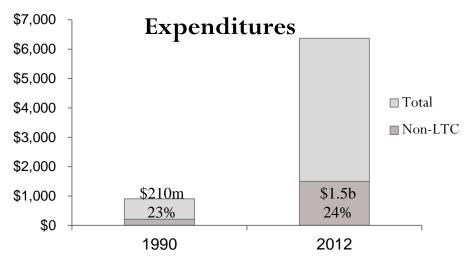


\$128m – Enrollment Growth \$362m – Inflation & Intensity of Services \$57m – Behavioral Health \$547m – Total Increase

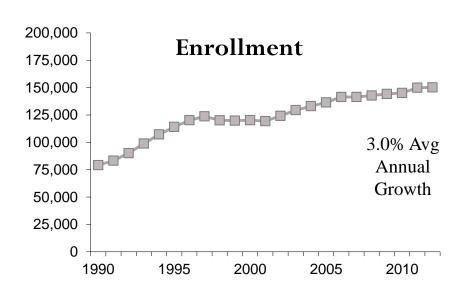


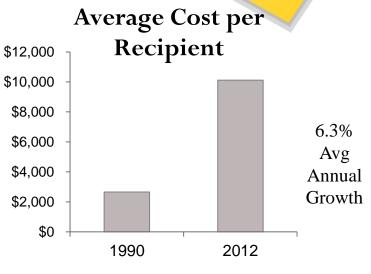


### Medicaid Program Snapshot Aged & Disabled Adults: Not in Long-Term Care



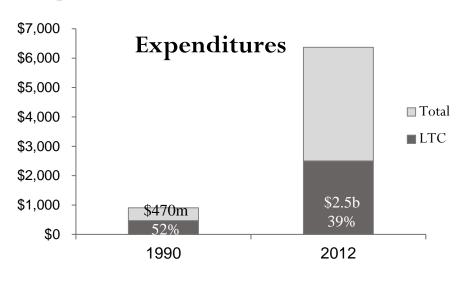
\$189m – Enrollment Increase \$895m – Inflation & Intensity of Services \$225m – Behavioral Health \$1.3 B – Total Increase





6/17/2013

### Medicaid Program Snapshot Aged & Disabled Adults: Long-Term Care



\$ 545m - Enrollment Increase \$1,436m - Inflation & Intensity of Services \$ 4m - Behavioral Health \$2.0 B - Total Increase

